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23 November 2018

The Hon Justice Ross AO  
President  
Fair Work Commission  
11 Exhibition Street  
Melbourne VIC 3000

Dear Justice Ross

**Re. Draft Research Program – *Annual Wage Review 2018/19***

We refer to the Commission's Statement of 8 November 2018 concerning the Draft Research Program for the *Annual Wage Review 2018/19*.

Ai Group supports the Draft Research Program. Set out below are some comments about the two research proposals identified in the Program.

**Developments in wages growth**

This report will analyse several indicators of wages growth to assess the current period of low wages growth. The report will review the recent discussion on wages growth in Australia and contribute to the literature by also examining differences in wages growth between modern award minimum wages, enterprise agreements and individual arrangements.

**Comments**

This is a very important area of research.

The lower wages growth over recent years has been evident across much of the developed world and has coincided with low inflation, the post-GFC period and, for the first time, with the fuller integration of China and other emerging economies into the global economy. A focus on the broader international experience would be very useful.

To add another dimension to the Australian experience a close examination of the relative growth of wages in the period 2005-2010 would be very useful to test the hypothesis that part of the slower wages growth in the more recent period can be explained as a reaction to the relatively high wages growth in preceding years.

Further, segmentation of the labour force may be very useful:

1. Given the clear differences in the conditions facing different parts of the economy – particularly mining and energy, manufacturing and trade exposed services (e.g. tourism and education), industrial segmentation could be instructive;
2. Segmentation by public v private sector employees could also be insightful.

### **Insights into underemployment**

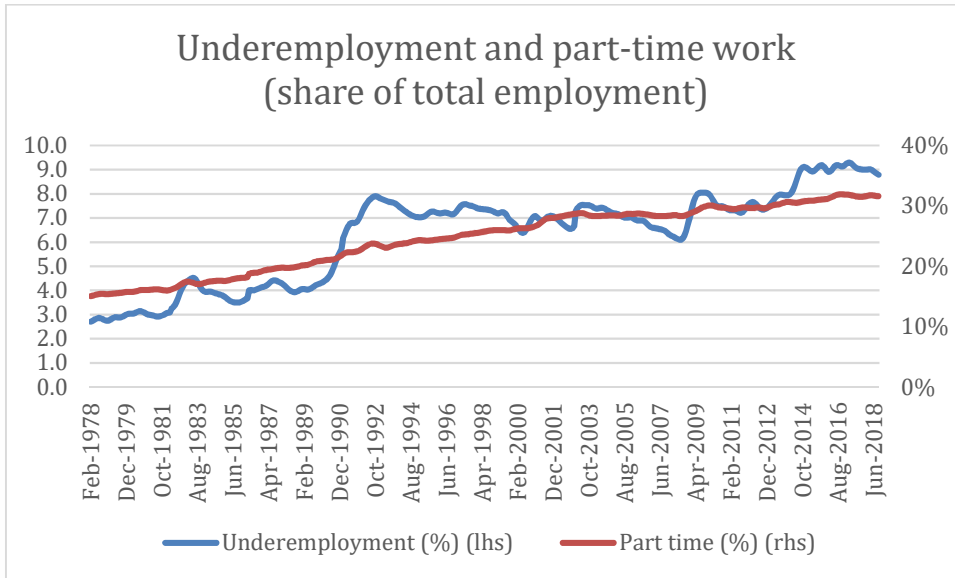
The ABS now publishes monthly data on underemployment and underutilisation disaggregated by gender and age group. This report will present an analysis of this monthly data to look into trends and assess how changes among these characteristics have contributed to shifts in aggregate underemployment and underutilisation.

### ***Comments***

This is an important piece of research given the step up in underemployment in the past couple of decades. The research should include a focus on the growth of part-time work and its links with the rate of underemployment which also appears to have a distinct cyclical component (see chart below drawn from ABS data).

Segmentation of the incidence of part-time work by gender and age alongside the segmented underemployment series could be a very useful part of the analysis (see chart below).

The analysis of the links between part-time work and underemployment could also call on the ABS data on the proportion of part-time workers who are looking for additional hours and how this and the quantity of additional hours sought changes over the time and over the business cycle.



We look forward to participating in the *Annual Wage Review 2018/19*.

Yours sincerely



**Stephen Smith**  
 Head of National Workplace Relations Policy