

## 3 Promoting job security and strong, sustainable wage growth

### Main points

- The Government will seek to promote a labour market with jobs that are safe, secure, fairly paid and provide mutually beneficial flexibility.
- Real wage growth is a key element of increasing living standards. In the long-term, it depends on the combination of productivity growth, a dynamic and competitive labour market and effective wage-setting institutions. A system of minimum wages, bargaining and a culture of genuine workplace cooperation can support both higher productivity and higher wage growth for workers.
- The benefits of productivity growth must be shared fairly. The workplace relations safety net includes minimum terms and conditions of employment including the National Minimum Wage, Modern Awards and the National Employment Standards, but these protections do not cover all low-paid workers.
- Labour market dynamism, characterised by job switching and labour mobility, is important for employers and workers who both benefit from better job matches. Job switching promotes higher wage growth, while mobility more broadly plays an important role in ensuring we can adjust to structural change.
- Not all workers are fairly paid. The gender pay gap remains an ongoing challenge, and some groups are more impacted by exploitation. The Government wants all workers to benefit from fair pay for the work they do.

### 3.1 Our objective is promoting decent jobs with strong and sustainable wage growth

Australians have one of the highest levels of median wealth in the world, access to high-quality jobs, and incomes well above the OECD average.<sup>1</sup> This has benefited generations of workers and has helped attract people from across the globe. Australia's skilled workforce and business environment have enabled productive industries to grow, supporting growth in secure jobs and lifting living standards.

Those in paid work generally experience lower mortality rates, better physical and mental health, and better subjective wellbeing than the unemployed.<sup>2</sup> However, lower quality work – for example, work that is unsafe or insecure – does not offer the same benefits. Jobs with low or irregular pay, or that have unpredictable working hours, reduce the capacity of a person to plan their lives. These jobs can also significantly impact workers' financial security, including making it more difficult to access finance. This limits workers' ability to deal with financial shocks, their ability to start a business and has



implications for their standard of living in retirement. Employers can also find the turnover and productivity of their workforce suffers when workers are employed through insecure arrangements.<sup>3</sup>

Several factors contribute to the quality of work. The OECD's framework for measuring and assessing 'job quality' includes earnings, labour market security and the working environment. This is similar to the International Labour Organization's definition of 'decent work' which includes fair income, security in the workplace, opportunities for productive work, personal development and social integration. While there is some variation in what matters most to people, safety, security and fair pay are fundamental components of job quality.

### 3.1.1 Safety and treatment in the workplace

The safety of work in Australia has improved significantly over time. Since 2000–01, serious injuries per million hours worked have decreased by 31 per cent, and serious injuries per thousand employees have decreased by 35 per cent. These outcomes are consistent with the long-term concerted effort from businesses, unions and governments to improve workplace safety through regulation, training and technology adoption. As discussed in Chapter 4, embracing new technologies can make workplaces safer as well as more productive, with routine or dangerous tasks replaced by automation.

Safety at work is more than avoiding physical injury. Workplace sexual harassment continues to be an unacceptable feature of Australian workplaces, driven by the power disparities caused by gender inequality. Between 2017 and 2022, 41 per cent of women and 26 per cent of men experienced sexual harassment at work.<sup>4</sup> Gender inequality intersects with other forms of discrimination and disadvantage to compound the risk of harassment. Young people, Aboriginal and Torres Strait Islander people, people who identify as LGBTIQ+, and people with disability all face a disproportionate risk of sexual harassment.

Safe and inclusive workplaces are free from discrimination and enable people to be themselves at work. A 2022 report found that one in two First Nations people had experiences of exclusion or discrimination at work in a 12-month period. This is over twice the rate for non-Indigenous people. Discrimination is also high for people with disability and LGBTIQ+ people, with 45 per cent facing exclusion or discrimination.<sup>5</sup>

### 3.1.2 Security and flexibility of work

Job security has a critical impact on workers' financial security, as well as their experience at work. Cross-disciplinary studies in epidemiology, psychology and economics have shown a strong connection between job insecurity and poor physical and mental health, and therefore job performance and firm productivity.<sup>6</sup> Further, the mental health benefits associated with moving into employment are lower if the job is not secure.<sup>7</sup> The evolution of Australia's labour market to become more flexible has challenged the existing protections that seek to provide workers greater security at work.

#### Aspects of job security

Job security is broadly understood as encompassing a worker's reasonable certainty about tenure of employment, pay, and conditions. By contrast, a worker lacks security if they do not have tenure, experience irregular pay, have unpredictable work patterns, and have limited or no entitlement to leave and redundancy payments. A worker's perception of job security can also be influenced by



broader economic or industry conditions, which can affect the probability of retrenchment or termination, and the ability to find new work if they become unemployed.

While workers have not become more likely to lose their job, many workers are aware the nature of work is changing at a rapid pace, and they are unlikely to stay with their current employer for their whole career. By 2040, nine out of ten Australians between 21 to 65 years of age are expected to have changed occupations at least once.<sup>8</sup>

Job security varies across different forms of employment, in accordance with the rights and entitlements provided to workers, and the ease with which an employer can change conditions or terminate employment. Permanent jobs are the most secure form of employment because they guarantee a base salary and entitlements to workers, including leave and redundancy payments.

Forms of employment have become more diverse in recent decades, including the emergence of new, less-secure forms of work. The 1980s and 1990s saw significant growth in casual work. The proportion of employees in casual work increased by 41 per cent between 1986 and 1996, before stabilising in the late 1990s. In 2023, around 19 per cent of workers were in casual work. The growth of casual work occurred at the same time as growth in services industries, and as young people increasingly combined work and study and more women entered the workforce.

Casual arrangements align with the preferences of some workers. For example, some young people value the flexible hours and loading that comes with casual employment where it helps them balance work and study, or if they do not intend to stay in the job for long. For workers with caring responsibilities, casual work can also facilitate extended absences, for example over school holiday periods. However, while the flexibility of casual roles has allowed some people to find work more suitable for them, it also means a significant proportion of the labour force does not have the guarantee of regular work patterns, entitlement to paid leave, or compensation if retrenched.

More recently, the rise of the gig-economy and online platform-based work has resulted in a step change increase in flexibility, and reduced security for some workers. While estimates vary, around 7 per cent of workers are estimated to have offered work on a digital platform at some point in 2019, a significant increase on the 0.5 per cent of workers in 2015.<sup>9</sup> For 97 per cent of gig workers, platform-based work is not their only source of income.<sup>10</sup> The highly flexible nature of gig work is particularly suited to second jobs because it gives workers the ability to work on-demand, and may have facilitated the 22 per cent increase in people holding multiple jobs over the last decade (from 5.4 per cent to 6.6 per cent).

By intermediating between gig workers and their customers, digital platforms have introduced a new pattern of work. Gig workers are typically engaged as independent contractors, without the rights and entitlements of 'employees' or autonomy over their work and freedom to set their own prices that independent contractors traditionally have. Minimum standards are necessary to ensure gig workers are not left vulnerable to exploitation and unsafe work, and the benefits of the model are better shared with workers. The Government is acting to allow the Fair Work Commission to set minimum standards for employee-like workers via digital labour platforms who have low bargaining power, low authority over their work and are paid less than employees performing similar work.

Labour hire arrangements (2.3 per cent of workers in 2023) can provide legitimate and reasonable flexibility for employers to meet business demands. For example, a business may use labour hire to meet a short-term increase in demand. This time-limited use can be appropriate. However, when labour hire arrangements are used on an ongoing basis for non-specialist roles, they can undermine the bargaining position and undercut the conditions of permanently engaged workers.



More broadly, 8.3 per cent of workers, including skilled tradespeople and professionals, are in independent contracting arrangements, which provide these workers with more control over their workload and greater agency in choosing the work they do. While the proportion of independent contractors has remained stable, between 2014 and 2022, the number of people working under these arrangements has grown considerably in the education and training (32 per cent), transport (36 per cent), and health care and social assistance industries (95 per cent).<sup>11</sup>

Issues arise when employers use less secure forms of employment for purposes for which they were not intended. For example, while some people prefer casual work because it allows greater flexibility, 60 per cent of casual workers work regular hours. Labour hire arrangements also have scope to be misused when positions are ongoing. Misuse of casual, gig, labour hire and/or independent contracting work arrangements is more likely to occur when workers have little agency in deciding how they are engaged, which increases the importance of ensuring workers have opportunities to convert to more secure forms of work if it is their preference. To promote secure work where appropriate, the *Fair Work Act 2009* restricts the use of insecure work arrangements in some circumstances by providing a mechanism for casual employees to convert to permanent employment, and limiting employers' ability to offer rolling fixed-term contracts.

