Part 2

Monetary Policy, Fiscal Policy
and Labour Markets

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Chapter

2

Rising cost of living: Interest rate hikes and financial vulnerability

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Inflationary pressures and interest rate hikes are occurring in an environment of high housing costs and low wages growth. The impact of rate hikes is uneven and has resulted in a sharp rise in the proportion of renters living in relatively disadvantaged areas. While targeted fiscal assistance and a moderation in the pace of monetary tightening could help alleviate financial vulnerability in the short term, an improvement in productivity growth is needed for higher long-term growth and prosperity.

INTRODUCTION

Inflationary pressure and interest rate hikes

Inflationary pressure is on the rise and in early 2022 underlying inflation increased to above the top of the Reserve Bank of Australia's (RBA) target range of 2 to 3 percent, after languishing below 2 percent since early 2016. Figure 1 shows the evolution of this underlying inflation (which the RBA focuses on due to its reflection of persistent inflationary pressure). It also shows the cash rate and the periods of monetary tightening (that is, rate increases) since the turn of the century.

The period of closest parallel to today is from late 2009 onwards, following the global financial crisis (GFC). To mitigate the impact of the GFC on output and unemployment, interest rates (which had been in a tightening phase due to high inflation) were lowered dramatically. In late 2009 these extreme policy settings were viewed as no longer necessary and unwinding them commenced.

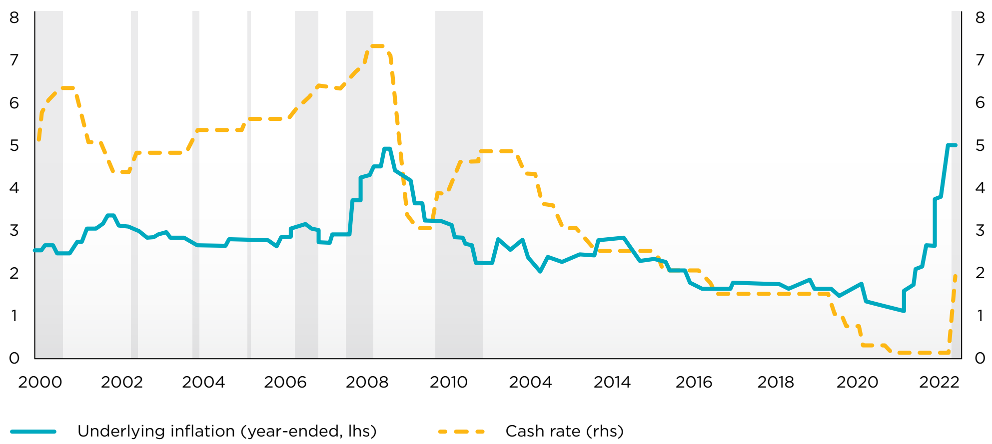
The phase of tightening monetary policy in Australia is clearly underway. Since May 2022 the RBA has undertaken successive increases in interest rates and has signalled that more are likely in the near term.[1] This is earlier than previously indicated by forward guidance from the RBA; the economy has recovered faster than many had expected, and unanticipated inflationary pressure has emerged. The immediate policy question is how much higher and how soon will the cash rate rise again.

The setting of monetary policy is a complex, multi-faceted decision, but the current circumstances are even more complex for several reasons. Apart from being a return from the extreme settings that were in place during the COVID-19 pandemic, there is a need to consider the nature of the shocks impacting the economy. In general, if inflation is driven by positive demand shocks, because the economy is operating above capacity, then increasing interest rates is an appropriate monetary policy response.

Currently, inflation appears to reflect both demand growth and supply shocks, namely the implications of the war in Ukraine for oil and gas prices; supply disruptions to coal-based electricity generation and stemming from the floods along the Eastern seaboard early in 2022; and rising construction costs.[2]

