



Tasmania needs a pay rise

Unions Tasmania & ACTU Research Note (Nov 2022)

AUSTRALIA NEEDS A
Pay Rise

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Summary

No other state in Australia deserves a pay rise as much as Tasmania. The Secure Jobs Better Pay Bill is urgently needed to get wages moving, especially in Tasmania.

In the past 12 months Australian workers have suffered a significant drop in their living standards as their stagnant pay has been turned into significant real wage cuts by rapidly rising inflation. Tasmanian workers have felt the brunt the most: they already received much lower pay than their mainland counterparts, partly because large corporations deliberately pay them less than their mainland colleagues, and are now facing a cost of living crisis more significant than perhaps any other state or territory.

Key findings of this research note include:

- Tasmanian workers earn on average \$200 a week less than the average Australian worker. That's more than \$10,000 less a year.
- Key employers are able to exploit weak employment laws by offering their Tasmanian workforce lower wages than their mainland counterparts. A Tasmanian worker starting out at the Boags brewery in Launceston will earn \$30.01 per hour compared to \$33.16 per hour for an entry level position at breweries controlled by Boags' parent company Lion on the mainland. Similarly, a level 5 dairy worker at the Saputo plant in Smithton will earn about \$13,700 less per year than someone working for the same company, doing the same job, in Victoria.
- Despite wages in Tasmania recently growing at a slightly better rate than the rest of the country, the difference is so small, that Tasmanians will only catch up some time in the next century.
- Other ABS measures of wages show that Tasmanian workers are paid significantly less than workers in other states and that, in cash terms, their wages are growing more slowly than other states.
- Tasmania also has the highest levels of inflation in the country, at 8.6% for the year to September, compared to 7.3% nationally. Hobart has experienced consistently high inflation which has left many Tasmanians paying more for basic necessities. Rental housing in particular is less affordable in Hobart than in any other capital. High inflation's impact on real wages has left Tasmanian workers more than \$3,600 a year worse off since June 2020.

The working people of Tasmania urgently need an industrial relations system that will deliver them meaningful, significant pay rises. The Secure Jobs Better Pay Bill 2022 represents an urgently needed set of reforms to get Tasmanian, and national, wages moving. It would do so by:

- Enabling workers to bargain across enterprises – this would stop the practice of large corporations paying their Tasmanian employees less than their mainland ones.
- Making it easier to bargain – the best way to get wages moving, and
- Starting to clampdown on insecure work. Tasmania has some of the highest levels of insecure work in the country which limits people's job security, income and career prospects.

Tasmania's poor performance in wage growth – by the numbers.

Tasmanian workers are on average the lowest paid in the country according to the latest Australian Bureau of Statistics Average Weekly Earnings (AWE) data.¹ The average Tasmanian worker earns only \$1568.50 per week² (ordinary time earnings) which is a \$415.20 per week behind the average resident of the ACT (the highest earning state or territory) and \$201.30 per week behind the national average. That's \$21,000 and \$10,400 less per year respectively.

The most recent national wage data shows that Tasmania wages were growing at 3.6% for the year to September 2022.³ This is a slightly higher rate than the national Wage Price Index (WPI) of 3.1%, but that recent better result fails to tell the full story of wages in Tasmania. Tasmanians still remain far behind the pay levels of mainland Australia and have made very little progress in catching up.

As Table 1 shows, with the highlight indicating the lowest paid state in each year, this is not an aberration. Tasmania has consistently delivered the lowest wages for workers since 2012⁴ (in fact even longer) and has consistently lagged hundreds of dollars per week behind other states in this measure.