The workers with the lowest self-perceived job security – younger workers, casual workers, and non-union members – are often those most exposed to emerging forms of insecure work. Migrants are more likely to be in labour hire roles than people born in Australia, and gig workers in the transport industry are more likely to come from a non-English speaking background. Women are more likely than men to be in jobs without leave entitlements, and young people (15 to 24 years old) have the highest share of non-permanent employment out of all age groups. The concentration of these cohorts in less secure forms of work reinforces the importance of strong protections, as well as mechanisms to convert these arrangements so more workers can access secure work.

## Access to flexible work

Over recent decades, the Australian economy has transformed to become more services-oriented, with more part-time roles available, and more people engaging in flexible forms of work. About 60 per cent of employees have flexible start and finish times, and around half can work from home.<sup>12</sup> These forms of flexibility can give workers agency and are positively associated with job satisfaction. They have allowed more people to find employment that better suits their needs, in particular, people with reduced capacity to undertake full-time work. These arrangements allow businesses to access a broader talent pool, supporting increased hiring diversity and firm productivity. Flexibility built into job design, such as job sharing, can facilitate greater labour force participation of workers with caring responsibilities, many of whom are women. It can also support participation of First Nations workers who have cultural responsibilities, and help people manage their disability. However, these changes have also introduced new challenges to ensuring jobs provide adequate security and people have equitable access to flexibility.

Not all jobs can offer all forms of flexibility. However employers should consider providing equal access to flexibility when designing roles. Workers in white collar jobs such as managers and professionals, who typically have higher incomes and education levels, are more likely to be able to work flexibly.<sup>13</sup> About 10 per cent of jobs advertised on Seek in August 2023 offered a working from home option, and this option was offered for around a third of roles in some professional industries such as insurance, superannuation, consulting and ICT.<sup>14</sup>

As flexibility becomes more common, it will be increasingly important for the workplace relations framework to support mutually beneficial arrangements. In some instances, flexibility is used to



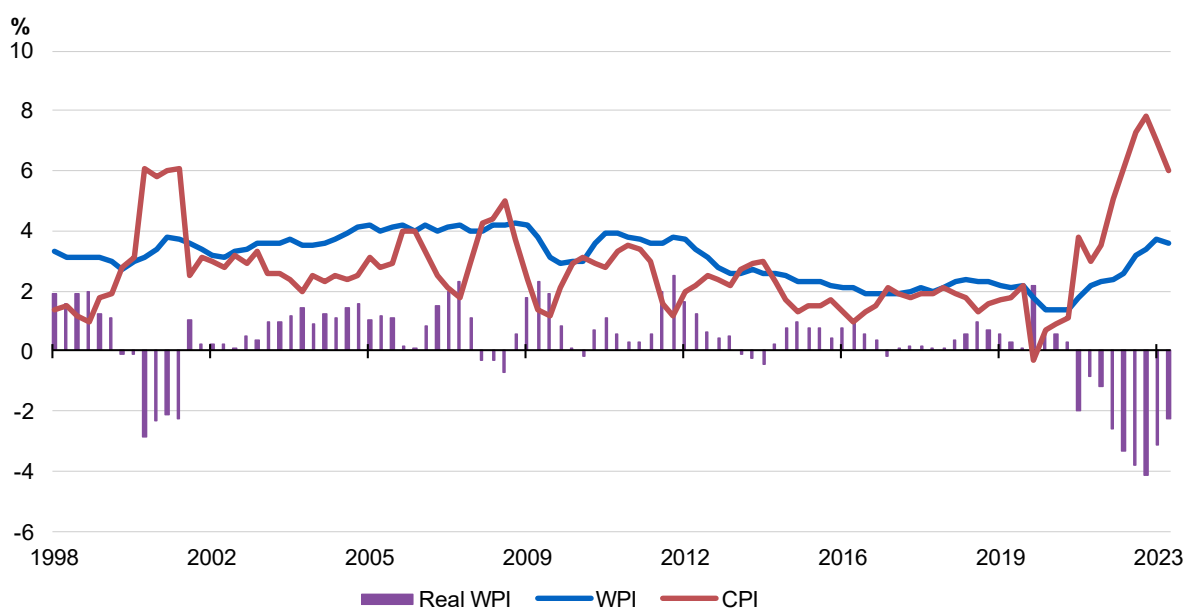
describe insecure work, where employers unilaterally control conditions such as rosters and hours without providing employees any say over their working arrangements. These arrangements can lead to unpredictable schedules and highly variable incomes, which makes it more challenging for employees to balance work and other demands on their time.

Opportunities to work flexibly also vary. For some workers, access to flexible work arrangements can come with an implicit trade-off of slower career advancement, less access to professional development and lower pay (discussed further in Section 3.3). For workers who need access to flexible work arrangements, this differential treatment limits their earnings and career potential. For many men, an inability to access flexible work (whether because of the type of job, social expectations, or refusal of requests for flexibility) can limit their ability to participate in caring responsibilities, which further compounds the gendered division of paid and unpaid work across Australia. This uneven split is a key barrier to closing the gender pay gap and increasing women’s workforce participation (discussed further in Section 3.3 and Chapter 6).

### 3.1.3 Promoting wage growth and ensuring fair pay

Wage growth in Australia has been subdued over the past decade, though the beginnings of stronger wage growth have recently emerged. Chart 3.1 shows that, prior to the COVID-19 pandemic, wage growth averaged 2.7 per cent a year from 2010 to 2020 compared to an average of 3.7 per cent in the 10 years prior. Real wages have been declining since 2020 and are lower than their level a decade ago. Several factors contributed to lower real wage growth over the past decade, including lower productivity growth, an extended period of spare capacity in the labour market resulting in lower bargaining power for workers,<sup>15</sup> as well as high inflation, and lower enterprise bargaining coverage.

Chart 3.1 Wage growth and inflation



Source: ABS Wage Price Index, Australia, June 2023; ABS Consumer Price Index, Australia, June 2023.



Wage growth has picked up over the past year to be at its highest level in a decade. This has been driven by competition for workers in a tight labour market and the Government's advocacy to the Fair Work Commission to provide a pay rise for aged care workers and the largest ever increase in minimum and award wages. The Government allocated \$11.3 billion to fund the Fair Work Commission's interim increase of 15 per cent to award wages for many aged care workers in the 2023–24 Budget. Real wage growth is forecast to be positive from 2023–24, as inflationary pressures are expected to continue to subside and wage growth remains strong.<sup>16</sup>

## Labour market institutions support wage growth

Australia's labour market institutions are designed to ensure all workers share fairly in the benefits of economic growth and productivity improvements, and are entitled to minimum standards. The National Minimum Wage and the Modern Awards system provide a safety net of minimum standards for wages.

In recent years, increases to the rates of pay in Modern Awards and the National Minimum Wage have been larger than wage rises in the broader economy.<sup>17</sup> These increases have applied directly to the 23 per cent of the workforce that earn award wages, and have indirectly informed pay rises for many other workers, particularly those at the lower end of the pay distribution. This has contributed to stronger nominal wage growth for workers at the bottom of the wage distribution over the past decade.<sup>18</sup>

The 11 National Employment Standards (NES) guarantee minimum conditions for all employees, covering maximum weekly hours, leave, holidays, redundancy pay, as well as rights to request flexible working arrangements, unpaid parental leave, and permanent employment. Modern Awards provide industry and occupation-specific minimum conditions beyond those specified in the NES. However, workers engaged outside an employment relationship (including care, transport and rideshare workers in the platform economy) lack access to nearly all the protections of the safety net.

## Effective bargaining can support wages and productivity

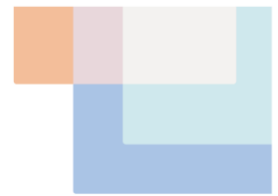
Bargaining at the workplace level can provide higher wages and conditions, and more productive workplaces. By allowing workers to seek wages and conditions above the safety net and facilitating agreements that enhance work and management practices, bargaining can support more productive businesses.<sup>i</sup> Collective bargaining can also promote more cooperative employee and employer relations. This in turn can facilitate innovation, greater acceptance of new technology and fostering of skills growth for employees – all of which enhance productivity.

