REVIEW OF THE WA LABOUR MARKET AND WAGES

REPORT PREPARED FOR UNIONSWA

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1. Introduction and highlights

This report reviews data for the WA economy and WA labour market in particular. Drawing primarily on data from the Australian Bureau of Statistics (ABS) the report is organised around three sections: Section 2 covering key macroeconomic indicators; Section 3 focusing on employment, Section 4 on unemployment and underemployment and Section 5 on earnings. Some key findings from the analysis are as follows:

- A slowing WA economy relative to elsewhere in Australia.
- Subdued total employment in WA relative to that observed nationally reflected in:
  - Declining WA youth (aged 15-24) employment (males and females);
  - Declining employment amongst WA males aged 25-34.
- Falling job vacancies (consistent with a slowing labour market) (especially in WA).
- WA males and females are facing a higher unemployment rate than their counterparts nationally, with their rates equal to 6.2% and 5.6%, respectively. This compares to an unemployment rate of 5.2% for men and women nationally.
  - In WA the youth unemployment rate is 14% whereas nationally it is 12%
- Rising number of older males (aged 55-64) facing unemployment in WA.
- Median job search duration (weeks) in WA (of 16.6 weeks) exceeding that observed nationally (15.4 weeks), with median search time particularly high in regional areas such as Mandurah (around 18.5 weeks) and the Wheatbelt (around 21 weeks).
- Consistent with a higher observed incidence of unemployment, WA also has a higher incidence of underutilisation when compared nationally, with WA women in particular more likely than WA men to be underutilised (unemployed and under-employed).
- WA wages growth is flat, especially when compared nationally. Between 2018 and 2019 the annual change in earnings (from March 2018 to March 2019) was equal to 1.3% in the WA public sector and 1.7% in the WA private sector. These figures compare to 2.4% and 2.3% for national private and public sector wage increases, respectively.
- WA women continue to face a large gender wage gap (GWG) with the GWG, at the mean, equal to 23% (compared to a national gap of 13%). The gap is not simply the
product of higher male earnings in the mining sector with the WA GWG amongst low wage workers also exceeding that observed nationally. Of concern is the fact that the WA and national minimum wage has not kept up with the growth in average wages and presently equates to around 43% of Australian male AWOTE (down from 50% in previous years).

2. Macroeconomic context

When benchmarked to the year 2000, the WA and Queensland economies have experienced phenomenal economic growth, primarily as a result of the resources sector (see Figure 1). Recent years have, however, seen a softening in the WA economy with WA Gross State Product (GSP) increasing by only 1.9% between 2017 and 2018. This compares to a 3.5% increase in GSP in Victoria, a 3.4% increase in GSP in Queensland and a 2.8% growth in Gross Domestic Product (GDP) nationally (see Figure 2).

![Figure 1: GSP and GDP Growth](image)
Business confidence in WA is currently low and hiring intentions have, as a result, fallen. According to the CCIWA business are presently more pessimistic now than they were a year ago, with only 22% expecting conditions to improve.¹

Consistent with a subdued economy and global uncertainty the Reserve Bank of Australia (RBA), at its July 2019 meeting, reduced the interest rate by 25 basis points to 1%. This was on the back of a similar rate reduction at the June 2019 meeting. The RBA has also revised down its forecast for GDP growth for 2019 (with year-ended GDP growth expected to be 2 ½ per cent and 2 ¾ per cent for 2020).

3. **Employment**

Table 1 shows that, in the year to June 2019, nationally, the total number of people employed full-time increased by 2.8% while total employment (part-time plus full-time) increased by 2.6%. At the national level women employed full-time accounted for the majority of the observed employment growth such that by June 2019 37% of those employed full-time were women. There has also been a growth in the national participation rate and a decline in the national unemployment rate (from 5.4% to 5.2%) alongside a decline in the number of people looking for full-time employment.

