



1 February, 2023

Treasury  
Australian Government

Email: [MeasuringWhatMatters@Treasury.gov.au](mailto:MeasuringWhatMatters@Treasury.gov.au)

Dear Sir/Madam,

The Australian Manufacturing Workers' Union (AMWU) welcomes the opportunity to make a submission to the Measuring What Matters consultation and provide feedback on the government's well-being budget measures.

For 170 years, the AMWU has organised and represented workers in every city and region of the country. Our members make and repair Australia's trucks, trains, aircraft, and ferries. They process the food our farmers grow and create environmentally sustainable packaging to export them all around the world. Looking forward, it is our members who will build the green energy infrastructure Australia requires for the 21st century. They will build and maintain the medical equipment that we use in our hospitals and the electric buses that will get us where we need to go. And it is AMWU members who will build the defence equipment used by our armed services.

The AMWU welcomes the introduction of a well-being budget, and the government's acknowledgment of the limitations of GDP as an assessment of economic performance and living standards. Covid revealed years of economic mismanagement and imbalance that has destroyed the resilience of our supply chains and hollowed out our VET system leaving us with skills shortages. Our health system is crumbling, and progress on the gender pay gap has stalled. At the time of writing, Australia registered a quarterly inflation of 7.8% - the largest quarterly growth since 1990.<sup>1</sup> Interventions to impact inflation are disproportionately impacting workers, who have been asked to take pay cuts even as bonuses are paid to corporate CEOs.

At this point in time, it is crucial that we reset our approach to the economy and ensure that it delivers for everybody and not just a select few.

In preparing this submission, the AMWU has reviewed the OECD indicators framework, and its three major themes: Economic, Social and Environment. We have reviewed the 32 headline indicators proposed by the government. In addition, we have also reviewed how other countries have taken and expanded upon the OECD indicators to develop their own well-being indicators. We support the inclusion of indicators across these three areas, understanding that economic and social well-being cannot be understood separately from our impact on the environment.

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<sup>1</sup> <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

In reviewing the OECD and national level indicator frameworks, we have drawn on the experience of AMWU members, and how the policies of previous governments have impacted on their well-being – for better *and* worse. Within the OECD and the national level indicator frameworks, there remain significant gaps that the AMWU seeks to draw Treasury’s attention to. As Treasury notes in their own analysis, even when countries perform relatively well on an aggregate or median basis compared to other OECD countries, there may be some groups who remain significantly marginalised and who do not share in the overall benefits accrued by the population as a whole.<sup>2</sup> Following this, our submission has focused on indicators that seek to identify disparities in well-being between different groups, with a particular focus on the issues that directly impact on our members. In doing so, our aim is to suggest indicators that will allow the government to assess whether policies allow all groups to fairly share in the economy.

As an affiliate of the Australian Council of Trade Unions, the AMWU supports the submission made by the Australian Council of Trade Unions (ACTU), specifically their proposal for the inclusion of the following indicators:

- A living wage indicator
- A job security indicator
- A full employment indicator
- A genuine progress indicator

AMWU also supports the submission made by the Queensland Nurses and Midwives’ Association (QNMf) to this consultation. Maintaining the well-being of AMWU members requires a robust and resilient healthcare system, and we welcome interventions to ensure a strong, accessible, *and public* healthcare sector. We have also drawn on the ACTU’s submission to the Jobs Summit: *An Economy that Works for People*.

In addition to those indicators proposed by the ACTU and QNMf, we propose additional indicators that are of specific relevance to our membership. We have grouped these indicators under the following headings:

- Workers’ Fair Share of the Economy
- Cost-of-Living
- Worker’s Bargaining Power
- Public Ownership

### ***Workers’ Fair Share of the Economy***

In FY21, executives in Australia’s largest 200 listed companies took home an average of \$9.14 million, or 132 times the wage of the average worker.<sup>3</sup> Australian workers are facing a cost-of-living crisis with wages stagnating while inflation runs at some of the highest levels ever seen in this country.<sup>4</sup> This follows a pandemic that highlighted growing inequality across the Australian population. While Australia’s overall well-being compares relatively well to that of other countries in the OECD, it is clear that many workers are losing out. It is crucial that any well-being budget measures the extent to which workers are fairly sharing in the economic wealth that they create, and how this is changing over time.

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<sup>2</sup> Commonwealth of Australia (2022), *Budget Paper 1*, p. 131

<sup>3</sup> ACSI (2022), *CEO Pay in ASX200 Companies*, <https://acsi.org.au/wp-content/uploads/2022/07/ACSI-CEO-Pay-Report-130722.pdf>

<sup>4</sup> ACTU (2022), *An Economy that Works for People*, <https://futurework.org.au/report/an-economy-that-works-for-people/>, p. 12.