Enterprise agreements standardise pay structures within businesses and reduce variance in pay for similar roles. Collective agreements reduce pay differences among workers doing the same work, through greater pay transparency which makes it more costly to treat workers differently.<sup>19</sup>

Broadening access to collective bargaining can help narrow gender inequalities in pay structures. Disparities between men and women within occupations are smaller when both genders have their pay set out in a collective agreement.<sup>20</sup> This is because individual forms of pay setting, such as individual contracts, result in worse salary outcomes for women.<sup>21</sup>

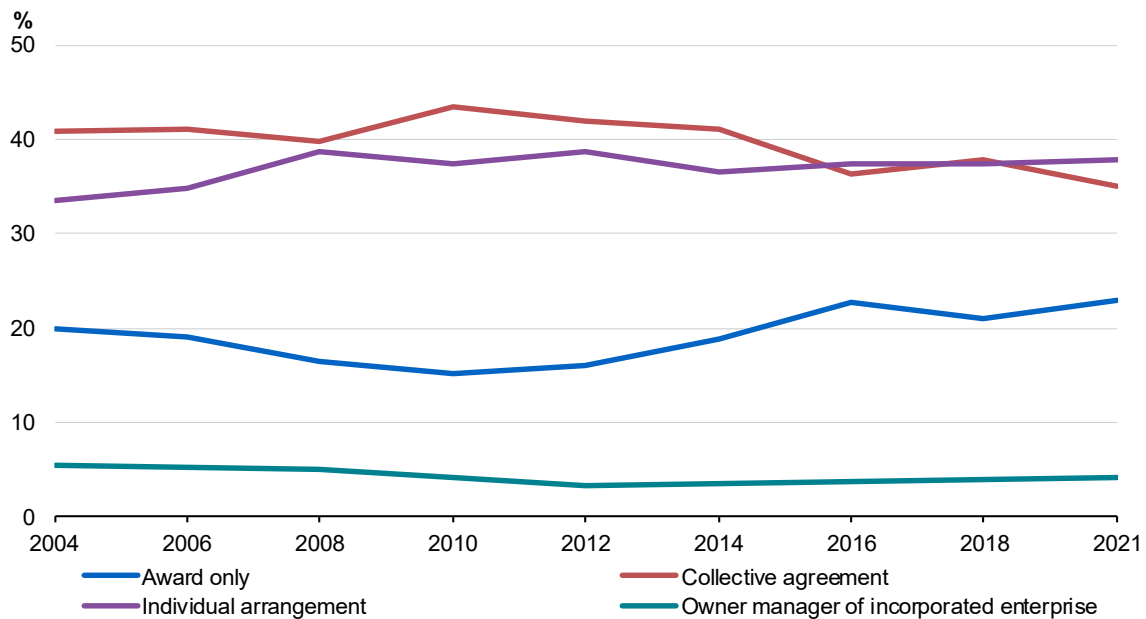
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i Where workers are not covered by enterprise or individual agreements, their working conditions are set by the minimum standards provided under Modern Awards and the National Employment Standards.



The introduction of enterprise bargaining in the 1990s promoted agreement making at the workplace level and resulted in the award system serving as a safety net instead of the primary method of wage fixing. However, collective agreement coverage has declined by 8 percentage points since 2010, replaced by a greater reliance on Modern Awards (Chart 3.2). This highlights the importance of reinvigorating bargaining, given its role in promoting productivity growth.

Chart 3.2 Method of setting pay, proportion of employees



Source: ABS Employee Earnings and Hours, Australia, May 2021.

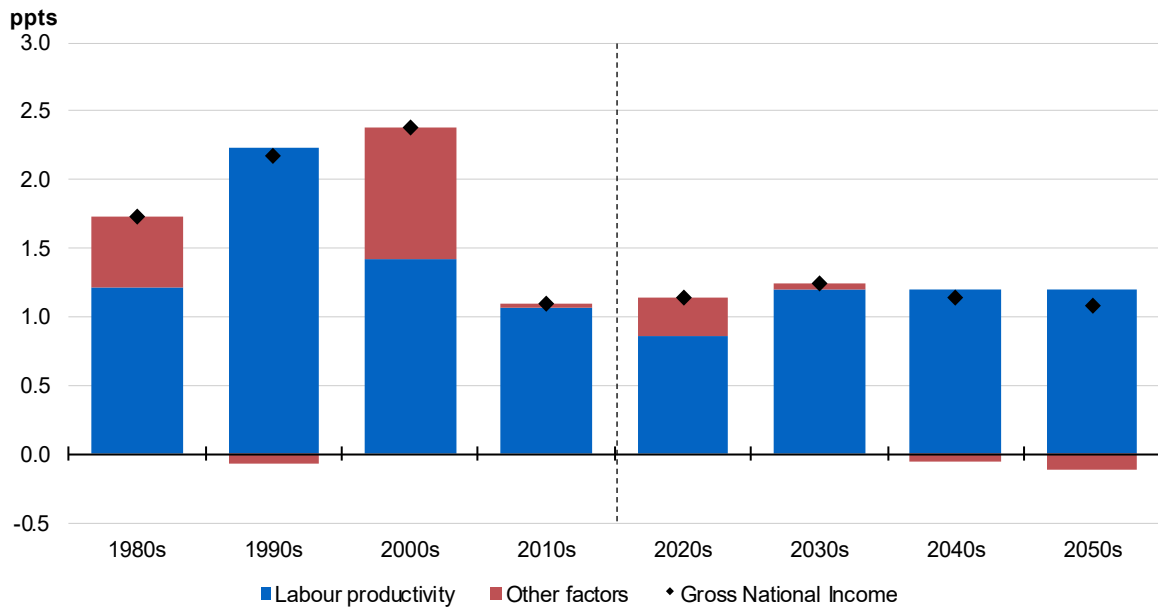
## Productivity growth is the key driver of sustainable wage growth

Productivity growth benefits Australians by supporting higher real wages and increased international competitiveness, and lower prices for goods and services. Over the last 30 years, growth in labour productivity has accounted for around 70 per cent of growth in real gross national income (GNI) per person in Australia (Chart 3.3). Labour productivity is projected to be the main driver of growth in real GNI per person in the future. However, as discussed in more detail in Chapter 4, labour productivity growth has slowed over recent years, which has in turn contributed to lower real wage growth.

Bargaining plays an important role in promoting workplace productivity by facilitating negotiation of ways of working that are mutually beneficial. To achieve strong and sustainable wage growth, this needs to be complemented by productivity-enhancing decisions outside the immediate employment relationship, such as investments in new capital, research and development, employee education and skills, management capabilities, and effective competition and dynamism in the business environment.



Chart 3.3 Real GNI per person growth contribution from productivity and other factors



Source: ABS Australian National Accounts: Income, Expenditure and Product; ABS Labour Force Survey; unpublished ABS data; and Treasury.

Note: 'Other factors' include the terms of trade, labour utilisation and net foreign income.

## 3.2 Competition and dynamism can support wage growth

When the economy is running at close to full employment, businesses will compete for workers based on the wages offered, as well as work conditions such as flexibility or career progression. Therefore, a competitive and dynamic labour market is a key determinant of matching efficiency (discussed in Chapter 2), and results in higher productivity growth in the long term (discussed in Chapter 4).

This section discusses several aspects of labour market dynamism:

- *Job switching*: the rate at which workers change jobs (also sometimes called job-to-job transitions or job mobility). It is usually reported as the percentage of workers who have changed jobs over the year.
- *Geographic mobility*: the ability of workers to move (whether short or long distance) for employment reasons. It can also include workers who commute long distances for work.
- *Occupational mobility*: a subset of job switching, representing how many workers not only change jobs, but also change occupations.





### 3.2.1 Job switching

Job switching is an important indicator of a well-functioning, competitive and dynamic labour market. Higher rates of job switching improve the matching of employees with employers which, in turn, contributes to improved productivity for employers, and higher wages and job satisfaction for workers. Higher job switching rates are associated with higher wage growth in local labour markets, not only for those who change jobs but also for other workers, who benefit from increased bargaining power in more dynamic labour markets.<sup>22</sup> They are also an indicator of a well-functioning labour market, as job switching increases when labour market conditions are stronger and employees are more confident that they will be able to switch to better-paid jobs, with better conditions, including security.

Australia has seen a long-term decline in job switching, as have other advanced economies, notably the United States and the United Kingdom.<sup>23</sup> There are several reasons why job mobility may have declined. A less dynamic labour market with fewer job switches can indicate that businesses are having difficulty attracting workers to the places where they are needed. Declining labour reallocation may account for as much as a quarter of the slowdown in productivity growth in Australia between 2002 and 2016.<sup>24</sup>

However, the tight labour market that followed the COVID-19 pandemic has led to an increase in the rate of job switching, which is now at its highest level in 10 years at 9.5 per cent (Chart 3.4). This means that almost one in 10 workers changed jobs over the past year. There are indications that much of this switching has been beneficial for workers, with many leaving one job for a better job.

Job switching rates tend to be higher for younger workers, reflecting higher mobility during the early part of a worker's career. Healthy rates of job switching are particularly important for young job seekers. Economic conditions at graduation affect the quality of matching in their first job, meaning it can take longer to move up the occupational ladder. Job switching is an avenue to mitigate these impacts.<sup>25</sup> People who graduate during a downturn earn less during the early part of their career, with women experiencing more persistent labour market scarring, possibly due to lower job switching rates.<sup>26</sup> However, the job switching rate for 15 to 24 year olds in Australia has dropped from around 20 per cent in the 1990s to only 13 per cent by 2020 and has since increased to 15 per cent in 2023.