Table 1 – Average Weekly Earnings by State – Year Averages (lowest state highlighted)⁵

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 (half-year)
NSW	\$1,377	\$1,414	\$1,476	\$1,520	\$1,538	\$1,566	\$1,614	\$1,672	\$1,750	\$1,763	\$1,790
VIC	\$1,314	\$1,364	\$1,389	\$1,411	\$1,478	\$1,517	\$1,558	\$1,628	\$1,715	\$1,756	\$1,750
QLD	\$1,347	\$1,423	\$1,448	\$1,444	\$1,471	\$1,512	\$1,558	\$1,593	\$1,631	\$1,659	\$1,706
SA	\$1,253	\$1,301	\$1,353	\$1,362	\$1,431	\$1,445	\$1,456	\$1,489	\$1,533	\$1,581	\$1,624
WA	\$1,554	\$1,632	\$1,657	\$1,700	\$1,701	\$1,729	\$1,749	\$1,779	\$1,841	\$1,888	\$1,937
TAS	\$1,212	\$1,267	\$1,257	\$1,304	\$1,340	\$1,355	\$1,389	\$1,435	\$1,488	\$1,531	\$1,569

¹ Australian Bureau of Statistics (May 2022), Average Weekly Earnings, Australia, ABS Website

² Ibid

³ Australian Bureau of Statistics (June 2022), Wage Price Index, Australia, ABS Website

⁴ Ibid

⁵ Australian Bureau of Statistics (May 2022), Average Weekly Earnings, Australia, ABS Website, ACTU Calculations

NT	\$1,413	\$1,449	\$1,436	\$1,533	\$1,604	\$1,632	\$1,656	\$1,688	\$1,703	\$1,697	\$1,710
ACT	\$1,620	\$1,687	\$1,683	\$1,712	\$1,736	\$1,789	\$1,812	\$1,820	\$1,876	\$1,944	\$1,988
National average	\$1,386	\$1,442	\$1,462	\$1,498	\$1,537	\$1,568	\$1,599	\$1,638	\$1,692	\$1,727	\$1,759

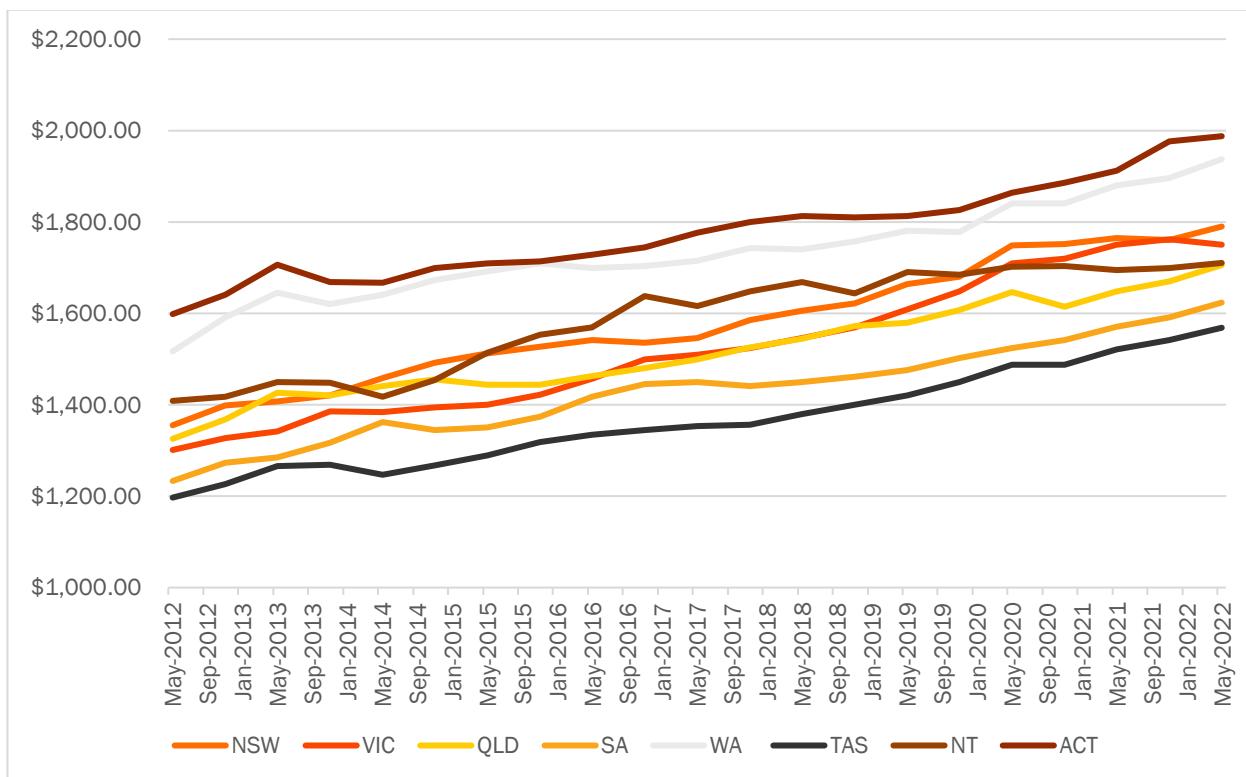
To catch up, Tasmanians need to consistently have a much higher rate of wage growth than workers in other states. This hasn't occurred. Graph 1 below shows this problem most clearly: Tasmanians have made little progress with regard to catching up with the other states in terms of actual wages.