The AMWU supports the ACTU's inclusion of a 'living wage' indicator to measure the percentage of workers that are receiving a wage that, at a minimum, covers their basic needs.

In addition to this, the AMWU proposes other indicators that measure the extent to which inequality is increasing or decreasing, and the extent to which changes in wages and conditions are tracking in line with broader changes in productivity and business growth. Together, these indicators will provide a comprehensive picture of whether the economy works for everyone.

The ABS already measures the distribution of household income over time.<sup>5</sup> This data can be used to track whether wage increases are evenly spread across all income percentiles or whether – as is currently the case – they are concentrated in higher income percentiles. The AMWU proposes that this information should be used in conjunction with the ACTU's proposed living wage indicators to assess how government policy impacts inequality.

The ACTU's Jobs Summit paper highlights how existing ABS indicators can be brought together to measure how economic growth is shared between workers and business:

- **Gross corporate profit v. gross business investment:** the paper notes that as company profits went up under the coalition government, the proportion of money reinvested in the business went down, indicating a redistribution of corporate money from workers to boards and shareholders. With the government proposing a number of investments to spur investment in the manufacturing sectors and to spur transition to a new energy economy, it has never been more crucial to understand how corporate profits are being spent. We must ensure that government funding to industry is invested in secure, well-paid and union jobs, and is not being used to supplant companies investing in their own business and instead transferring profits to shareholders.
- **Labour compensation as share of GDP:** the paper demonstrates that there has been significant wage stagnation over the term of the coalition government.<sup>6</sup> At the same time, it notes that there have been significant improvements in labour productivity. Significantly, when we zoom into the recent pandemic period, we can see that corporate profits as a share of GDP have increased by 3%, while the percentage of profits going to workers (via income) have decreased by 2%.<sup>7</sup>

The AMWU proposes using these combinations of data to review whether workers' share of the economy is tracking against that of business, and whether they are fairly sharing in the wealth that they produce.

### ***Cost of Living***

The current cost of living/inflation crisis has seen the CPI increase significantly for a range of essential groceries, as well as energy costs. Meanwhile, the cost of luxury items has remained relatively stable. According to the ABS' comparison of discretionary versus and non-discretionary spending, there was an increase of 17.1% in the cost of non-discretionary spending over the year (with the cost of

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<sup>5</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-distribution-household-income-consumption-and-wealth/latest-release>

<sup>6</sup> ACTU (2022), *An Economy that Works for People*, <https://futurework.org.au/report/an-economy-that-works-for-people/>, p. 8.

<sup>7</sup> Ibid.

transport increasing by over 30%), while discretionary spending increased by only 6.3%, with cost increases in some categories significantly lower than that rate.<sup>8</sup>

These figures indicate that average consumers and households are suffering the greatest burden of inflationary pressures whilst wealthier individuals and households are not as affected due to higher spending power, including in relation to stable prices for luxury and other discretionary items. When assessing the impact of government policies to address inflation and the cost-of-living, the well-being budget must include a comparison of non-discretionary spending (on essential items) and discretionary spending (luxury items) to capture price changes and inflation more accurately.

It is crucial to ensure that measures to tackle inflation do not disproportionately impact individuals and families who can least afford it. As such, it is also crucial that consumption data be disaggregated by income percentile. This will provide insight on how spending patterns change with income, and how this is impacted by government policies.

The ABS already provides a breakdown on household income and consumption disaggregated by income percentile.<sup>9</sup> While this provides useful information, we note that for individuals and families in lower income percentiles, their income may not be sufficient to meet even their basic, non-discretionary needs. ACTU surveys indicate that due to cost-of-living pressures, many working families are skipping meals to pay bills.<sup>10</sup> The well-being budget must introduce indicators to complement the ABS indicators described above that measure the extent to which individuals and families are able to afford their basic needs on a day-to-day basis.

### ***Workers' Bargaining Power***

Declining union density and reductions in worker bargaining power have been put forward as one of the key factors behind wage stagnation in Australia. Changes to industrial relations legislation have made it harder for workers to organise, resulting in declining union density and lower wages. The current industrial relations changes are a welcome reform that will contribute to the well-being of Australian workers, but more changes are needed to arrest the growth of labour hire and secondary employment.