In WA total employment growth over the same period was more subdued with the number of persons in employment increasing by only 1.3% (compared to the 2.6% nationally (Table 1). This relatively slower employment growth largely reflects a fall in the number of persons employed part-time (especially women employed part-time). Overall (total) WA employment growth was higher for males than females although, as with women nationally, women’s full-time employment growth outstripped than for males. Alongside the decline in the number of women working part-time in WA there was also a decline in the female participation rate and employment to population ratio, thus helping bring down the WA female unemployment rate (from 5.9% to 5.6%).
Table 1: Select Labour Market Indicators; WA & Australia; June 2018 to June 2019

<table>
<thead>
<tr>
<th>Month/year</th>
<th>Employed full-time '000</th>
<th>Employed part-time '000</th>
<th>Employed total '000</th>
<th>Unemployment - looking for full-time work</th>
<th>Unemployment rate percentage points</th>
<th>Participation rate percentage points</th>
<th>Employment to Population Ratio</th>
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<tr>
<td><strong>Western Australia</strong></td>
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<td><strong>Males</strong></td>
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</tr>
<tr>
<td>Jun-18</td>
<td>594.2</td>
<td>128.4</td>
<td>722.6</td>
<td>37.0</td>
<td>6.6</td>
<td>74.7</td>
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<td>Jun-19</td>
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<tr>
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<tr>
<td>Jun-18</td>
<td>310.5</td>
<td>314.1*</td>
<td>616.0</td>
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<td>58.7</td>
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<td>-1.8%</td>
<td>1.1%</td>
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<td>-0.2%point</td>
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<td><strong>Persons</strong></td>
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<td>Jun-18</td>
<td>904.7</td>
<td>446.3*</td>
<td>1338.6</td>
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<td>6.2</td>
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<td>Jun-19</td>
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<td>444.2*</td>
<td>1355.5</td>
<td>57.3</td>
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<tr>
<td><strong>Australia</strong></td>
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</tr>
<tr>
<td>Jun-18</td>
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<td>1235.8</td>
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<td>1285.6</td>
<td>6829.9</td>
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<td>5.2</td>
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<td>% &amp; %-point change</td>
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<td>4.0%</td>
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<td>-2.2%</td>
<td>-0.2%point</td>
<td>0.3%point</td>
<td>0.5%point</td>
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<tr>
<td><strong>Females</strong></td>
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<td>Jun-18</td>
<td>3142.4</td>
<td>2743.9</td>
<td>5886.3</td>
<td>207.5</td>
<td>5.3</td>
<td>60.4</td>
<td>57.2</td>
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<td>Jun-19</td>
<td>3271.9</td>
<td>2773.9</td>
<td>6045.9</td>
<td>202.5</td>
<td>5.2</td>
<td>60.9</td>
<td>57.7</td>
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<tr>
<td>% &amp; %-point change</td>
<td>4.1%</td>
<td>1.1%</td>
<td>2.7%</td>
<td>-2.4%</td>
<td>-0.1%point</td>
<td>0.5%point</td>
<td>0.6%point</td>
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<tr>
<td><strong>Persons</strong></td>
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<tr>
<td>Jun-18</td>
<td>8567.3</td>
<td>3979.7</td>
<td>12547.0</td>
<td>497.2</td>
<td>5.4</td>
<td>65.5</td>
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<td>Jun-19</td>
<td>8816.2</td>
<td>4059.6</td>
<td>12875.7</td>
<td>485.7</td>
<td>5.2</td>
<td>66.0</td>
<td>62.5</td>
</tr>
<tr>
<td>% &amp; %-point change</td>
<td>2.9%</td>
<td>2.0%</td>
<td>2.6%</td>
<td>-2.3%</td>
<td>-0.2%point</td>
<td>0.4%point</td>
<td>0.5%point</td>
</tr>
</tbody>
</table>

Source: ABS 6202 Labour Force, Australia. Table 12. Trend data. Note: * the WA part-time employment figures were derived by taking the difference in the total and the full-time numbers.
An analysis of the trend data for Australia and WA (see figure 3) shows that 2016, in particular, was a challenging year for the WA economy and WA labour market with employment growth in decline. Employment picked up over 2017, only to subdue again in 2018 and turn negative towards the end of 2018. It is only in recent months that the pattern seems to have reversed although the job vacancy data paint a different picture with growth tailing off over the latter part of 2018 and becoming negative between February 2019 and May 2019. Nationally job vacancies fell by 6.1% between February 2019 and May 2019; in WA the corresponding decline was 13.3% (figure 4).