Women tend to change jobs less frequently than men, particularly during child-raising years.<sup>27</sup> This reflects that women's job switching is more constrained by family responsibilities because of the gendered nature of care, and concerns around access to flexible work options.<sup>28</sup> Women may also be less likely to change jobs if it limits or delays their access to parental leave or accumulated carer's and personal leave, or if they perceive that new jobs will not be sufficiently secure. The probability of job switching, promotion and being a manager fall in the lead up to and after the arrival of a child.<sup>29</sup> Policies that promote more even sharing of care responsibilities, such as more affordable child care and paid parental leave, can facilitate greater job mobility for women.

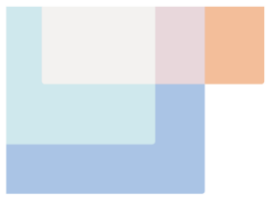
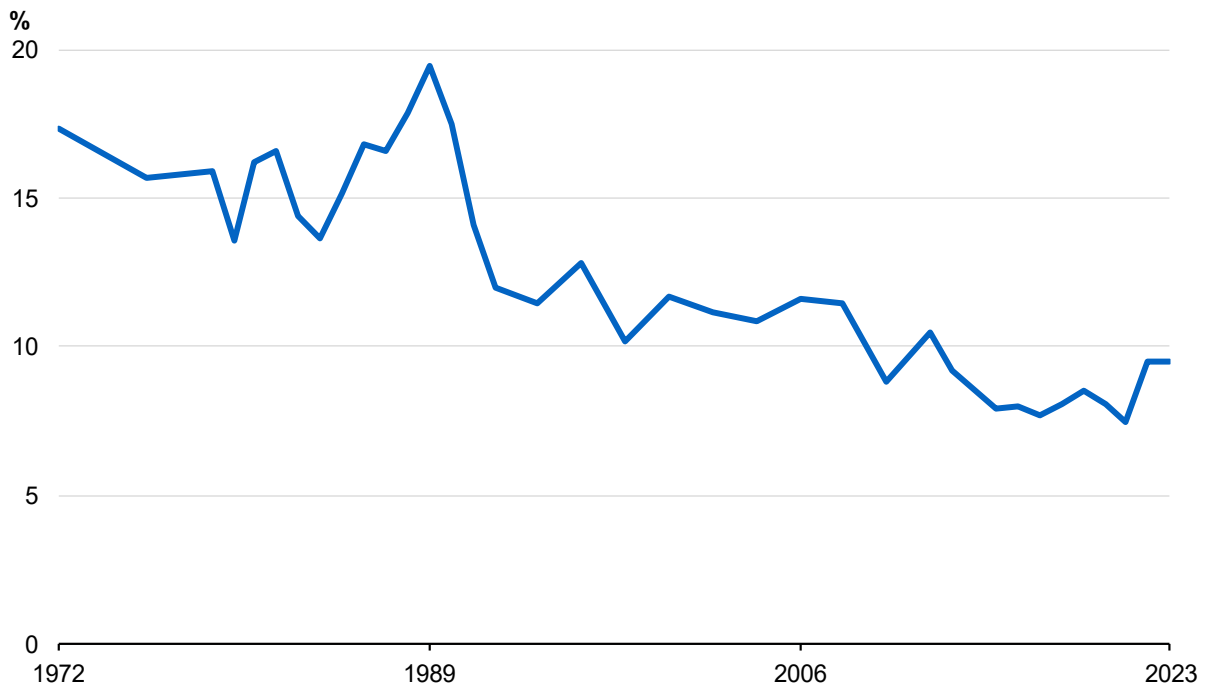


Chart 3.4 Job switching



Source: ABS Participation, Job Search and Mobility, Australia, February 2023.

There is emerging evidence that non-compete clauses in workers' employment contracts may be hampering job mobility, innovation and wage growth in industries where their use is prevalent. Non-compete clauses are used in employment contracts to prevent employees working for a competitor or starting a competing business for a set period. While there is uncertainty around enforceability of individual contracts in Australia, non-competes may nonetheless deter workers from switching jobs. In Australia, initial survey evidence suggests that up to 22 per cent of Australian workers may be subject to non-compete clauses, ranging from child care workers to management consultants.<sup>30</sup>

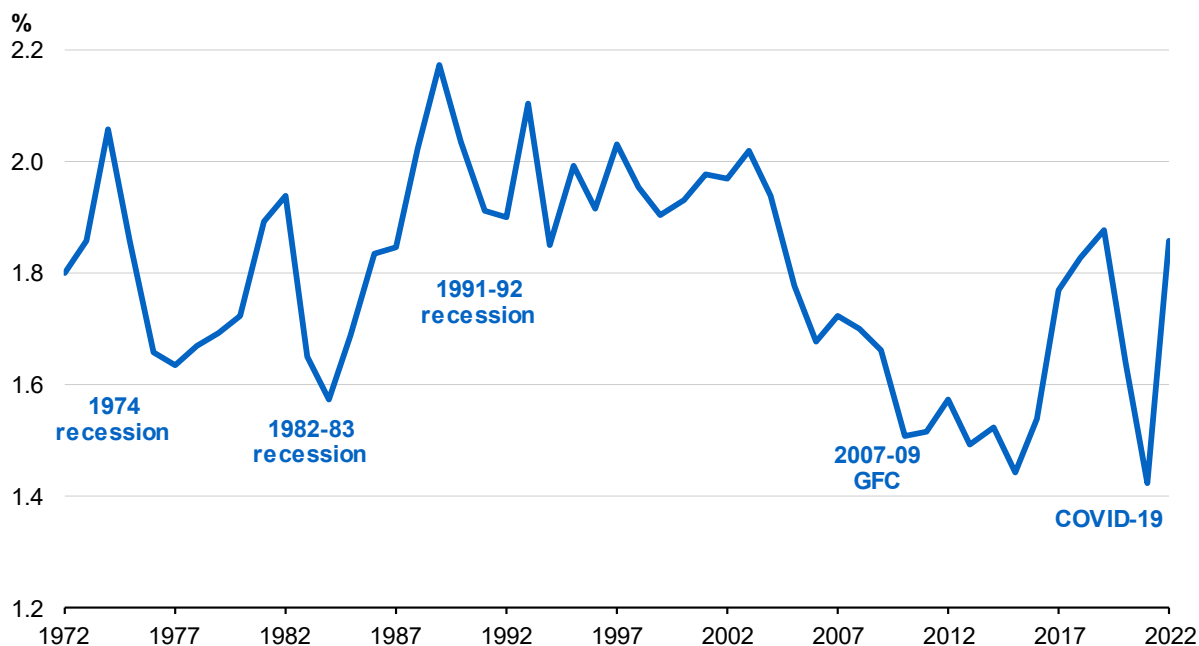
### 3.2.2 Geographic mobility

Barriers that restrict the ability of people who want to move for work from doing so impede job mobility and can limit job choices and earning potential. In 2019–20, around 12 per cent of households had moved at least once in the previous year, and more than 40 per cent had moved in the previous five years. While Australian residential mobility is relatively high by international standards, only a minority of moves are for employment reasons.<sup>31</sup>

The rate at which Australians move longer distances has declined over time, a trend seen in other countries such as the United States and Canada. The rate of interstate migration is volatile (Chart 3.5) but has declined from an average of 1.8 per cent per year in the 1970s and 80s to 1.6 per cent in the 2010s. This decline is due in part to the ageing of the Australian population, as older people tend to be less geographically mobile. However, this demographic trend has been somewhat counteracted by increases in the share of tertiary-educated people, renters and singles, who are comparatively more geographically mobile.<sup>32</sup>



Chart 3.5 Interstate migration in Australia



Source: ABS National, state and territory population, December 2022; ABS Historical Population, 2016.

Note: Data prior to 1982 is for the year ending 31 December, other data is for the year ending 30 June.

Employment is an important driver of mobility, particularly for younger age groups, with around 10 per cent of 15 to 34 year olds moving for employment reasons.<sup>33</sup> Employment is an even more important motivator for mobility for longer distance moves – accounting for around half of moves greater than 50 kilometres for 18 to 24 year olds.<sup>ii</sup>

Of the roughly 10 per cent of Australian workers who change jobs each year, about one in 20 of these are required to move interstate.<sup>34</sup> The seasonal and location-specific nature of some types of work means that worker mobility is even more important in some industries including mining, construction and the accommodation and tourism sectors.<sup>35</sup>

The long-term decline in interstate mobility is of concern if it indicates that workers are finding it harder to move, which could have consequences for job matching. The ability to move for work, even locally, can be impeded by barriers such as the difficulty finding appropriate and affordable housing (Box 3.1).

ii Treasury analysis of HILDA data.