This is also borne out in the figures. In 2012 the average Tasmanian worker was paid \$170.08 less per week than the national average. In 2022, this figure sits at \$201.30. While this figure has steadily reduced from its highest value (\$221.68) in 2017, the current slow rate of improvement means Tasmanian workers will have to wait most of the rest of this decade before they can get back to where they were, in comparison to the rest of the nation, in 2012. This lack of progress is clear not just in the actual dollar figure, but in the percentage of the national average weekly earnings that Tasmanians receive. In May quarter 2012 Tasmanian workers received 12% less than the Australian average. In 2022, that figure is 11% - an improvement of 1% in 10 years. At that rate, Tasmanian workers will achieve parity with their mainland equivalents sometime in the 22nd century.

Tasmanians are failing to catch up meaningfully because the conditions needed for consistent above-trend wage growth in Tasmania do not yet exist.

Graph 1 – Average Weekly Earnings by State⁶

⁶ Australian Bureau of Statistics (May 2022), Average Weekly Earnings, Op. Cit.



Another ABS measure of wages, the Employee Earnings and Hours (EEH) release, backs up this finding. It shows that, in terms of average weekly total cash earnings, Tasmanians have the lowest earnings of any state – \$1,123.40 a week. Figures for the EEH survey are lower due to the use of a median as opposed to a mean, meaning higher earners have less impact on the figure, as well as other methodological differences from the AWE release.⁷

Methodological differences aside, the EEH survey once again shows Tasmanians earning less than the national average – \$270 a week (\$14,000 per year) less in 2021.⁸ The EEH data also shows that this gap has worsened since 2014, when it was ‘just’ \$195.70 per week (or \$10,000 per year). Additionally, the EEH data shows that Tasmania has actually achieved the lowest average rate of increase in weekly cash earnings of any state, as can be seen in Table 2. This explains why Tasmanian workers have been so unsuccessful at achieving parity with workers on the mainland – their short periods of higher-than-average wage increases have not been sufficient to offset significant backsliding in years when they perform worse than the average. If nothing changes – it appears unlikely Tasmanians will ever catch up.

Table 2 – EEH Median Weekly Cashing Earnings, Average Increase between releases⁹

	May-21	May-18	May-16	May-14	Average increase
New South Wales	11.73%	4.21%	2.38%	N/a	6.11%

⁷ Australian Bureau of Statistics (May 2021), Employee Earnings and Hours - methodology, Australia, ABS Website

⁸ Australian Bureau of Statistics (May 2021), Employee Earnings and Hours, Australia, ABS Website

⁹ Australian Bureau of Statistics (May 2021), Employee Earnings and Hours, Australia, ABS Website, ACTU Calculations

