

## **In Western Australia, now might be a good time to ask for a pay rise**

Conrad Liveris, February 2022

The typical recipe for wage growth is a healthy mix of low unemployment, preferably full-time jobs, and a strong demand from employers. Workers, however, need to recognise this.

After a prolonged decline in the unemployment rate in Western Australia and record highs of employment generally, because of pressures on other parts of the economy wages have not kept pace with inflation.

Wage growth is stuck below the rate of inflation leading to a decline in real wages and an overall increase in the cost of living.

Data on the permanency status of workers is not easy to find. Anecdotally, there has been an increase in yearly-contracts as opposed to permanent employment, be that full or part-time. It is understandable why organisations do this, but at the conclusion of that arrangement it does not seem that employees are asking for pay rises before their next term of employment.

I am normally cautious about general advice about asking for pay rises, but the mix of rates of employment, unemployment, underemployment and wide-spread anecdotal demand for labour, highlights that this is a uniquely good time for workers to ask for a pay rise. Given issues with inflation outstripping wage growth, it may also be an important factor for cost of living issues.

The evidence below shows that while now might be the best time to ask for a pay rise, it may also be an important time to seek one because of an increasing cost of living.

### **Key statistics**

- Over the past two years, wages have grown at one-fifth of the rate of inflation.
- Any wages gains have been offset by rising inflation, with real wages falling.
- Unemployment and underemployment are likely to trend lower until international borders are fully open.
- While wage growth has increased in the 2020 and 2021 years compared to the 2018 and 2019 years, inflation has increased significantly.
- The difference between permanent and contract employment remains, at best, opaque.

#### *Note:*

*All evidence here uses Australian Bureau of Statistics data, starting from January 2020 with most up to the beginning of 2022 unless otherwise mentioned. All references to ABS data are seasonally adjusted figures.*

## Employment

The number of people employed in Western Australia has never been this high. There are 1,452,100 employed people in WA, 976,600 of them are employed full-time. Full-time employment is at the highest on record and could foreseeably pass 1,000,000 people in the next two years.

Full-time employment in Western Australia since January 2020

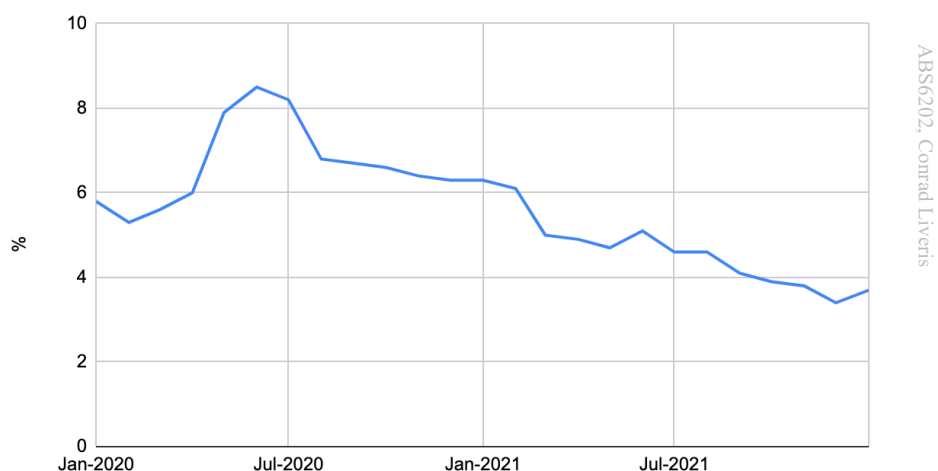


What this shows is that there remains a strong demand for labour in WA, which continues to have a high trend line that has stabilised over the past year.

Regarding the unemployment rate, which currently sits at 3.7 per cent, I expect it to continue on this trend for coming months. This is because of the demand for labour, limited access to new workers and continued government investment.

The underemployment has also been trending lower, showing that those who gained work are able to increase their hours with their employers.

Unemployment rate in Western Australia since January 2020

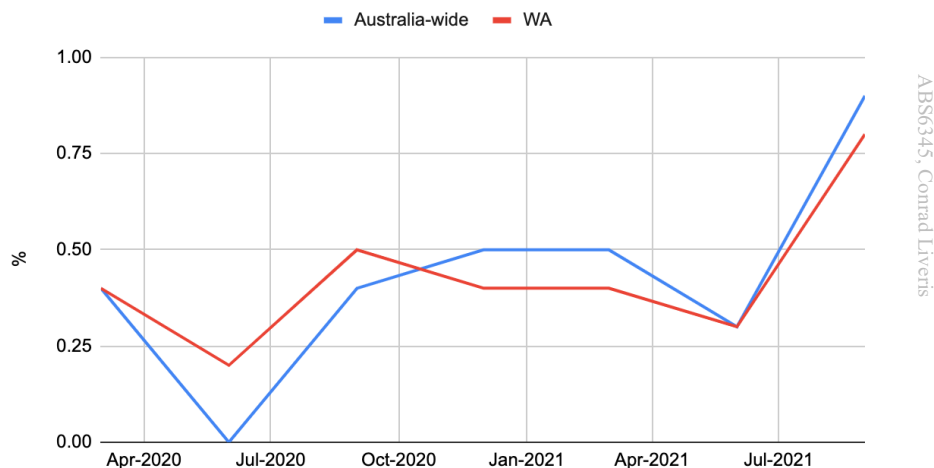


## Wages

Despite the demand for labour, wage growth in WA is low compared to other states. Western Australia is one of only two states with quarterly wage increases below the national average of 0.9 per cent, with a rate of 0.8 per cent.