### Box 3.1 Secure and affordable housing can enable employment

Secure and affordable housing is a basic human need and an important part of finding and maintaining employment. It is critical to the economy and labour market that we have an adequate supply of affordable housing where it is needed – closer to where opportunities are being created, as well as transport and other services. However, the supply of housing has not kept pace with demand for those seeking to either buy or rent. The number of homes per person in Australia is among the lowest in the OECD.

Our cities and suburbs play a critical role in the broader economy, with around 72 per cent of Australians living in major cities.<sup>36</sup> A well-functioning housing market, particularly for private rentals, is important for labour market mobility as it allows workers to move for new jobs without needing to purchase property. This can reduce barriers to people being employed in jobs for which they are more productive.

Chart 3.6 shows that for people looking to buy, it now takes longer to save for a deposit than it did in 2003. Chart 3.7 shows rental vacancy rates faced by renters have tightened over the past 10 years.

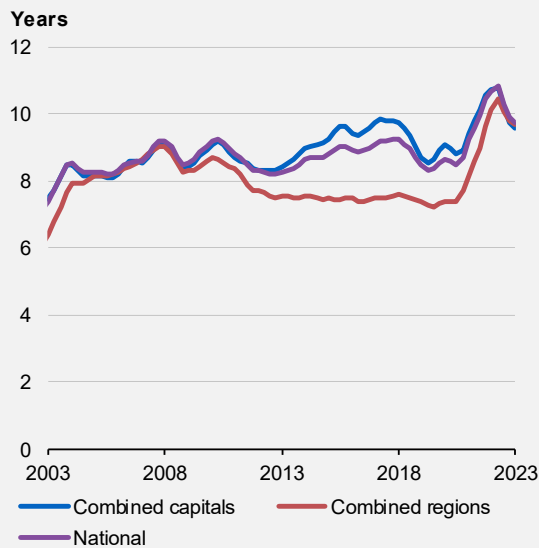
Tighter vacancy rates have translated to rising rents. Advertised rents measure the asking price for currently vacant rental properties and while volatile, can provide a snapshot of pressure in the market. The market continues to tighten from its long-run average with advertised rents growing nationally by 9.0 per cent through the year to August, though annual growth has eased marginally from its record high of 10.2 per cent in the twelve months to December 2022. CPI rents, which lag advertised rents, have grown by 6.7 per cent through the year to June 2023.

For growing regions, a lack of housing options is a barrier to attracting workers. White Paper submissions highlighted the need for adequate and affordable housing to attract and retain workers in regional areas.<sup>37</sup> For industries such as tourism that experience significant seasonal peaks, particularly in regional areas, the inability to house seasonal workers has led to businesses reducing their operating hours and days.

Housing instability can make it more difficult to participate in the labour market – income support recipients who moved once in the previous year are predicted to have an employment rate nearly four percentage points lower than those who did not move.<sup>38</sup> The Government's housing policies are discussed further in the Roadmap.

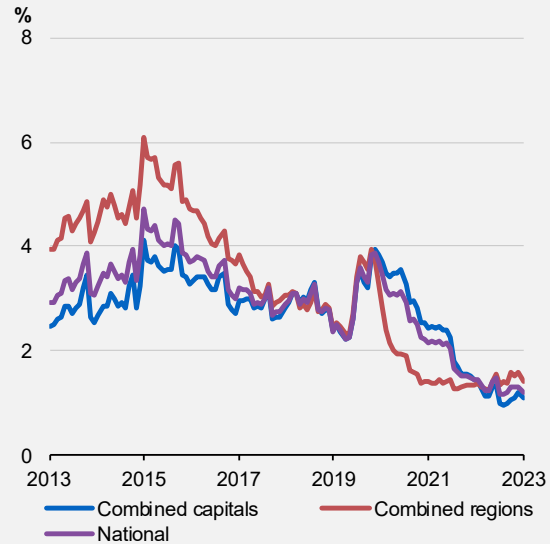


Chart 3.6 Years to save deposit



Source: CoreLogic, March 2023.

Chart 3.7 Rental vacancy rates



Source: CoreLogic, August 2023.

### 3.2.3 Occupational mobility

Occupational mobility is another key determinant of job mobility. Almost half of workers who changed jobs in the previous year also changed their occupation.<sup>39</sup> Occupational mobility can be limited by different skill or educational requirements across occupations. Even moving between occupations of a similar skill level will usually require some retraining. The benefits of lifelong learning to allow workers to move between occupations and industries are explored in Chapter 5.

Gender segregation across occupations can limit labour mobility, even in tight labour markets. This in turn exacerbates labour shortages in heavily gendered industries.<sup>40</sup> Around 65 per cent of occupations experiencing workforce shortages have workforces that are over 80 per cent men or women.<sup>41</sup> This is particularly relevant in the female-dominated care and support economy, which is experiencing growing demand. Women remain under-represented in STEM (27.0 per cent), and there is strong future demand expected for engineers and programmers.<sup>42</sup> Addressing gendered expectations about the suitability of men or women for certain occupations will improve labour market dynamism by giving employers a more diverse recruitment pool. It will also contribute to reducing the gender pay gap, as women are over-represented in low-paying occupations and industries.

Occupational and geographic mobility is particularly important during periods of rapid structural change. These periods are characterised by sudden increases in demand for workers in a particular industry or region. For example, during the mining boom of the 2000s and early 2010s, demand for mining and construction workers in Western Australia and Queensland rose sharply and high wages



were used to attract workers from all over the country and overseas. This encouraged workers to change occupation or industry in many cases.

In the case of the mining boom, as with any structural change, labour mobility allowed workers to benefit from new economic opportunities. These opportunities have significant ongoing impacts: children born to poorer families in the mining regions of Queensland and Western Australia have a much higher expected income than their parental income would predict.<sup>43</sup>

A labour market that is dynamic, in which workers can easily move between jobs when they want to, supports higher wages and productivity growth, and encourages the creation of better jobs. A strong economy helps create more opportunities for better and more highly paid work, across more parts of the country. Labour market flexibility and mobility will be particularly important as industries adapt to a net zero economy, with workers increasingly moving into green jobs.

### 3.3 Addressing unfair pay

To prevent exploitation of workers, Australia has enshrined legal protections for its workers, and funds strong enabling institutions to enforce them. While this is important, it is not sufficient to ensure fair pay outcomes for all workers. Some cohorts experience structural pay gaps, reflecting a range of barriers to equal opportunity in the labour market (discussed in Chapter 6). For example, First Nations people have lower employment income than non-Indigenous, even accounting for measurable factors such as education levels.<sup>44</sup> Some people from culturally and linguistically diverse backgrounds, particularly recently arrived migrants, face wage and promotion gaps.<sup>45</sup>

In addition, as discussed in Section 3.1.2, regulatory gaps in the safety net mean that workers in novel work arrangements, such as the platform or gig economy, currently lack minimum standards, such as rates of pay. Labour hire arrangements, which involve a regular relationship between host businesses, labour hire firms, and workers, also can be used as a legal means to avoid rates of pay set through enterprise bargaining for particular types of work. Although data are limited for many cohorts, the gender pay gap has been well-studied, and highlights the complex drivers of pay gaps.

#### 3.3.1 Australia's persistent gender pay and earnings gap

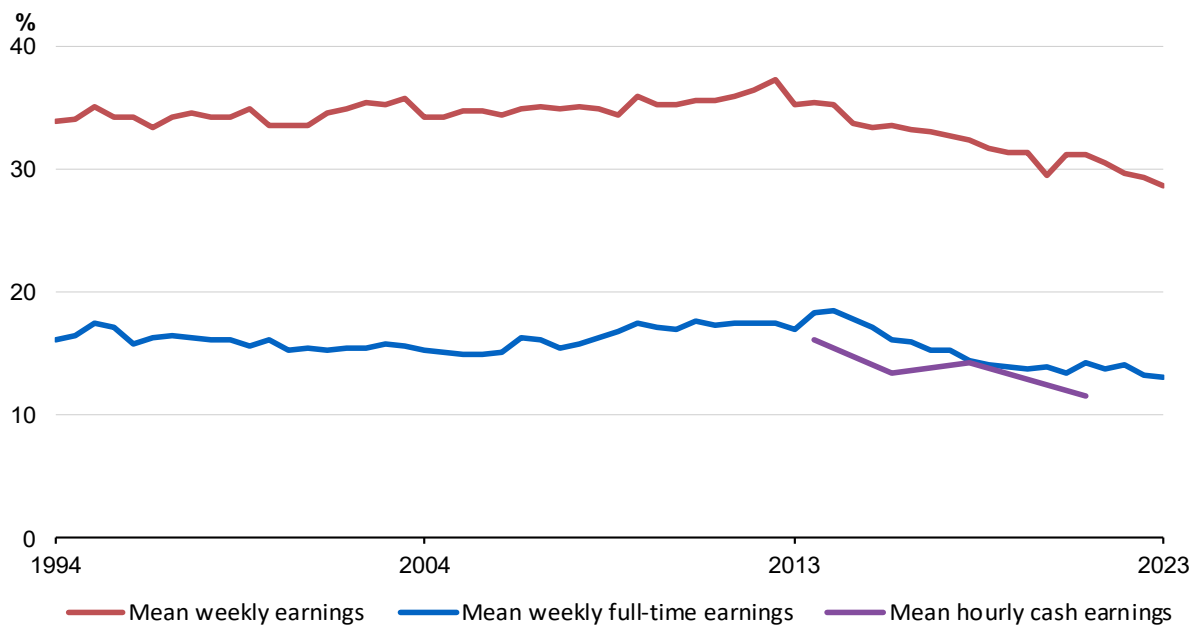
The national gender pay gap measures the difference in base salary earnings between women and men in full-time work. It stands at 13.0 per cent (May 2023). Chart 3.8 shows the gender pay gap is now at the lowest level on record. While the 3.1 percentage point decline in the full-time gender pay gap since 1994 is welcome, the gap remains significant. Women working full time earn, on average, \$252.30 less per week than men working full time – a difference of around \$13,120 per year.