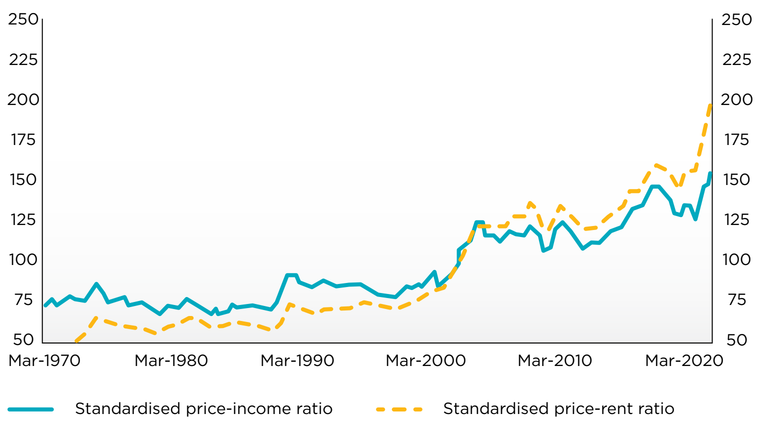
While the economy is influenced by a mix of shocks, the current substantial role of supply shocks arguably also makes determining the extent of spare capacity in the Australian economy, and hence the appropriate setting for interest rates, more difficult than normal.[3] Nevertheless, with the labour underutilisation rate at a historically low level and job vacancies surging it appears that excess demand may well exist. The setting of macro policy is also complicated by the slow growth in wages and the size of the fiscal debt. Regardless, inflationary pressures and rising rates are likely to continue in the near term and the immediate issue is providing relief for those under financial stress.

Figure 1.
Inflation and the cash rate.



Notes: Shaded areas indicate RBA's tightening cycles. Underlying inflation is the trimmed-mean CPI.
Sources: Reserve Bank of Australia (RBA) Statistical Tables F1 and G1 and authors' calculations.

Figure 2.
Measures of housing affordability (2015=100).



Source: Organisation for Economic Co-operation and Development (OECD) Housing Prices. Standardised-price income and price-rent ratios for Australia.

1 Some of the unconventional monetary policies that had been adopted during the pandemic ceased earlier.

2 Monetary policy, because it is a demand-side instrument, is usually thought to not respond to supply-side shocks.

3 Relatedly, it is uncertain how long the war in Ukraine will last, and importantly for Australia the extent to which it has engendered a long-term shift in energy demand away from Russia in Europe and therefore that energy prices will remain elevated.

Problem of housing affordability at record high

The increase in the cash rate will be transmitted to the rest of the economy and will engender increases in loan and, to a lesser extent, deposit rates. This will likely benefit lenders, but the increased cost of loans will add to the financial stress of borrowers. Focusing on borrowing by households, tackling the issue of housing affordability will be even more important given that the problem of housing affordability is at a record high.

Longer term, the deterioration in housing affordability is highlighted in data compiled by the OECD. In the 1970s and 1980s, Figure 2 shows that the index value for the OECD's house price-to-income ratio averaged around 76 for Australia, rising to an average of 85 during the 1990s. Given both rising prices, fuelled by record low interest rates, and stagnant wage growth, the ratio is now at its highest point on record. Current affordability levels raise significant concerns about access to housing, particularly for lower-income earners.

Uneven impact of rate hikes on mortgagors, renters and outright owners

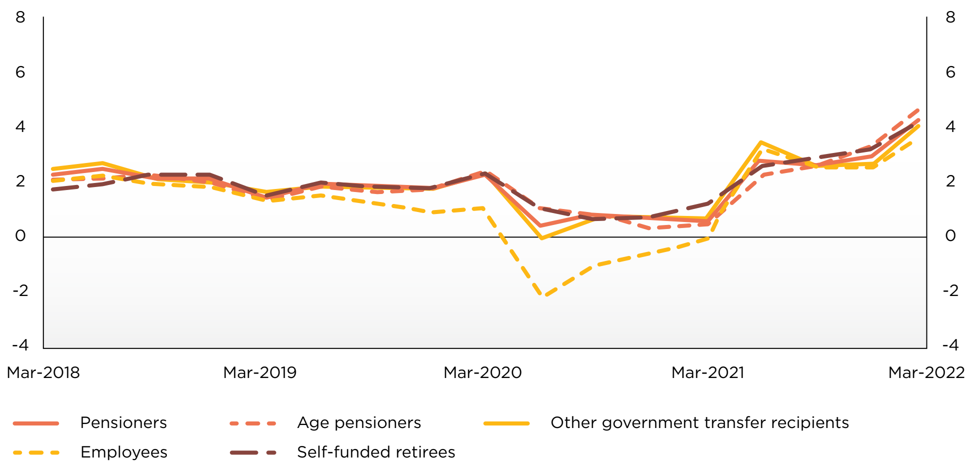
The cost of housing is a large component of household expenditure, but the anticipated tightening of monetary policy will impact groups unevenly. Figure 3 shows the cost of living across pensioners, age pensioners, self-funded retirees, employees and households receiving other government transfers. The results indicate that, with higher food prices, fuel and health costs, cost of living pressures have increased in recent months for each of the selected groups. In recent months, this increase has been particularly large for age pensioners, primarily due to a sharp rise in health-related costs.