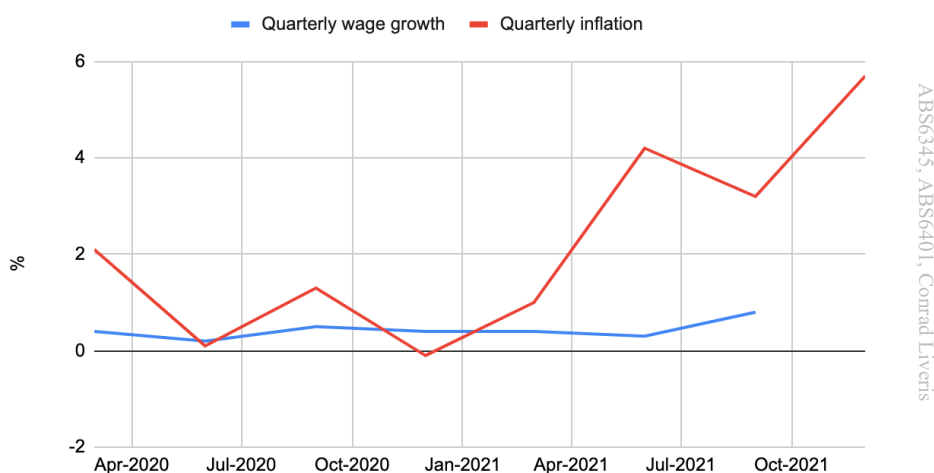
For more than a year, WA wage growth has been below or, and rarely, equal to the national average.

Total pay change since previous quarter



While the pandemic shocked and changed the inflation rate in 2020, the WA inflation rate in December 2021 was 5.7 per cent. Therefore, any gains that have been made in wage growth have been offset by inflation rates leading to a higher cost of living.

WA wage growth and inflation comparison since 2020



Over the course of this period, quarterly inflation in WA has averaged at 2.18 per cent and quarterly wage growth has averaged at 0.42 per cent, or one-fifth of the inflation rate.

In the two years of 2018 and 2019, the average quarterly rate of inflation was 1.3 per cent and average quarterly wage growth was 0.4 per cent. While inflation was still outstripping wage growth, it was less pronounced.

## Considerations

- Organisations have made it clear that the cost of doing business has increased; however, this has not been to the benefit of wages.
- In some industries, individuals should be asking for pay rises in line with inflation or business operations. Not all industries have seen increased demand and growth for their services, so workers should consider industry and organisational specific evidence.
- Governments should promote higher wages as good for the economy, as continued real wage declines will result in undesirable outcomes for the community, including higher personal insolvency and reliance on community support.
- Until organisations have great access to labour from other states, but specifically overseas, then they are reliant on what workers they can access here. When considering the rates of employment, unemployment, underemployment and general anecdotal demand for labour, this is a uniquely good time to ask for a pay rise.

## Sources

ABS 6401.0 Consumer Price Index, Australia

Table 5. CPI: Groups, Index Numbers by Capital City

ABS 6345.0 Wage Price Index, Australia

Table 1. Total Hourly Rates of Pay Excluding Bonuses: Sector, Original, Seasonally Adjusted and Trend

ABS 6202.0 Labour Force, Australia

Table 8. Labour force status by Sex, Western Australia - Trend, Seasonally adjusted and Original

*Note: All references to ABS data are seasonally adjusted figures.*

### Disclosure:

This is part of a periodic analysis of various workplace and economic issues of contemporary national and industry interest conducted by Conrad Liveris, independently and not in any of his formal roles. All efforts are made to present the evidence as impartial, independent, fair and not misleading. Where possible, evidence is checked by another party.

The author, Conrad Liveris, is an economist and corporate adviser, focusing on the labour market and workplaces. Considered one of Australia's leading employment and workplace experts, he works closely with decision-makers across sectors on a range of HR, management and economic issues. He is alumni of the US State Department's programs and is an Associate Fellow of the Royal Commonwealth Society (London). He completed a Bachelor of Arts at the University of Notre Dame Australia, a Master of Commerce at Curtin University and has undertaken executive and further education at the Governance Institute of Australia, the University of California, Los Angeles and University of Oxford.

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