In addition to being paid less on a full-time equivalent basis, when comparing all workers – full-time and part-time – and including all earnings, overtime and salary sacrifice, on average, women receive 28.8 per cent less than men. This earnings gap reflects the combined effect of the gender pay gap, as well as the fact that Australia has one of the highest rates of women in part-time employment in the OECD, behind only the Netherlands, Switzerland and Japan.<sup>46</sup> The significant and long-term adjustments women typically make to their paid employment following the arrival of children are a key driver of these different patterns of employment, while men's employment remains largely unchanged following the arrival of children.<sup>47</sup>



Even after controlling for differences in hours worked between women and men, by looking at hourly earnings, a gap remains. On average, men earned \$46.60 an hour, compared to \$41.20 an hour for women. This is a difference of \$5.40 an hour, or an hourly pay gap of 11.6 per cent. Chart 3.8 shows different ways of measuring the gender pay gap, and the different results. Considered together it reveals that, on average, women earn less than men across all measures and regardless of hours worked.

Chart 3.8 The gender pay gap



Source: ABS Average Weekly Earnings, Australia, May 2023. ABS Employee Earnings and Hours, Australia, May 2021.

Note: For further information, the ABS Gender pay gap guide explains the many approaches to measuring the gender pay gap.

Over time, lower hourly and weekly earnings compound to become lower lifetime earnings, lower superannuation balances and less economic security in retirement. In 2020–21, the median superannuation balance for women aged 60 to 64 years old was \$159,000, compared to \$212,000 for men, a difference of \$53,000.<sup>48</sup> This difference is narrowing over time as women’s workforce participation increases and the superannuation system matures. However, as long as women have lower workforce participation, and lower incomes than men, a gender gap in superannuation balances will remain.

The gender pay gap is driven by a range of factors, including:

- differences in gender representation and remuneration across industries and occupations
- the impact of caring responsibilities on patterns of work
- gender discrimination and bias.

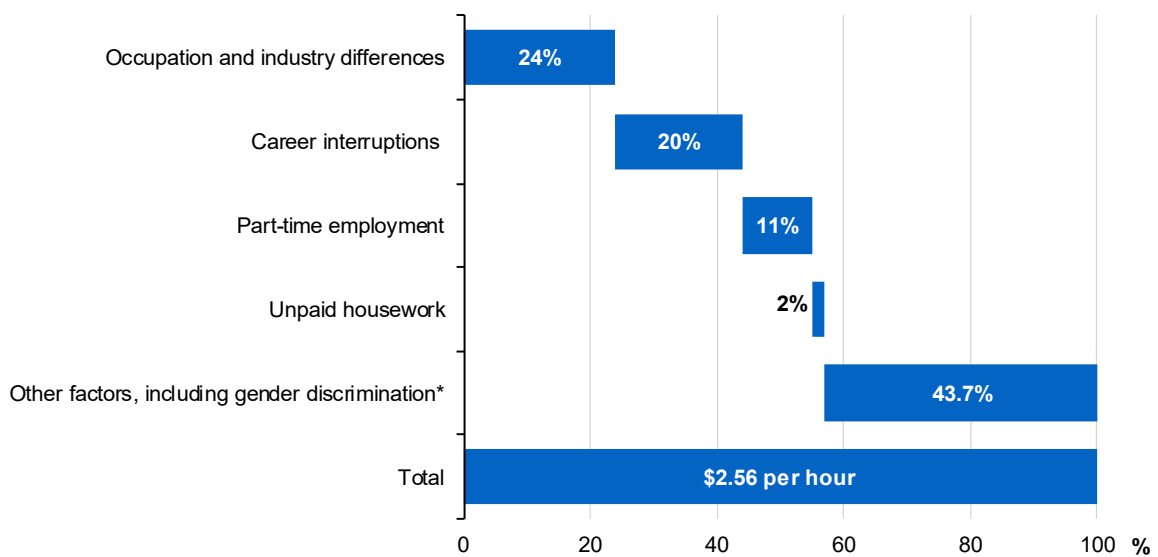
The drivers of the gender pay gap are difficult to disentangle because they are interrelated. For example, gender discrimination and bias affect education and career decisions, which drive workforce segregation. One estimate suggests the biggest contributions to the hourly gender pay gap in 2020



were: industrial and occupational segregation (24 per cent), years not working due to career interruptions (notably caring for children but also periods of study or unemployment) (20 per cent), and part-time employment (11 per cent). Unpaid work, proxied by hours of housework undertaken each week, contributed 2 per cent. The remaining 43.7 per cent gap in hourly wages was attributed to other measurable or unexplained factors, including gender discrimination (Chart 3.9).<sup>49</sup>

Closing the gender pay gap is essential to achieving economic equality between women and men, ensuring women have equal choice and access in relation to education and training, labour force participation, career progression and financial independence.

**Chart 3.9 Factors contributing to the hourly gender pay gap in 2020**



Source: KPMG, She's Price(d)less report, 2022; KPMG analysis of the Household, Income and Labour Dynamics in Australia Survey, Release 17 and 20, Wave 17 and 20.

Note: Results may add to more than 100 per cent due to rounding. The total gender pay gap has been derived from the difference between the average hourly wage for male and female wage earnings, with the decomposition undertaken for selected variables only. WGEA Gender Equality data was used to supplement the findings of the HILDA data, particularly at the industry level. Results are adjusted for inflation and presented in 2021 dollars.

\*The 'other factors, including gender discrimination' category is comprised of the remaining factors that can be explained (7.7 per cent) and unexplained factors (36 per cent) which captures gender discrimination. The unexplained factors are the residual that was not able to be explained by other variables, such as occupation and industry and unpaid care.

## Gender segregation across industries and occupations

The gender pay gap can, in part, be explained by the different types of jobs men and women do in Australia, and the concentration of women in industries and occupations with lower pay. These patterns are the result of structural drivers such as persistent gender stereotypes, the need for flexibility to balance caring responsibilities, barriers to leadership for women and the undervaluing of many female-dominated jobs, for example, work in the care sector.

Gender bias and stereotypes influence education and job choice, which can limit women and men to certain industries and occupations. Although it is possible to break away from gender stereotypes,





people face obstacles along the way. When gender segregation is high across industries and occupations, limited choices mean people may not be best matched to jobs that align with their talent, skills, or capability, at the cost of productivity.<sup>50</sup> There is a need to challenge these gender norms from early education onwards, and support people to choose education and career pathways that suit their abilities and ambitions.

In Australia, work was highly gender segregated in the post-war period as young men entered trades and worked in primary industry and manufacturing, while young women typically worked in clerical and office jobs before exiting the workforce once married to raise children. The increase in women's participation has not translated into an equal distribution of employment across occupations and industries, and high levels of gender segregation have persisted over time.<sup>51</sup> Women are more likely to work in the health care and social assistance industry (where they account for 76.5 per cent of workers) and the education and training industry (71.5 per cent). Women are under-represented in construction (12.8 per cent), mining (19.4 per cent), transport, postal and warehousing (23.3 per cent), manufacturing (29.1 per cent), and electricity, gas, water and waste services (29.8 per cent). In 2021, women made up 27 per cent of the STEM workforce across all STEM industries. In addition, only 23 per cent of all managers in STEM industries were women, and only 8 per cent of women were in CEO positions.<sup>52</sup>

A gender pay gap is present across all industries. The female-dominated health care and social assistance industry has a full-time gender pay gap of 21.0 per cent. Within STEM fields, machinery and equipment repair and maintenance had the largest full-time gender pay gap at 24.0 per cent, or a difference of \$34,000 in total remuneration each year. Oil and gas extraction had a full-time gender pay gap of 22.0 per cent, which in dollar terms is around \$63,000 a year.<sup>53</sup>

The differences in industry and occupation choices mean that even if men and women were paid the same within every business, occupation and industry, a gender pay gap would still exist overall. This is because women are overrepresented in lower-paid industries and occupations. Highly-feminised industries and occupations attract below-average pay. The care and support sector is one example of a highly-feminised workforce where wages and conditions may not reflect the true value of the work performed.