A key difference between the cost of living measures and the Consumer Price Index (CPI) is that mortgage rates are part of the former, but not part of the latter. An interesting property in the data is that low interest rates have resulted in lower mortgage pressure for households, particularly for employee households. As such, the cost of living for employees has been substantially lower than overall CPI. In the March 2022 quarter, employee households recorded 3.8 percent growth in their cost of living, relative to 5.1 percent annual growth in the CPI. However, given the substantial interest rate hikes observed in recent months, this is likely to change. The increase is likely to be greatest for employee households, who will observe a rise in their cost of living that is attributable to larger mortgage repayments. In contrast, older households, which have a higher proportion of outright homeownership, will experience a smaller rise in the cost of living attributable to greater mortgage repayments.

Rate cuts during the pandemic led to record low interest rates, greater take-up of mortgages and higher house prices. A more direct analysis of housing stress stemming from a shift in monetary policy in an environment of strong recent house price growth can be obtained by considering housing status. In this respect, the anticipated monetary tightening, resulting in substantially higher interest rates, may cause a significant proportion of mortgagors to experience financial stress. However, the effects of higher interest rates are unlikely to be restricted to those with mortgages. Landlords may well seek to pass on costs associated with higher interest payments via the imposition of higher rents. Thus, both mortgagors and renter households will likely have to outlay a greater proportion of their income to housing-related expenditure, thereby increasing their propensity to experience financial stress.

The aim of this chapter is to provide new and timely data on the incidence of household financial stress from the Consumer Attitudes, Sentiments and Expectations (CASiE) Survey to inform possible policy responses. We first discuss the demographic groups experiencing financial stress, and follow with comments about housing policy issues.

Figure 3.
Cost of living (annual % charges).



Note: Pensioners includes all government payments (for example, disability), Age pensioners does not.
Source: ABS Selected Living Cost Indexes (ABS Cat 6467 - Table 1).

HOUSING-RELATED FINANCIAL STRESS

This section examines housing-related financial stress over the period 2018 to 2022. In addition to focusing on different demographic groups' financial stress, we also investigate their access to economic resources. Both are key factors in assessing overall household economic vulnerability and provide vital information for targeted and effective fiscal support. We focus on identifying the demographic groups that were financially vulnerable pre-COVID, and whose situation has been made worse by the pandemic. This is useful information (especially for state governments) to support the formulation of policies designed to promote inclusive growth, including policies aimed at ensuring a more even spread of living and working conditions throughout Australia.

To undertake the analysis, we rely on information relating to financial conditions (where worsening financial conditions are a sign of financial vulnerability) based on the information provided in CASiE about self-reported family finances. Specifically, the survey question—Would you say you and your family are better off or financially worse off than you were at this time last year? —is concerned with how people are coping financially. Responses to the question are measured on a four-point scale:

1. **Better off**
2. **Same**
3. **Worse off**
4. **Uncertain/Don't know/It depends**

For information about access to resources, we rely on the Australian Bureau of Statistics (ABS) (Index of Resources (IER) measure). The ABS has recognised the importance of the spatial elements of socio-economic disadvantage for a large, geographically dispersed country such as Australia. The ABS, as such, has developed the Socio-Economic Indexes for Areas (SEIFA), which is based on a multi-dimensional concept encompassing the socio-economic conditions of a community or neighbourhood. It includes factors such as the availability of public resources and transport infrastructure to capture advantages and disadvantages associated with occupational, financial, and educational disparities.

