National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

GENDER LENS ON THE 2022-23 BUDGET

Key Policy in discussion	**FISCAL OUTLOOK**
Portfolio and or agency	**Department of Treasury**
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Key author/s of this budget analysis:	**Leonora Risse**
Chair, Social Policy Committee NFAW:	**Prof. Helen Hodgson: h.hodgson@tpg.com.au**

Key Portfolio Issues

The first budget of the Albanese Labor Government came at a time of strong economic growth and favourable employment opportunities, but also high inflation. This high inflation has been fuelled by widespread cost pressures on the supply side of the economy combined with strong spending activity on the demand-side on the economy.

The Budget clearly acknowledged that these inflationary pressures are intensifying the costs of living for households and production costs for businesses, noting in particular that further increases in electricity prices are forecasted. The Budget's fiscal outlook also pointed to the role of international factors on Australia's economy, including the possibility that further volatility in international economic and geopolitical spheres could lead to a global economic slowdown.

In these economic conditions, the Treasurer exercised a restrained approach to the Budget's fiscal strategy, as a means of providing a buffer against any future potential economic downturns and to avoid adding to inflationary pressures.

The conditions also mean that any new spending policies must be generate an improvement in the economy's productive capability. It means that Government's commitment to invest in expansions to paid parental leave and childcare subsidies – key features of the Women's Budget Statement – have been recognised as productivity-enhancing investments that will deliver an economic payoff among their benefits.

Economic Outlook

Following the recession experienced in the first year of COVID-19 pandemic, the Australian economy returned to positive economic growth in 2021-22, with jobs and employment rebounding strongly. Labour market conditions in Australia have tightened to the extent that job vacancies remain at historically high levels. The Budget acknowledged these tight labour market conditions, with around one vacancy for every unemployed person (Budget Paper No 1, Statement 2, Economic Outlook).

In 2021-22, Real GDP grew at 3.9 per cent, however the Budget is forecasting annual economic growth to slow down to 3.25 per cent in 2022-23 and further to 1.5 per cent in the following financial year (Table 1).

The 2021-22 unemployment rate of 3.8 per cent is forecast to moderate to 3.75 per cent in 2022-23, before rising to above 4 per cent in the following financial years as a consequence of the projected slowdown in economic growth.

Table 1: Major economic parameters[(a)]

	Outcome	Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP (%)	3.9	3 1/4	1 1/2	2 1/4	2 1/2
Employment (%)	3.3	1 3/4	3/4	1	1 1/4
Unemployment rate (%)	3.8	3 3/4	4 1/2	4 1/2	4 1/4
Consumer price index (%)	6.1	5 3/4	3 1/2	2 1/2	2 1/2
Wage price index (%)	2.6	3 3/4	3 3/4	3 1/4	3 1/2
Nominal GDP (%)	11.0	8	-1	4 1/4	5

Source: Budget Paper No. 1, Table 1.1

Notes: (a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.
Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia; and Treasury.

The high rate of inflation has intensified focus on real wage growth, which is measured as the difference between the Consumer Price Index and the Wage Price Index. Using the data reported in the Budget, this calculation of real wage growth is presented in Table 2. It shows that real wages are not expected to return to positive rates of growth until 2023-24, primarily on the expectation that inflation will slow down rather than nominal wages picking up in pace.

Table 2: Real wage growth

	Outcome	Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26
Real wage growth (%)	-3.5	-2.0	0.25	0.75	1.0

Source: NFAW’s calculations using data reported in Table 1, sourced from Budget Paper No. 1, Table 1.1

Gender Differentials in Real Wage Growth

The Budget’s estimate of real wage growth is an aggregate measure. The application of a gender lens reveals how real wage growth is likely to differ for men and women.

Firstly considering the Consumer Price Index (CPI), inflation exerts a disproportionately larger effect on people on lower incomes, because the same increase in the cost of a consumption good or service constitutes a proportionately larger share of their budget than a person on a higher income. Given that women, on average, are on lower incomes than men, an increase in the CPI exerts a disproportionately larger erosive effect on women's purchasing power than men's.