Figures 5 and 6 show total employment for WA males and females, respectively, disaggregated by age. As the data are produced using the original (rather than trend or seasonally adjusted) series a 12 month moving average has been used to smooth out the series. The data are also summarised in Table 2 showing the per cent change in total employment between June 2009 and June 2019. The estimates based on these data show that total youth employment has declined in WA whereas nationally it has increased. WA prime aged males (aged 25-44) have also experienced a slower rate of increase in their total employment when compared nationally. Older women in WA (aged 55-64) have experienced the strongest growth in their employment with the total increasing by 48% in the 10 years to June 2019 (vis a vis 43.4% nationally) and likely reflects population ageing alongside increases in the female Age Pension eligibility age.

Table 2: % Change in Total Employed; Australia & WA; June 2009 - June 2019

<table>
<thead>
<tr>
<th>Aged</th>
<th>Australian Males</th>
<th>Australian Females</th>
<th>WA Males</th>
<th>WA Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>1.9%</td>
<td>5.6%</td>
<td>-19.2%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>25-34</td>
<td>23.6%</td>
<td>33.0%</td>
<td>18.4%</td>
<td>33.8%</td>
</tr>
<tr>
<td>35-44</td>
<td>8.7%</td>
<td>13.0%</td>
<td>5.5%</td>
<td>10.7%</td>
</tr>
<tr>
<td>45-54</td>
<td>6.5%</td>
<td>12.0%</td>
<td>9.5%</td>
<td>11.2%</td>
</tr>
<tr>
<td>55-64</td>
<td>24.2%</td>
<td>43.4%</td>
<td>24.9%</td>
<td>48.4%</td>
</tr>
</tbody>
</table>

Source: ABS 6202 Labour Force Australia; Pivot Table LM9.
Note: % change is based on an annual average estimated over original data.
Figure 3: Trend in Total Employment ('000) WA and Australia

Figure 4: Job Vacancies, Australia and WA, 2009 to 2019

Source: ABS 6201.0 Job Vacancies Australia
Figure 5: Total Employed ('000); WA; Males; By Age; 2009-2019

Figure 6: Total Employed ('000); WA; Females; By Age; 2009-2019
Recent media commentary\(^2\) suggests that the relatively favourable labour market outcome (at least nationally) owes much to public sector employment growth. To shed light on changes in public sector employment Table 3 shows per cent changes in total annual employment for consecutive years from 2008/9 through to 2017/18 (the most recent year available). Between 2017 and 2018 total commonwealth public service employment grew by 0.38%; this compares to 1.98% for all state level public sector employment. The Victorian and Queensland State governments were largely responsible for the observed growth in total state employment numbers with total State public sector employment increasing by 3.2% in Victoria. In WA State public sector employment increased by 0.9% between 2017 and 2018.

Figure 7 shows the per cent change in annual average total employment (original series) by industry for Australia and WA. In WA total employment growth, between the two periods studied, was largely driven by the following industries (with the industry sectors listed from highest to lowest in terms of contribution to overall total employment growth): Mining, Public administration and safety, Manufacturing, Professional, scientific and Technical services, and Wholesale trade. Sectors detracting from total WA employment growth included: Construction, followed by Education and training, the Health care and social assistance sector and Arts and recreation services. These patterns were not repeated nationally with sectors such as Health and social assistance and Education and training contributing to a total growth in employment.

4. **Unemployment and underemployment**

At June 2019 the trend unemployment rate for males and females in WA was equal to 6.2% and 5.6%, respectively. Nationally the male and female unemployment rates are presently 5.2%, with the target unemployment rate (the ‘natural’ or ‘full employment rate’) being 4.5%. Figure 8 shows trends in the unemployment rate in the 10 years to 2019. Since mid-2017 trends in the WA and national unemployment rates have diverged, although recent trend data suggests that the overall rate for WA males and females is starting to decline.