Victoria	6.48%	4.69%	9.34%	N/a	6.84%
Queensland	6.53%	9.91%	-1.40%	N/a	5.01%
South Australia	9.12%	7.09%	-2.20%	N/a	4.67%
Western Australia	5.22%	-1.65%	10.30%	N/a	4.62%
Tasmania	2.85%	4.93%	5.50%	N/a	4.43%
Northern Territory	5.78%	3.54%	7.77%	N/a	5.70%
Australian Capital Territory	6.23%	3.78%	7.43%	N/a	5.81%
Australia	8.18%	4.71%	4.08%	N/a	5.66%

EEH and AWE data shows the reality behind the recent higher rate of wage growth in Tasmania. Increases off a low base need to be significantly higher for Tasmanian workers to ever catch up in earnings compared to the rest of Australia. Not only is this not occurring, but the Tasmanian economy is regularly failing to deliver even above-trend wage increase for its workers. This is an untenable situation if Tasmanian workers are to receive what they should – a rate of pay comparable with the rest of the country. In addition to this, there is another dataset that implies that Tasmania's recent run of higher wage growth may be coming to an end.

The Federal Trends in Enterprise Bargaining report is released each quarter and contains data about enterprise bargaining agreements made or valid in that quarter which are registered with the federal industrial relations system. The agreements in the report cover approximately 30% of all employees across Australia.¹⁰ While this is not the majority, it nonetheless represents a significant proportion of all Australian employees and trends in the rates of pay for this cohort, and are likely to affect those of the remaining 70%. Tasmania has, according to this report, performed well over the last few years. Average Annual Wage Increases (AAWI) in Tasmanian agreements approved in the quarter were the highest among all states and territories on two occasions in the last three years and have been consistently in the top two or three over that same period.¹¹ Since agreements generally last a number of years, these good results have carried through to deliver higher wage growth, as measured by the Wage Price Index, for Tasmanian workers.

While, as discussed above, this wasn't enough to overcome the low earnings disadvantage, it was at least good news for Tasmanians. Less good is the most recent data from this release. AAWI in agreements made in the 2 quarters available for 2022 so far have seen Tasmania rank 6th and 4th in the March and June quarters respectively.¹² If this trend continues, these agreements will see Tasmanian workers covered by these agreements continue to receive below-trend increases over the next few years – likely dragging other workers' wage increases down with them.

Tasmania's better than average performance in the Wage Price Index measure isn't a lie, it isn't a mistake – it simply doesn't matter much for workers on the ground. The reality that Tasmanian workers are living every

¹⁰ Department of Employment and Workplace Relations, Trends in Federal Enterprise Bargaining – March quarter 2022, 30 June 2022.

¹¹ Ibid

¹² Ibid

day is that they are being paid far less than workers in other states doing the same jobs and they have been working for nearly a decade to see essentially no change in that situation. When the times have been good, they have not been good enough to reverse the damage done in the bad years.

The current Tasmanian government, which has imposed a wage policy designed to cap and depress public sector wages, with a resultant effect of doing so for private sector wages, is doing absolutely nothing to address this issue. In fact, along with the broader bargaining environment – they are a key force in perpetuating low wages in Tasmania. Without a significant change to the environment in which Tasmanian workers work and bargain for pay increases, it is unlikely that anyone working in Tasmania today will ever see the day when their pay packet is comparable to that of an average Australian.

Tasmania's Workers as Second-Class Citizens

In the section above we showed that despite good performance in some measures, Tasmanian workers are paid significantly less than their colleagues in other states. While there are a number of explanations for this, one of the most concerning is that it appears that many large corporations are of the view that Tasmanian workers are simply worth less than those in other states – or that they can get away with paying them less. Below are a number of case studies in which Tasmanian workers are receiving lower rates of pay than workers for the same company or the same type of company, doing comparable work, in other states.

For example, a Tasmanian worker starting out at the Boags brewery in Launceston will earn \$30.01 per hour compared to \$33.16 per hour for an entry level position at breweries controlled by Boags' parent company Lion on the mainland. This means Tasmanian workers are paid \$119 less per week or more than \$6,000 less per year than workers on the mainland doing the same job.