Secondly, in relation to the Wage Price Index it should be noted that data on the WPI is not reported according to gender but is disaggregated according to industry. This enables us to make some inference on some degree of gender differences in WPI based on gender patterns in employment by industry. As shown in Table 3, the two most female-concentrated industries – Education and training and Health care and social assistance –experienced an annual rate of pay growth an annual wage growth of 2.3 per cent, below the workforce-wide average rate of 2.6 per cent. Combined, these two industries make up over one-third of all women's employment. At the other end of the wage growth spectrum, the most male-concentrated industry – Construction – experienced the fastest rate of wage growth at 3.4 per cent.

These gender-specific measures mean that the decline in real wage growth is, on the whole, even larger for women than the 3.5 per cent figure reported for the workforce in aggregate. Inflation is more erosive of women's purchasing power, owing to their lower average income levels, while nominal wage growth in the two most female-concentrated industries is even slower than aggregate figure.

Table 3: Annual change in total hourly rates of pay by industry, and female share of industry employment

Industry	Annual growth in hourly pay (%)	Female share of industry employment (%)
Electricity, gas, water and waste services	2.2	20.5%
Mining	2.2	19.5%
Education and training	2.3	72.7%
Health care and social assistance	2.3	75.6%
Accommodation and food services	2.4	55.7%
Other services	2.4	45.6%
Retail trade	2.4	54.1%
Public administration and safety	2.5	48.7%
Transport, postal and warehousing	2.5	24.0%
Administrative and support services	2.6	52.0%
Financial and insurance services	2.7	49.3%
Arts and recreation services	2.8	49.7%
Information media and telecommunications	2.9	42.0%
Professional, scientific and technical services	2.9	43.0%
Wholesale trade	2.9	31.6%
Manufacturing	3.1	28.4%
Rental, hiring and real estate services	3.1	51.1%
Construction	3.4	12.9%

Sources: ABS, Wage Price Index, June 2022. Rates of pay exclude bonuses; ABS, Labour Force, Australia, Detailed, May 2022. Industries are listed in ascending order of annual growth in hourly pay.

Budget Aggregates

The Budget's underlying cash balance for 2021-22 is a deficit of $32 billion, equivalent to 1.4 per cent of GDP (Table 4). This deficit is projected to rise over the forward estimates reaching 2 per cent GDP in 2024-25. The Budget reported a substantial improvement in the near-term fiscal outlook due to high Australian dollar commodity prices and strong employment growth which have boosted forecast tax receipts. However, the improvement moderates over the forward estimates as commodity prices are forecast to decline.

Net debt, at $515.6 billion in 2021-22, is equivalent to 22.5 per cent of GDP. The net debt-to-GDP ratio is forecast to rise over the next four years, reaching 28.5 per cent of GDP by 2024-25.

The debt levels can be accounted for increasing spending pressures, namely higher borrowing costs due to higher interest rates, an upward revision in the estimated cost of the NDIS, and a lower and more realistic assumption about future productivity growth.

Table 4: Budget aggregates

	Actual	Estimates					Projection
	2021-22 $b	2022-23 $b	2023-24 $b	2024-25 $b	2025-26 $b	Total [(a)] $b	2032-33 $b
Underlying cash balance	-32.0	-36.9	-44.0	-51.3	-49.6	-181.8	
Per cent of GDP	-1.4	-1.5	-1.8	-2.0	-1.8		-1.9
Gross debt [(b)]	895.3	927.0	1,004.0	1,091.0	1,159.0		
Per cent of GDP	39.0	37.3	40.8	42.5	43.1		46.9
Net debt [(c)]	515.6	572.2	634.1	702.8	766.8		
Per cent of GDP	22.5	23.0	25.8	27.4	28.5		31.9

Source: Budget Paper No. 1, Table 1.2

Notes: (a) Total is equal to the sum of amounts from 2022-23 to 2025-26. (b) Gross debt measures the face value of Australian Government Securities (AGS) on issue. (c) Net debt is the sum of interest bearing liabilities (which includes AGS on issue measured at market value) less the sum of selected financial assets (cash and deposits, advances paid and investments, loans and placements).