The ABS-SEIFA ranks areas in Australia according to their relative socio-economic advantage and disadvantage and each postcode is assigned a decile ranking (with decile ranks 1 to 10 corresponding with most to least social-economically disadvantaged; alternatively ranked least to most well-resourced). In this analysis we use the measure for access to economic resources (IER).[4]

Our aim is to identify which demographic groups have, over time, been particularly financially vulnerable (defined as the proportion of survey respondents whose finances have remained the same, plus the proportion who reported being worse off less those who reported being better off). We have adopted this measure to take into account the three likely states (worse, same, better) as, a priori, groups with a high percentage of financially vulnerable respondents will possibly require policy attention. Our results are presented below.

Financial stress by housing status: Mortgagees, renters and outright owners

Figure 4 presents information from CASiE relating to whether Australians are financially vulnerable, disaggregated by housing status (renter, mortgagor, outright owner). We consider changes over four years, from 2018, taking into account the pandemic years of 2020–2021 where macro-policies were in place to support jobs. Figure 4 also shows the financial stress disaggregated by ABS-IER, by quintiles.

The CASiE data do not show any discernible trend in recent years in the proportions of respondents within a housing status group (namely owners, mortgagors and renters) **who indicated being financially vulnerable** (left-hand side of Figure 4). In general, outright owners and renters appear to be more stressed than mortgagors, with the proportion of financially vulnerable in the former two groups drifting upwards since 2020. The greater financial vulnerability of outright owners compared to mortgagors is also likely to reflect the more interest-sensitive older age of outright home owners. However, there is no clear evidence of an ongoing widening of the gap between owners, mortgagors and renters.[5]

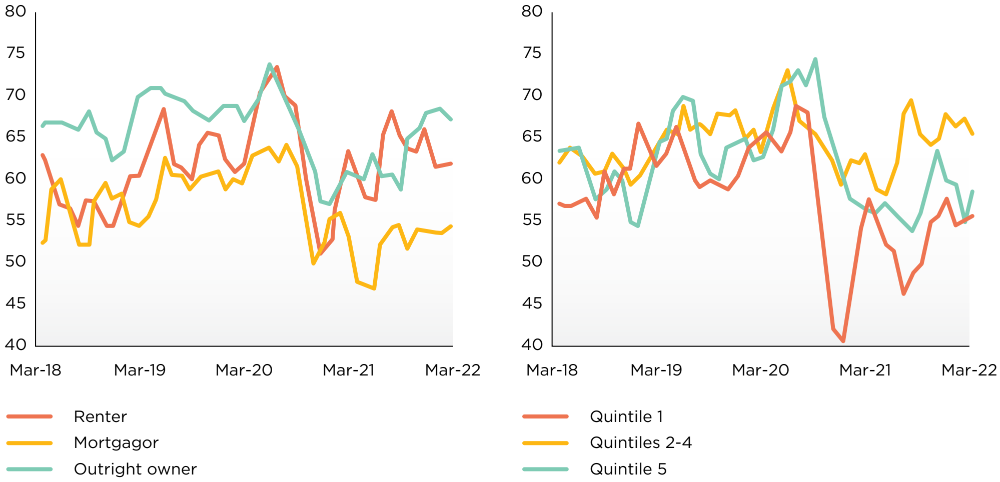
As shown in the right-hand side of Figure 4, the financial vulnerability indexes disaggregated by 'access to resources: IER' tend to co-move across quintiles. This co-movement includes 2020, with a particularly notable improvement for Quintile 1 (Q1). But from 2021, while the financial situation for the Q1 and Quintile 5 (Q5) groups appears to be back to pre-pandemic days, the situation for the middle groups covering Quintiles 2 to 4 (Q2–Q4) has remained relatively bleak.

However, a closer look at the **data reveals that there is a change in the housing status of Australians—namely that the proportion of respondents who are mortgagors has risen in the past few years.** This is especially so for young mortgagors who are also typically first homeowners. The left-hand side of Figure 5 shows the proportion of mortgagors aged 18 to 34 relative to the proportion of renters in the same age category. Although the proportion of renters is always higher than the proportion of mortgagors (at least over the period 2018 to the present), there has been a decline in the proportion of renters and an uptick in the proportion of mortgagors in the past two years. The results suggest that, during the recent downturn, the lowering of interest rates increased the capacity of younger persons to borrow, leading to a rise in the number of young mortgagors.