Dairy workers in Tasmania face a similar uphill battle in trying to achieve wage-parity with comparable workers in other states. King Island Dairy workers starting out are paid \$6.83 less per hour or nearly \$13,500 less per year than Saputo dairy workers in Allanford, South Australia. Even after they've been promoted to Level 5 workers under the agreement, King Island workers take home \$4.50 less per hour or \$8,800 less per year than Saputo Dairy workers in Victoria. But Saputo dairy workers who are based in Tasmania are also paid less than mainland colleagues, earning \$4.15 an hour or \$8,200 per year less at level 1 and a massive \$6.94 per hour or \$13,713.44 per year less at level 5.

These case studies are not exhaustive – but they are illustrative. Large companies clearly believe that they can get away with paying Tasmanians less. Even worse, it appears that under the current system that they're correct in this assumption. Tasmanian workers, perhaps more than those in any other state, desperately need more power to bargain with their employers in order to achieve a fair and equitable pay outcome.

Spiralling Cost of Living

Australia is currently in the grip of a cost-of-living crisis. Fundamentally, this occurs when wage growth consistently fails to keep up with the increasing cost of goods and services. Inflation in Australia has been below 3% since 2014¹³, actually dipping into the negatives in the early stages of the pandemic. This has meant that while wage growth was also at a record-low, real wages were at least growing at an anaemic pace, or were only declining slightly.

The situation facing Australian workers is now radically different. Inflation, measured through the ABS's Consumer Price Index (CPI) hit 7.3% in the September quarter of 2022 while wages grew at only 3.1%.¹⁴ This means that workers' wages went significantly backwards during that period. Tasmania has not been immune to this crisis – far from it. Tasmanian workers are also experiencing one of the worst cost-of-living crises in Australia.

It used to be that employers and conservative politicians were able to excuse low wages in Tasmania because, they argued, it cost less to live there. This argument never made any sense, but now it's also patently false. For example, Greater Hobart is now the least affordable rental market in Australia. According to the 2021 Rental Affordability Index, people living in Greater Hobart spend an average of 34% of their income on rent. This figure is 14 percentage points higher than Melbourne, 10 points higher than Sydney and nine points higher than Brisbane.¹⁵ Fuelling this crisis is the fact that median rents in Hobart have increased 50% since 2016.¹⁶ This is partly due to the fact that Hobart also has the second lowest vacancy rate for rentals nationally – 0.5% meaning that rental housing is hard to find and therefore is expensive.¹⁷ This problem is, of course, exacerbated by the low wages Tasmanians earn.

But it's not just housing. The latest CPI release from the ABS highlights the broader affordability issue clearly. In a quarter in which Australia as a whole experienced a 7.3% rate of inflation (year on year), Hobart¹⁸ experienced a rate of 8.6% - giving it the highest rate of all the states.¹⁹

An analysis of CPI releases found that Hobart had either the highest or the second-highest rate of quarter-to-quarter inflation in more than 40% of quarters since 2013.²⁰ As Table 3 shows, this has resulted in Hobart

¹³ Australian Bureau of Statistics (Sep-quarter-2022), *Consumer Price Index*, Australia, ABS Website

¹⁴ Australian Bureau of Statistics (Sep-quarter-2022), *Wage Price Index*, Australia, ABS Website

¹⁵ SGS Economics and Planning, *Rental Affordability Index 2021*, November 2021.

¹⁶ The Guardian, *A bitter winter and nowhere else to go: Hobart housing crisis forcing people to live in tents*, 3 July 2022

¹⁷ SQM Research, *Press Release - September Vacancy Rates Remain Constant at 0.9%*, 12 October 2022

¹⁸ Inflation is measured in capital cities rather than in states as a whole. While Hobart is not Tasmania, it is considered indicative of the rest of the state.