As demand for care services continues to grow, ensuring care sector workers receive fair and competitive wages that reflect the value of their work is a priority. One issue is that productivity, which is a key driver of wages, is difficult to measure in the non-market sector (covering education, health and care services). For example, feeling heard and empowered by health service staff can deliver meaningful improvements in a patient's quality of life, but is not captured in standard productivity measures.<sup>54</sup> This makes it harder for workers to advocate for higher wages based on productivity improvements.

Even within female-dominated industries, women are over-represented in lower paying roles (such as administration) and under-represented in higher paying roles (such as management). In June 2023, there were only 21 women CEOs leading ASX200 companies.<sup>55</sup> While this is an increase from 10 women CEOs in June 2022, progress towards gender balance in leadership remains slow. The representation of women in leadership continues to decline with seniority.

Over the past 35 years, some common occupations, such as early childhood educators, receptionists, and primary school teachers, have become even more female-dominated. In contrast, construction managers and software and applications programmers have proportionally fewer women than they did in 1986–87.<sup>56</sup> Although gender segregation is not unique to Australia, it is a major barrier to addressing Australia's skills shortages in critical occupations such as aged care, early childhood education and care, teaching, and technicians and trade workers. Gender segregation restricts the talent pool for



businesses to draw from and may impede future productivity growth in the care and support economy, technology workforce and clean energy sector.

To narrow the gender pay gap, greater gender balance needs to be achieved in every industry and occupation. This would involve increasing the share of men working in health care and social assistance, and education and training, and of women working in construction, mining, manufacturing, information services, transport, and wholesale services. It would also involve a better gender balance across occupations, with more women in leadership positions from executive manager through to CEO, and more men in community and personal service roles.

## The contribution of caring responsibilities and career interruptions

Women tend to take on a larger share of unpaid work in households, and this gap widens when children arrive. To balance these responsibilities, women typically reduce their paid work hours or exit the labour force. Treasury research finds that women's earnings are reduced by an average of 55 per cent in their first five years of parenthood, and this fall in earnings remains significant a decade into parenthood. Fathers' work patterns remain unchanged on average, with no significant long-term impact on earnings.<sup>57</sup>

Women's disproportionate performance of unpaid care not only contributes to lower workforce participation, but also influences career decisions. After having children, women tend to choose occupations and employers that offer more flexibility or shorter commutes to accommodate caring responsibilities, even when these are lower paid.<sup>58</sup>

The need for flexibility means women undertaking caring and other responsibilities often feel unable to take on jobs that pay a premium for working long or inflexible hours, further contributing to the gender pay gap.<sup>59</sup> The gender gap in hourly wages is larger in firms where there are high rewards for working long and inflexible hours. These types of jobs reinforce stark gender divisions by creating a disincentive for families to share paid and unpaid work evenly. For example, if both partners equally share the unpaid work of their household, this may preclude them both from holding a highly paid but inflexible job, which can reduce overall household income. This uneven split is a key barrier to increasing women's participation and lifting labour supply (discussed in Chapter 6).

Lack of flexibility constrains choices for both men and women. Support for flexibility is less common in male-dominated sectors, which can make it more difficult for fathers to share caring responsibilities. For example, access to employer-provided paid parental leave is more common in female-dominated industries than male-dominated industries.<sup>60</sup> This gender bias discourages mothers from working in these sectors and disadvantages fathers who wish to take a more active role in raising their children.

Career breaks can also lead to a loss of some work-related skills, lost professional networks and a lack of confidence navigating the workplace – even though women continue to acquire valuable skills while outside the paid labour force.<sup>61</sup> Time out of the labour force can also contribute to the gender pay gap because wages and promotions tend to increase with years of work-related experience.

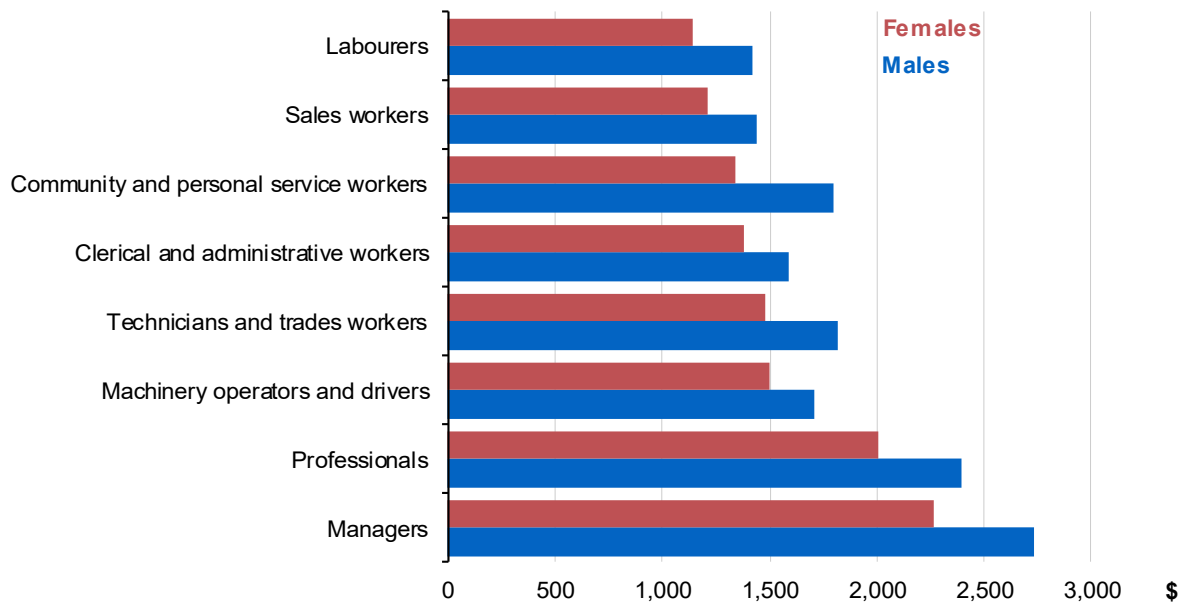
The costs of career breaks and flexibility contribute to women on average earning less than men within firms, occupations, and industries. Chart 3.10 shows the pay gap between full-time women and men for all non-managerial occupations. Community and personal service workers have the largest gender pay gap at 25.9 per cent.

Historically, care work has been systematically undervalued because it was seen as 'women's work' and was often unpaid and unmeasured. Recognising the value of care work, including unpaid care, is a critical first step to correcting this historic inequality. The Government has committed to funding the ABS Time Use Survey as an ongoing and regular collection. The survey provides accurate estimates of



time spent on paid and unpaid work and care and reveals gender gaps. Based on these data, Treasury estimates that the replacement value of unpaid care work in 2020–21 was around \$165.1 billion, equivalent to 7.9 per cent of measured GDP.

**Chart 3.10 Full-time employees, average weekly earnings by occupation and sex**



Source: ABS Employee Earnings and Hours, Australia, May 2021.

Note: Data are full-time non-managerial employees paid at the adult rate, average weekly total cash earnings. It includes non-managerial professionals and some employees with management or supervisory responsibilities.

## Gender discrimination and bias

Differences in pay between women and men within businesses and types of job remain even after accounting for educational attainment, work arrangements and work history. This indicates that gender discrimination continues to exist.<sup>62</sup> Gender discrimination interacts with race, age, disability, and sexual orientation. Women with diverse backgrounds may receive fewer opportunities for career progression.

Workplace sexual harassment is unacceptable and rates remain high. As discussed in Section 3.1.1, over two in every five women experienced sexual harassment at work between 2017 and 2022. Male-dominated workplaces have a higher prevalence of sexual harassment. This is attributed to a range of factors, including an unequal gender ratio in the workforce and senior leadership, and workplace cultures that are not supportive of women.<sup>63</sup> Gender discrimination and feeling unsafe in certain environments can lead women to avoid male-dominated industries and workplaces, further contributing to industrial and occupational segregation.