Figure 9 shows the youth unemployment rate for Australia and WA while figure 10 provides a gender dimension on WA youth unemployment via a comparison of WA and Australia youth (aged 15-24) unemployment shares. The rate data (from figure 8) show that since 2017 the WA youth unemployment rate has exceeded the national youth unemployment rate. Presently the WA youth rate is around 14%. This compares to a rate of around 12% nationally. From Figure 10 it is apparent that young WA women females have
experienced a growth in unemployment since 2016 while, for young WA men the growth has been more recent with evidence that this may also be starting to taper off.

Figure 8: Trend Unemployment Rate (%); Australia and WA; Males and Females
Figure 9: Youth Unemployment Rate; Australia and WA

Figure 10: WA Youth Unemployment as a Share of National Youth Unemployment

Source: ABS 6202, Labour Force Australia, Pivot Table Im9. Note: the data are based on original series. A 12 month rolling average has been used to smooth the data. The shares (%) above are based on 12 month annual average comparisons.
Figures 11 and 12 show trends in total unemployment for WA males and females aged 25-64. For males the data suggest rising unemployment amongst those aged 25-34 and older men aged 55-64. This contrasts with an apparent fall in the number of WA women aged 25-54 who are unemployed.

Figure 11: Total Unemployed; Males; WA; Aged 25-64

Figure 12: Total Unemployed; Females; WA; Aged 25-64
4.1 Job search duration

In this section the analysis focuses on median job search duration.\(^3\) The estimates are based on trend data but a 12 month moving average has also been used to smooth the series, particularly regional data (eg. Wheatbelt) where the series is subject to more fluctuation. Figure 13 shows that while the median job search duration in WA is below that in Tasmania, South Australia and Queensland, at 16.6 weeks it is above the national average (of 15.4 weeks) and has increased markedly since 2013. Figures 14 and 15 show median job search duration within WA disaggregated for Perth (figure 14) and WA regions (figure 15).

Within Perth the North East and North West have experienced an increase in the median time spent searching for work, whilst search duration in the southern Perth areas have been in decline. Regional data (figure 15) also shows that job search duration is also falling in Mandurah and Bunbury and increasing elsewhere.

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\(^3\) Median data have been used in preference to average search duration as the long-term unemployed may skew the data.
Figure 14: Median Job Search Duration; Perth

Figure 15: Median Job Search Duration; WA & Regions
4.2 Underemployment and underutilisation

Figure 16 shows the underemployment rate (share of total employed who would like to work more hours) while figure 17 shows the underutilisation rate (the unemployment rate and under-employment rate combined). Comparisons are made with the all person national rate. Focusing on the underemployment rate, it is clear that, for both males and females, this has been on the increase since around 2013 and that WA females have a higher share of under employment (and underutilisation) than WA males.

Figure 16: Underemployment Ratio; Australia and WA

Figure 17: Underutilisation Rate; Australia and WA
5. **Earnings and wage relativities**

Figures 18 and 19 draw on data from the ABS Wage Price Index series to show how total hourly rates of pay (excluding bonuses) have tracked in WA and nationally, disaggregated by sector. An advantage of the Wage Price Index series over other earnings data is that they adjust for hourly wage changes that may arise from changes in the composition (eg. quality) of the workforce. In figure 18 the focus is on change in total earnings from financial year 2008-09. Figure 19 shows annual changes in hourly earnings. From both charts it is apparent that wages growth in the public sector has been stronger than that of the private sector, particularly in WA. Indeed, for the decade shown, wage growth in the WA private sector fell below that of the private sector nationally. Given the widening gap between male and female hourly earnings in WA (see figure 20) this most likely reflects a slower rate of wages growth in feminised sectors of the WA labour market. Since 2008-09 WA private sector wages have increased by 29% whereas, in the WA public sector, hourly earnings increased by 36.6% over the same period.

*Figure 18: Growth in hourly pay; public and private sectors; WA and Australia*
Figures 18 shows annual changes in hourly wages and demonstrates, clearly, the sluggish growth in earnings over recent periods. Between 2012 and 2017 public sector wage growth outstripped private sector wage growth in WA, although this has since been reversed. A comparison of the annual change in earnings between 2018 and 2019 (based on March quarter 2018 to March quarter 2019) shows that in the WA public sector wages grew by only 1.3%, whereas in the WA private sector the growth rate was slightly higher at 1.7%. Nationally public and private sector wages grew by 2.4% and 2.3%, respectively.

