

**SENATE EMPLOYMENT, WORKPLACE RELATIONS AND EDUCATION  
LEGISLATION COMMITTEE**

**2005-2006 ADDITIONAL SENATE ESTIMATES HEARING  
16 FEBRUARY 2006  
EMPLOYMENT AND WORKPLACE RELATIONS PORTFOLIO**

**QUESTIONS ON NOTICE**

**Outcome 2:** Higher productivity, higher pay workplace

**Output Group: 2.1** Workplace Relations Policy and analysis

**Output: 2.1.1** Workplace relations policy advice

**Question Number:** W714-06

**Question:**

Senator Wong asked in writing:

The Prime Minister has claimed in his media release of 9 October that “the real wages of Australian workers have risen by 14.9 per cent” during his Government. During the 2005-06 Supplementary Budget Senate Estimates Hearing, 2 and 3 November 2005, the Prime Minister's claims were placed under scrutiny. As a result of the answers provided to QoN W622-06, further detail is required: The calculations quoted in the answer to W622-06 are inaccurate. In particular, the equations do not add up. Please explain these inaccuracies.

- a) Upon what economic authority is your methodology and calculation of real wages based?
- b) Upon what economic authority is the use of 'real average non-farm compensation per employee' based?
- c) Does DEWR agree that there could be other ways of determining real wages growth?
- d) Does DEWR agree that real wages growth could be calculated based on statistics regarding the growth in average weekly earnings between 1996 and 2005, deflated by the CPI index figures for this period?
- e) Does DEWR agree that this approach would allow for a calculation of real wages growth for non-managerial worked by industry and occupation?
- f) Why has this approach not been utilised?
- g) Has this calculation or methodology been used in any departmental advice? If so, please table.

**Answer:**

The 14.9 per cent increase in real wages between the March quarter 1996 and the June quarter 2005 is correct. More recent data show that growth in real wages between the March quarter 1996 and the December quarter 2005 was 16.8 per cent.



Revised calculations for W622-06 are provided below:

	<b>Final consumption expenditure - households</b>	<b>Average non-farm compensation per employee) (\$)</b>	<b>Real average non-farm compensation per employee (\$)</b>
March quarter 1996	84.7	8,665.00	10,465.50
June quarter 2005	102.3	12,025.00	12,025.00

Source: ABS, *Australian National Accounts* publication (Cat No 5206.0, tables 12 and 41). All data above are seasonally adjusted and have since been revised by the ABS in the latest *Australian National Accounts* publication for December quarter 2005.

Real average non-farm compensation per employee for the March quarter 1996 (in June 2005 dollars) =  $(8,665.00/84.7) * 102.3 = \$10,465.50$

Real average non-farm compensation per employee for the June quarter 2005 (in June 2005 dollars) =  $(12,025.00/102.3) * 102.3 = \$12,025.00$

Real wages growth over the period =  $(12,025.00-10,465.50)/ 10,465.50 * 100 = 14.9$  per cent

(a) The methodology is the same as that used by the Department of the Treasury (the Treasury). The Treasury derives real non-farm average earnings by deflating nominal non-farm average earnings by the implicit price deflator for private final consumption expenditure as explained on its website at

<http://www.treasury.gov.au/documents/562/HTML/docshell.asp?URL=default.asp>

(b) The ABS *Australian National Accounts* publication (Cat No 5206.0).

(c) See (d) below

(d) Applying this methodology to the data contained in the ABS *Average Weekly Earnings* publication (Cat No 6302.0) shows that real average weekly earnings increased by 20.5 per cent between February 1996 and November 2005, seasonally adjusted (latest data).

(e) No. The measure outlined in (d) does not provide a split between managerial and non-managerial employees.

(f) As explained in the answer to (e), this approach is not possible using ABS *Average Weekly Earnings* publication (Cat No 6302.0).

(g) No.