4 The IER, which measures economic resources, was last published in 2016 by the ABS.

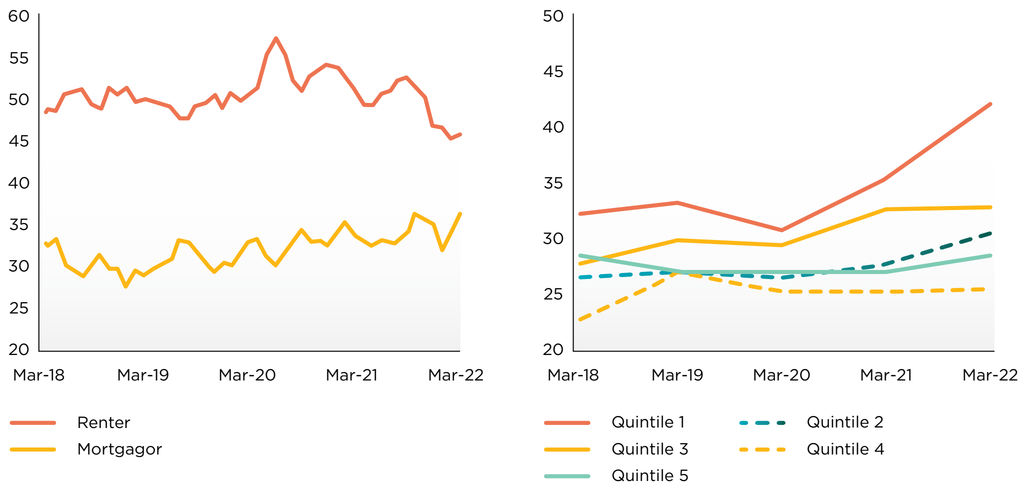
5 At the beginning of the COVID-19 pandemic, we observed a spike in financial vulnerability for full-time employees disaggregated further by housing status, although the spike was substantially more pronounced for renters. From late 2020 to mid-2021, with the massive fiscal stimulus, financial vulnerability declined for renters, mortgagors and outright home owners.

Figure 4.
Financial vulnerability (proportions within housing groups and IER quintiles) (three-month moving averages).



Sources: Melbourne Institute's Consumer Attitudes, Sentiments and Expectations (CASiE) Survey; ABS Socio-Economic Indexes for Areas (SEIFA) 2016; and authors' calculations.

Figure 5.
Change in housing status in the 18–34 age group and by SEIFA IER quintiles.



Sources: Melbourne Institute's CASiE Survey; ABS SEIFA 2016; and authors' calculations.

Although the proportion of young mortgagors has risen in recent months, renters continue to constitute approximately 30 percent of households. In this respect, when we classify respondents with reference to the IER of their residential location in the right-hand side of Figure 5, **the data indicate a sharp rise in the proportion of renters living in the most (relative) disadvantaged areas** (that is, living in the first quintile of IER values, Q1).

To date there has been an 11.4 percentage-point increase in the proportion of renters living in Q1-designated locations relative to 2020, with the proportion of renters rising from 31 percent in 2020 to 42.4 percent in 2022. Over this same period, the proportion of homeowners with a mortgage living in Q1-designated areas declined by 3.2 percentage points, with the proportion of absolute homeowners falling by 7.6 percentage points. By comparison, the proportion of renters living in Q5-designated areas (which are the most advantaged) rose by a meagre 1.4 percentage points over the period 2020 to 2022, well below the 11.4 percentage-point change in Q1-designated areas. Thus, the data show spatial heterogeneity in the vulnerability of renters, with a substantial rise in the absolute number of financially vulnerable renters living in disadvantaged areas.

More broadly, about 60 percent of renters in Q1-designated areas reported being financially vulnerable pre-pandemic. While in 2020 there appears to be self-reporting of some improvement in their household financial conditions, a large number of renters living in disadvantaged areas will likely be particularly sensitive to key stress factors such as higher inflation and rental pressures.