The widening chasm between revenue receipts and spending obligations has given rise a structural deficit that is set to reach the equivalent of 2 per cent of GDP over the forward estimates and ten-year projections. This has necessitated that any new spending is being focused on "high-quality and targeted investments" so as to expands the productive capacity of the economy. The fact that the Budget has committed significant expenditures on childcare subsidies and paid parental leave, during this period of intense fiscal pressures, is an indication that the government understands that these policies are a productivity-enhancing investment for the Australian economy.

Gender Differentials in Labour Market Indicators

The unemployment rate presented the Budget's major economic parameters is an aggregate measure. Placing a gender lens on these aggregate economic metrics, Table 5 presents labour market indicators for the past 12 months disaggregated separately for men and women. This gender-based disaggregation points to the differences in men and women's economic experiences.

The unemployment rates for men and women vary across different months. However, a persistent point of difference is that women consistently experience a higher rate of underemployment than men, indicating that a higher fraction of women in the workforce are unable to secure a sufficient number of hours. The under-employment rate is a metric that is not conventionally included in the Budget.

Women's workforce participation reached an historically high rate of 62.4 per cent in June 2022, but on average over the past year is still 8.8 percentage points below men's. Further to women's lower participation rate, proportionally more women work in part-time employment compared to men (43 per cent compared to 19 per cent).[1] Rates of part-time employment are not among the indicators that are conventionally included in the Budget.

Table 5: Labour market indicators by gender

Month	Employment numbers (000s)		Unemployment rate (%)		Underemployment rate (%)		Labour force participation rate (%)	
	Men	Women	Men	Women	Men	Women	Men	Women
Oct-2021	6790.9	6060.3	5.1	5.4	8.9	10.1	69.6	60.1
Nov-2021	6948.6	6293.0	4.6	4.6	6.2	8.8	70.8	61.8
Dec-2021	6991.7	6320.0	4.2	4.2	5.6	7.8	70.9	61.7
Jan-2022	6958.2	6372.8	4.3	4.0	5.5	7.9	70.5	62.0
Feb-2022	7007.1	6429.5	4.2	3.8	5.4	7.8	70.8	62.3
Mar-2022	7029.7	6442.8	4.2	3.6	5.0	7.7	70.9	62.2
Apr-2022	7038.0	6444.7	4.0	3.7	5.0	7.4	70.8	62.2
May-2022	7082.3	6439.7	3.9	3.8	4.8	6.9	71.2	62.3
Jun-2022	7109.2	6481.2	3.6	3.5	5.0	7.2	71.2	62.4
Jul-2022	7093.4	6460.2	3.4	3.4	4.9	7.3	70.9	62.1
Aug-2022	7105.3	6484.6	3.5	3.5	4.9	7.2	71.0	62.4
Sep-2022	7113.5	6477.4	3.5	3.6	5.0	7.1	71.0	62.3

Source: ABS, Labour Force Australia. All data are seasonally-adjusted. Underemployment is measured as the number of people who are employed but seek more hours, as a proportion of the labour force.

Across all economic metrics, aggregate figures will not reflect the experiences of all workers. For example, younger women tend to experience higher rates of unemployment and under-employment. Disaggregating these indicators further by age, disability, Indigenous status, migrant status, cultural and linguistic background, geographic remoteness, sexuality and other important demographic characteristics, would highlight further disparities in people's experiences in economic opportunities.

Expansion of Economic Indicators

The economic indicators presented in the Budget's fiscal outlook are based on the standard national accounting approach towards measuring the health of the economy and the quality of living standards experienced by Australian population. These measures conventionally centre on economic growth, employment, inflation and wages.

This October 2022 Budget took the first progressive steps to broaden the suite of indicators that Treasury will use to measure and benchmark progress in improving the lives of Australians, through the development of a

[1] NFAW's calculation using ABS Labour Force, Australia, based on seasonally-adjusted data for September 2022.

wellbeing approach to the Budget. These include measurement of gender gaps across various outcomes as metrics of inequality.

Once fully developed and implemented, this suite of wellbeing metrics can be considered alongside the conventional indicators presented in the Fiscal Outlook.