Figure 19: Annual Change in Hourly Wages; Public and Private Sectors; WA and Australia

Figure 20 tracks seasonally adjusted WA and Australian average weekly ordinary time earnings (AWOTE) for males and females from 1984 through to 2019. The rational for showing such a historical chart is to illustrate where and when male and female earnings in WA started deviating from those nationally. For comparative purposes the AWOTE of Australian males is taken as the benchmark. This chart, therefore, shows wage relativities. Comparisons are made between Australian men and WA men; Australian men and WA women; Australian men and Australian women. The chart also benchmarks the national and the WA minimum wage.
to Australian male AWOTE. Note, unlike the Wage Price Index series, these data are not able to adjust for average wage changes deriving from compositional (rather than price) effects.

The upper (green) line in Figure 20 shows that between 1984 and 2003/4 WA and Australian male AWOTE were generally equivalent. After 2004 WA male AWOTE grew significantly faster than Australian male AWOTE such that by November 2018 WA males, on average, earned around 12.6% more than Australian males.

Figure 20: Wage Relativities; WA and Australia

The chart also shows that until around 1992 WA females had parity in their average earnings with Australian females with both groups earning around 83% of Australian male AWOTE. Post 1992 and the WA industrial relations reforms enacted around then, female average earnings declined relative to WA and Australian males and relative to Australian females. In a relative sense they were at their lowest around 2004 but, with the onset of the resources boom and strong wages growth in WA around that time, the average earnings of WA females also increased. At November 2018 the AWOTE of WA and Australian females was again essentially the same.
Recent research examining the source of divergent growth in the earnings of males and females in WA and nationally shows that the relatively faster growth in WA male and female earnings derives from both price and compositional effects whereas, nationally, wages growth from compositional effects was minimal.\(^4\)

Turning to the gender wage gap (GWG), the data show that, for most of the period the GWG nationally has been fairly constant at round 15% (corresponding to a female to male AWOTE ratio of around 85%). In recent periods this national GWG has narrowed such that, at November 2018 it was around 13%. In WA the GWG has consistently been wider than that observed nationally, with the gap peaking at 27.7% (a ratio of 72.3%) in 2011. Since then the slower growth in WA male AWOTE has helped narrow the WA gender wage gap such that, by November 2018 it was around 23% (around 10 percentage points larger than that observed nationally).

Whilst the larger WA GWG has been attributed, by some, to the effect of mining recent research shows that this is only part of the story and that whilst the mining industry does have an important role in explaining the observed gap it is not the sole driver. Gender differences in employment shares across construction and transport also contribute to the story of larger gender wage gaps in WA. Research\(^5\) also shows that when the GWG is compared across the wage distribution (from low wage earners to high wage earners) the pattern differs from that nationally (Figure 21) and that a focus on the mean or the average is missing an important part of the story of gender wage inequality in WA.

A common finding in the literature is that the gender wage gap is narrower at the bottom of the distribution than it is in the middle and top end of the wage distribution. This reflects the fact that, in low wage sectors the wages of men and women are typically more on par whereas at the upper end of the wage distribution gaps widen because of glass ceiling effects, to name just one factor.

In WA the gender wage gap is wider in the tails (at both ends of the distribution) than it is in the middle (see Figure 21). The chart also shows that since 2001/3 the WA GWG WA has widened across all points in the wage distribution (as shown by the downward shift in the orange line from the blue dotted line) (these data take into consideration compositional

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\(^5\) Ibid.
shifts). It also shows that, aside from the median, WA women in all other parts of the wage distribution face a higher wage gap than their counterparts nationally.

The puzzle of wider GWG in the bottom of the WA wage distribution is one that warrants further attention as it suggests that low paid women have not experienced the same wages growth as other WA employees. The fall in the relative value of federal and WA minimum wages is also cause for concern given the gaps discussed here. As shown in Figure 20, in 2001 the national and WA minimum wage was around 50% of Australian male AWOTE. Presently the minimum wage equates to around 43% of Australian male AWOTE.

Figure 21: Gender Wage Gap Across the Wage Distribution; 2001-03 and 2014-16; WA and the Rest of Australia

Source: Preston and Birch (2018)