Further, industry gender segregation and employee bias can restrict the ability of women and men to move between jobs or choose careers that best suit them. Both men and women report that pursuing a non-traditional occupation can increase the risk of harassment or discrimination.<sup>64</sup> For example, even when qualifications and experience are identical, women are less likely to be offered interviews in



male-dominated occupations, and men are less likely to be offered interviews in female-dominated occupations.<sup>65</sup>

Part of addressing gender segregation is attracting more women to male-dominated sectors, but retaining women, and ensuring workplaces are safe, is equally important. Poor workplace culture, limited access to appropriate facilities or equipment (for example, no women's toilets on a construction site) and a lack of flexibility can drive women to exit some sectors. Men can also face discrimination from managers or colleagues for requesting flexible work arrangements. It is important for all employers and industries to ensure a safe workplace for all, work to prevent discrimination, and support workers – including men – with caring responsibilities.

## Reducing gender segregation is key to addressing the pay gap and building a more resilient labour force

Reducing gender segregation will deliver greater opportunities for women to switch jobs, seek promotion and access a wider range of career pathways. It will deliver opportunities for men to work in more flexible occupations and industries, to better balance their caring responsibilities. It will also deliver returns to the economy.

More women in leadership is good for business and for the economy. Research from the Workplace Gender Equality Agency (WGEA) and the Bankwest Curtin Economics Centre found an increase of 10 percentage points or more in the share of women in key management personnel was associated with a 6.6 per cent higher market value of ASX-listed companies. This is worth the equivalent of \$104.7 million for the average company.<sup>66</sup> Across all industries, men are over-represented in management roles, and the difference is even starker in male-dominated industries. Businesses are missing out on the positive effects of women in leadership. Gender segregation also limits the pipeline of future workers for those sectors.

Flexibility is important for both men and women. Flexibility should be embedded in job design where possible, to encourage a more even split of caring responsibilities between women and men (discussed further in Section 3.1). Flexibility is also crucial for increasing the number of women in leadership. When women are supported to work how they want or need, outcomes improve.<sup>67</sup> In addition, women leaders are significantly more likely than men to leave their job because they want more flexibility or because they want to work for a company that is more committed to employee wellbeing and diversity, equity and inclusion.<sup>68</sup> Equally, flexibility in leadership ranks would provide more choices for men to balance their work and care responsibilities, and to balance care within households – a key factor in supporting women's workforce participation.

Gender norms also influence study and career choices. Differences in education and training choices between women and men become apparent in secondary school and continue into higher education. These decisions can be influenced by parents, role models, and peers, as well as gender stereotypes. One way to counteract the effect of norms is to provide students with better information on emerging career opportunities. Young people are more likely to aspire to roles that are familiar to them. Often the occupations of family members and the people around them are very influential. Without better information, early career aspirations can be constrained by traditional expectations and stereotypes.<sup>69</sup>

Reducing gender segregation requires action on multiple fronts. It involves encouraging young people to follow their aspirations and not be restricted by gender stereotypes. It needs a focus on retention, including through eliminating discrimination in hiring and promotions, and providing safe workplaces for all. It requires sharing unpaid care more evenly within households and encouraging job design which allows flexibility for both men and women (discussed in Chapter 6). And we need to value



traditionally female-dominated sectors and see more women in high-paying roles. A recent Australian study found shifting gender norms to be more egalitarian could eliminate three-quarters of the gender gap in employment, reduce the gender pay gap by up to two-thirds, and lead to higher overall life satisfaction for Australian women.<sup>70</sup>

### 3.3.2 Preventing exploitation

Despite Australia's prosperity overall, wage underpayment and employer non-compliance continues to affect many workers. The Grattan Institute estimates between 3 and 9 per cent of all employees were paid below the National Minimum Wage in 2022.<sup>71</sup> Similarly, HILDA survey data indicates that 7.9 per cent of adult employees appeared to be paid less than the National Minimum Wage in 2021.<sup>72</sup> The Grattan Institute report found payment below the National Minimum Wage was more likely for migrants, younger employees, casuals, part-time workers and those working in agriculture and hospitality.

Wage underpayment, including deliberate wage theft, is unacceptable to the Australian community, and creates an uneven playing field for businesses, between those who comply with their legal obligations and those who do not. The Fair Work Ombudsman (FWO) plays an important role in protecting workers by enforcing workplace laws, as well as providing information and education.

The ability of workers to voice reasonable concerns with their employers, including through association with unions, is an important countervailing pressure against underpayment. Unions can play a complementary role in educating workers about their entitlements and assist in addressing issues. This has been recognised in the design of the Pacific Australia Labour Mobility scheme, which mandates that employers of migrants under the scheme invite the FWO and unions to brief workers on their workplace rights upon arriving in Australia. Unions and individual workers also have standing to bring claims under the Fair Work Act to address contraventions by employers, including to recover unpaid entitlements.

#### Supporting young people

Young workers can be particularly susceptible to exploitation and wage theft due to their lack of experience in the labour market, higher unemployment and underemployment rates, and because they are more likely to be employed in lower paying casualised industries. In 2022, more than half (54.6 per cent) of young employees (15 to 24 year olds) were casual employees, more than double the rate for all employees (23.3 per cent). Additionally, 43.4 per cent of young workers were employed in either the Accommodation and Food Services or the Retail Trade industries. These are two of the lowest paid industries, with average earnings of \$23.00 and \$24.60 per hour respectively.

Research has found that 20 to 30 year olds are almost six times more likely than 30 to 40 year olds to be paid less than the National Minimum Wage by more than \$3 an hour.<sup>73</sup> These conditions can have a detrimental effect on young workers' standard of living, general wellbeing and mental health.

Insecure employment inhibits young workers from asserting themselves against workplace exploitation and can allow employers to undermine the rights and entitlements of young workers. Although many employers treat young workers fairly, the power imbalance created by the instability of their employment enables unscrupulous employers to exploit them by withholding wages and subjecting them to unsafe working conditions.<sup>74</sup>



## Preventing the exploitation of migrants

Although many of the drivers of exploitation are similar for migrants and non-migrants, elements of the migration system, such as restrictive temporary visa conditions, as well as language proficiency can lead to worker vulnerability. Recent migrants are also less likely than non-migrants to understand their rights in the workplace. According to some estimates, between 9 and 16 per cent of recent migrants are paid less than the minimum wage, which is higher than the rate for all Australians.<sup>75</sup> Around one-quarter of underpaid migrants who had not sought to recover unpaid wages cited migration consequences as a consideration.<sup>76</sup> The overlap of these visa conditions and industries with a higher prevalence of low-wage jobs is a particular concern. The Government acknowledges this exploitation and has developed a series of measures to mitigate migrant worker exploitation, including the Government's commitment to implement the recommendations of the Migrant Worker Taskforce. Measures announced in June 2023 include new enforcement tools to combat migrant worker exploitation, and support those who are exploited to speak out.

## Ensuring fair pay for people in supported work

Having a meaningful job with fair and equitable pay can promote the inclusion and independence of people with disability and support their right to live free from violence, abuse, neglect and exploitation. Supported employment refers to jobs where people with high support needs (namely those who, because of their disabilities, need substantial ongoing support to obtain and/or keep paid employment) can receive extra support while they are at work. Supported employment – and Australian Disability Enterprises more specifically – play an important role in supporting 16,000 people with disability to contribute and connect to their local community through employment. The Government is assisting to further evolve the supported employment sector to better meet community expectations and provide more diverse employment opportunities for people with disability that have a high level of support needs.

## 3.4 Improving access to secure, fairly paid jobs

Secure, fairly paid jobs are the foundation of a well-functioning labour market. As Australia's labour market has evolved, forms of employment have become more varied, bringing about new opportunities for mutually beneficial flexibility. The Government is taking action to ensure labour market institutions evolve alongside the nature of work, including enabling minimum standards to be developed for some 'gig workers' on digital platforms, and preventing labour hire arrangements from being used to reduce pay and job security.

The workforce has also become more diverse, but pay inequities persist. Progress has been made on closing the gender pay gap, but with women still paid 11.6 per cent less per hour, there is significantly more that needs to be done. Closing the pay gap will require broadening opportunities to work in male-dominated sectors and more equal distribution of care, as well as further action on discrimination, women in leadership and supporting safe and inclusive workplaces. The Government has amended the Fair Work Act to add job security and gender equality to the objectives of the Fair Work Commission, and will take further action through the National Strategy to Achieve Gender Equality.

The Government is committed to delivering strong and sustainable wage growth. To achieve this, a system of minimum wages, bargaining and a culture of genuine workplace cooperation needs to be partnered with a dynamic and competitive labour market and sustained productivity growth. Initiatives to improve labour market dynamism such as investigating the use of non-complete clauses will work alongside the Government's productivity agenda to get wages moving again.



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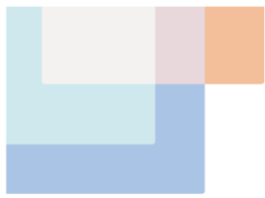


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