We also note that while the situation for mortgages improved with the low interest rates, the situation is likely to change with the considerable tightening of monetary policy and low fixed-rate mortgages expiring. In this respect, looking forward, higher interest rates pose a key risk for household financial stress, namely the direct risk of higher mortgage repayments. Although current household balance sheets are likely to be in good condition (Bullock, 2022), households may experience difficulty in absorbing higher mortgage repayments in the presence of sharper-than-expected rate hikes. There is also the associated risk that the tightening of monetary policy may significantly weaken labour market conditions, thereby hampering the capacity to make mortgage and rental payments. Recent evidence in CASiE indicates a rising proportion of households reporting worse-off family finances. Since May's rate hike, the proportion of households reporting a decline in family finances increased from 37 percent to 44 percent in July. The latter proportion of households reporting worse-off financial conditions is the highest since 2012, highlighting the downside of tighter monetary policy.

Policy discussion

Our focus will be on renters and mortgagors, given federal and state government support for first homeowners and the likelihood of increased financial stress in the presence of tighter monetary policy.

SUPPORT FOR FIRST-HOME BUYERS

Since the increase in the proportion of young/first-time mortgagors is concurrent with record low interest rates, the tightening of monetary policy over the course of 2022 and 2023 raises concerns about the propensity for this group to experience financial stress. A key concern is that the mortgagors in our dataset are accustomed to relatively low interest rates, with many experiencing rate hikes for the first time in 2022.

With rising interest rates, it is likely that some mortgagors will experience financial stress associated with mortgage repayments. It is possible that this proportion will be small, since lending standards typically benchmark against the possibility of higher rates in the future, and, as the RBA noted, the aggregate saving ratio increased sharply during the pandemic (see Bullock, 2022).

This raises attention to the potential ramifications of existing policies, which typically focus on supporting the purchase of homes. These include the First Home Guarantee scheme, whereby the federal government acts as a guarantor for up to 15 percent of a home loan, and the New Home Guarantee and Family Home Guarantee schemes. The former is for building or purchasing new homes, while the latter is for single-parent households. These policies allow for home ownership with only a 5 percent deposit. Moreover, single parents are able to purchase a home with only a 2 percent deposit in the Family Home Guarantee scheme. These loans would normally attract additional lender's mortgage insurance payments, since borrowers have not yet shown a capacity to save a reasonable amount. There is potential for these schemes to exacerbate financial stress, with mortgagors who have received larger than normal loans now facing higher repayments.

NEED FOR THE PROVISION OF ADDITIONAL RENTAL SUPPORT AND SOCIAL HOUSING

The most startling result is the rising proportion of renters living in the IER Q1 quintile of their residential location since 2020. It is expected that residents in Q1 areas (which have the lowest level of economic resources) should have a higher proportion of renters, and this is borne out in the data. However, the surge in the proportion of renters in 2021 and 2022 is inordinate, highlighting increased difficulties in access to housing for low-income households.

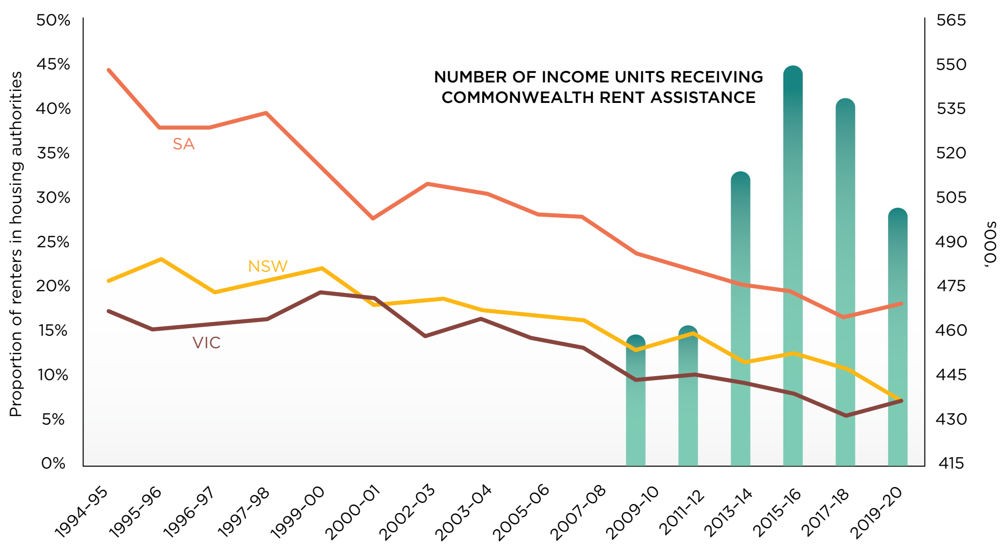
Rent-related financial stress is a key issue in the demand for social housing and rental support. This is an important policy issue not only for affected households but also because of spillover into economic growth. Notwithstanding expectations of a moderation in house prices, it is not clear that a corresponding correction will also be observed in rents. For example, according to the ABS, property prices fell in every quarter from March 2018 to June 2019, falling by over 8 percent in total. During this same period, rents did not fall in any quarter, and instead rose overall.