¹⁹ Australian Bureau of Statistics (Sep-quarter-2022), *Consumer Price Index*, Op. Cit

²⁰ Australian Bureau of Statistics (Sep-quarter-2022), *Consumer Price Index*, ACTU Calculations

having the highest average rate of quarter-to-quarter inflation of any Australian capital city between 2013 and today. The Hobart average of 0.633% is more than 10% higher than the national average.²¹

This is also true of the year-to-year inflation figures, also available in Table 3, with Tasmania once again leading the pack and surpassing the national average by 11%.²² Inflation has become such a long-term issue in the Tasmanian economy that the index used to measure costs; where 100 is defined as the cost of goods in 2011-12, it has now reached 130.5 in Hobart – the highest in any capital city.²³ This means that workers in Hobart have experienced the largest amount of inflation by any worker in Australia – all while being paid far less than workers in other states.

Table 3 – Average Quarter to Quarter Inflation 2013 – June 2022, Capital Cities.²⁴

	Average Qtr – Qtr rise since 2013	Average year - year rise since 2013
Sydney	0.564	2.033
Melbourne	0.594	2.078
Brisbane	0.631	2.206
Adelaide	0.572	1.981
Perth	0.564	1.944
Hobart	0.633	2.292
Darwin	0.469	1.717
Canberra	0.572	2.081
Weighted National Average	0.575	2.050

Inflation is particularly damaging when it is high for categories considered to be necessities. This means that workers are unable to simply reduce their consumption, or stop buying all together, to avoid price rises. This has frequently been the case in Hobart, with necessities such as housing (8.5% in December 2021), fuel (11.6% in March 2022), rent (1.4% in March 2022) and fruit (5.6% in December 2020) all rising faster than in other capitals in the last two years.

Inflation has been such an issue in Tasmania, particularly in the last few years, that real wages (when inflation is subtracted from wage growth) have been consistently negative, as shown in Graph 2 below. So serious is this issue that since June 2020 the average Tasmanian worker has suffered a real wage cut of more than \$3600 a year.²⁵

Graph 2 – Real Wage Growth in Tasmania 2016 – 2022

²¹ Ibid

²² Ibid

²³ Ibid

²⁴ Ibid, ACTU Calculations

²⁵ ABS CPI and WPI figures to June 2022, ACTU calculations.



Inflation is a silent thief, stealing a portion of workers' pay packets when they're not looking. Tasmanian workers had less than workers in other states to begin with and yet a cost-of-living crisis in the state continues to impoverish them even further.

Getting Tasmanian wages moving

The Secure Jobs Better Pay Bill before the Federal Parliament can make an important contribution to tackling this low wage crisis for Tasmania workers. Here are the top three reasons:

Firstly, multi-employer bargaining has the potential to allow workers across the country to bargain for fairer wages across enterprises with the same company e.g. with Boag's and Saputo as discussed above. This would prevent them from negotiating separate agreements across their businesses as a deliberate tactic to pay some people less just because of where they live.

Secondly, the Bill would also generally make it easier for Tasmanian's to collectively bargain with their employers – another key way to get wages moving. Pay in collective agreements has risen by 9.1% in real terms from 2012 to 2021, which has easily outpaced the average rise in real wages across of the country of just 1.2% over the same period.²⁶

²⁶ ABC EEH (May 2022), ACTU calculations.

Thirdly, the Bill also takes the first step in improving job security. At least one in three Tasmanians workers are either in casual, gig, labour hire or fixed term contract employment.²⁷ Tasmania also has the highest rate of casual employment in the country. This has a direct impact on wages. After all, it is very hard to join with your work mates to ask the boss for a pay rise if you are not even sure if you will have a job or enough hours of work tomorrow. The Bill begins to tackle this issue by placing limits on the use of fixed term contracts, which too many employers endlessly roll-over instead of giving workers a permanent job.

²⁷ ACTU (September 2021), Spotlight on Job Insecurity and Wages in Tasmania,
<https://www.australianunions.org.au/2021/09/02/spotlight-on-job-insecurity-and-wages-tasmania/>