In addition to the inequality metrics proposed above, the AMWU proposes that the following indicators of collective, workplace participation be included by treasury in their wellbeing-budget:

- Union density
- Percentage of workers covered by a collective agreement

Extensive research has shown that higher union density commonly correlates with higher scores on indicators that reflect personal, political and social sustainability.<sup>11</sup> In several studies a range of indicators are identified as being associated with higher levels of union density, including:

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<sup>8</sup> <https://www.abs.gov.au/statistics/economy/finance/monthly-household-spending-indicator/nov-2022>

<sup>9</sup> <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-distribution-household-income-consumption-and-wealth/latest-release>

<sup>10</sup> ACTU (2022), One in four Australians skipping meals shows need to get wages moving again, <https://www.australianunions.org.au/2022/12/01/one-in-four-australians-skipping-meals-shows-need-to-get-wages-moving-again/>

<sup>11</sup> For a review of the literature see: Trillium Asset Management (2022), The Investor Case for Supporting Workers' Rights, <https://www.trilliuminvest.com/news-views/the-investor-case-for-supporting-worker-organizing-rights>

- greater job satisfaction;
- higher levels of workplace productivity;
- lower stress, depression or loneliness related to work and the workplace;
- higher minimum wages and decreased income inequality;
- higher median annual incomes and reduced wage gaps;
- more employer-sponsored benefits;
- stronger health and safety;
- higher life satisfaction, happiness and trust; and
- increased civic engagement amongst members than non-members and broader community benefits.

Increased union presence and growth in uptake of collective agreements have positive impacts beyond improvements in wages and conditions. Research has shown that high union density is correlated with positive improvements in productivity, reductions in turnover, and significantly improved WHS.<sup>12</sup> To take just a few examples:

- Increases in unionisation rates are associated with up to a 2.8% decrease in on-the-job deaths.<sup>13</sup>
- A Norwegian study of company data from 2002 – 2018, found that an increase in union density of 1% raised overall firm productivity by 1.7%-1.8%. This was largely attributed to the ability for workers to efficiently feedback and influence the company in a collective manner.<sup>14</sup>
- Another study showed that non-union members demonstrated a mean intention to leave of 4.07 compared to unionized members' intention of 2.87 on a scale of 1-10 ( $t = 11.10$ ,  $p < 0.001$ ).<sup>15</sup>

### ***Public ownership of services and other assets***

The degree to which Australia's public services and other non-commercial assets are owned by the public should be included as a measure of quality-of-life indicators.

Privatisation of public services and assets was sold to citizens as a way of making those services cheaper, more accessible and delivered with greater efficiency. After approximately 30 years of increasing privatisation, this experiment has failed, with no evidence that private entities deliver cheaper services, broaden access to said services, nor deliver them with greater efficiency. In most cases, the opposite is true as privatisation has instead shown itself to be a vehicle for profit accumulation by the wealthiest citizens, restricted access to services amongst marginalised citizens, and instead of increasing efficiency, it has produced major structural shortcomings through cost-cutting that require bureaucratic intervention and further taxpayer resources to fix.

On the other hand, there is a positive association between higher levels of public ownership/non-commodification of public services and the quality/accessibility of services, and the accountability of services to public constituents. The profits of publicly owned companies, agencies, services and other entities are reinvested into those services instead of being paid to shareholders as dividends. This

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid, p. 5

<sup>14</sup> Ibid, p. 2

<sup>15</sup> <https://www.abs.gov.au/statistics/economy/finance/monthly-household-spending-indicator/nov-2022>

means that efficiency is not achieved by cost-cutting measures, but rather by investing in areas of improvement necessary to continue delivering services at a high quality to the public.

Public ownership should be interpreted as a positive indicator of social progress, community access and broader economic and social equality. This measure could consider indicators such as public services that steadfastly remain in public hands, public services that are returned to public hands through nationalisation or public acquisition, and public services that are prevented from being privatised and commodified. These indicators could be compared with the degree of access and use of public services by citizens, as well as indicators of social and democratic participation linked to public ownership.

### ***Closing the Gap***

Through our submissions and other initiatives, the AMWU has expressed our commitment to working in partnership with Aboriginal and Torres Strait Islander peoples to achieve equity and ensure the voices of Aboriginal and Torres Strait Islander workers are heard. The AMWU supports the Uluru Statement from the Heart and the call for a First Nations Voice enshrined in our Constitution. Furthermore, it is crucial that any well-being budget looks specifically at the impact of government policies on First Nations peoples. The AMWU acknowledges the lands on which we work and meet always was, and always will be, Aboriginal and Torres Strait Islander land.

Once again, thank you for the opportunity to make a submission. If you require any further information, please contact Katie Hepworth ([katie.hepworth@amwu.org.au](mailto:katie.hepworth@amwu.org.au)) in the first instance.

Yours sincerely,



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NATIONAL SECRETARY