A related issue is that landlords who have purchased property during the boom conditions observed during COVID may be unduly influenced by the tightening of monetary policy. This may result in additional pressure for rent hikes, which are likely to be particularly onerous for lower-income households. The results highlight the need for the provision of additional rental support and social housing but show that the demand for such support is not uniform.

Although federal government policies typically focus on supporting the purchase of homes, the expansion of rental assistance schemes (such as Commonwealth Rent Assistance) is likely to yield greater benefits for households with lower socio-economic resources. Home-buyer schemes are typically subject to generous caps on maximum assessable income ($200,000 for a household and $125,000 for a single person for access to the first home loan deposit scheme), which indicates that middle-income households are the primary intended recipients of such schemes. Thus, there continues to be a need for targeted support to lower-income households.

Another area of concern is the declining supply of social housing. In contrast to support for home ownership, federal policies provide limited scope for new social housing units. Figure 6 shows that the proportion of renters in housing authorities has been declining steadily since the 1990s. In New South Wales and Victoria, the proportion of renters in housing authorities is now below 10 percent. Although there has been a partial shift from social housing to community housing schemes (with community housing, which is privately run, going from below 5 percent of total social housing in 1996–1997 to 23.8 percent in 2020), the additional supply is well below the estimated demand for social housing (AIHW, 2021).

Figure 6.
Proportion of renters in housing authorities and number of income units receiving rental support



Notes: The left-hand-side y-axis is the proportion of renters in housing authorities. The right-hand-side y-axis is the number of income units receiving Commonwealth Rent Assistance (in '000s).
Sources: ABS Housing Occupancy and Costs 2019-20, AIHW Housing Assistance in Australia data.

THE WAY AHEAD: THE BROADER PICTURE

We have drawn attention to the macro environment of interest rate hikes and have focused on how tighter monetary policy is likely to impact housing costs, for mortgagors and renters. In this section we turn to broader considerations regarding the impact of rising rates and macroeconomic policies.

Fiscal deficits: Should we care?

Further tightening of monetary policy will amplify cost-of-living pressures for disadvantaged households. Many of the housing policy responses we have advocated—such as increased expenditure on public housing—are a fiscal response. However, these will add to the already substantial public debt as a share of GDP. To lessen the impact on the Budget, the increase in rental assistance should be targeted to low-income households. This assistance could be temporary, also reflecting that some of the current cost-of-living pressures may well lessen in the future.

More broadly, the new government is committed to no new taxes and improving the fiscal situation through savings. On this, high inflation in the near term will increase bracket creep, which will impact disadvantaged households in particular. There are limits to the savings that can be made without compromising the services the public sector provides. It is important that Australia's fiscal situation improves to ensure that there is the capacity to respond to future major shocks, and that this improvement occurs in ways that do not fall disproportionately on the disadvantaged.

Nevertheless, while Australia's fiscal debt-to-GDP ratio increased markedly due to the pandemic, it remains relatively low by international standards. Consequently, providing targeted temporary cost-of-living relief to disadvantaged households, particularly if it is offset with measures to lessen the budgetary impact, is desirable.

Wage-price spiral and the importance of anchoring expectations

Another way to lessen financial stress is through higher wages. In June 2022 the Fair Wage Commission raised the minimum wage rate by 5.2 percent to $21.38 per hour. While the wage-setting system in Australia now is not the same as it was in the years before the Accord—there is much more flexibility—an important lesson learnt from the experience of the 1970s is that the management of inflation expectations is crucial, particularly for the medium to long term.

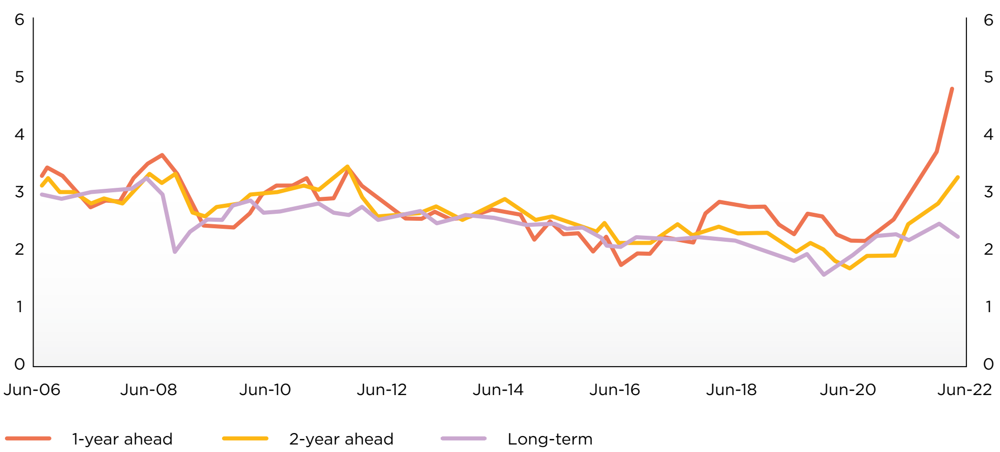
This is to prevent high inflation feeding into inflation expectations, which then gets built into wage negotiations, resulting in a wage-price spiral and higher and higher inflation without necessarily being accompanied by growth and employment.

Today, monetary policy in Australia is markedly different to that of the 1970s. There is a floating exchange rate, which allows greater independence from monetary policy settings overseas, and the inflation target provides a clear anchor for inflation expectations.

Currently, inflation expectations for the year ahead are considerably above the RBA's target band. However, there is some evidence that inflation expectations remain anchored. Figure 7 shows that expectations for two years ahead, while elevated, are considerably lower, and long-term expectations are around the mid-point of the target band.[6]

Management of inflation expectations is important. In the early 1990s, following the adoption of the inflation-targeting regime by the RBA, it took several years of low inflation for inflation expectations to drift down and reflect the new economic environment. Essentially, history suggests that regardless of the mix of shocks that caused it, if high inflation expectations become entrenched, significant real costs may have to be incurred to bring them back down.[7]

Figure 7.
Expectations of the inflation rate: One-year, two-year ahead and long-term (%)



Sources: Melbourne Institute's CASiE Survey; RBA Statistical Table G3; Ruberl et al. (2021) and Consensus Economics.

6 The one-year-ahead expected inflation rate is the average of the Melbourne Institute's trimmed mean measure of the expected change in prices perceived by consumers and the expected inflation rates reported by market economists and union officials from the RBA. The two-year ahead rate is an average of the latter two rates; the long-term rate is an average of the inflation-linked bonds breakeven rate (RBA) and the six- to 10-year-ahead forecasts from Consensus Economics. For a review of the available measures see Moore (2016).

7 We note that while there are concerns about whether inflation expectations are anchored, and therefore whether policy should react, the issue is complicated by the fact that inflation expectations are not straightforward to measure (see, for example, Ellis, 2019).

Supply-side issues and further monetary policy responses

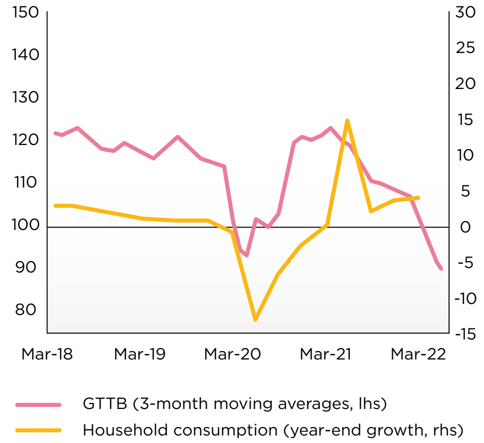
Pre-pandemic Australia recorded a period of sluggish productivity growth. While this experience was not unique to Australia, it has been an important factor contributing to weak real wages growth and the financial position of Australian households. A lift in productivity growth would improve both their financial position and help facilitate the fiscal consolidation in a less regressive way.

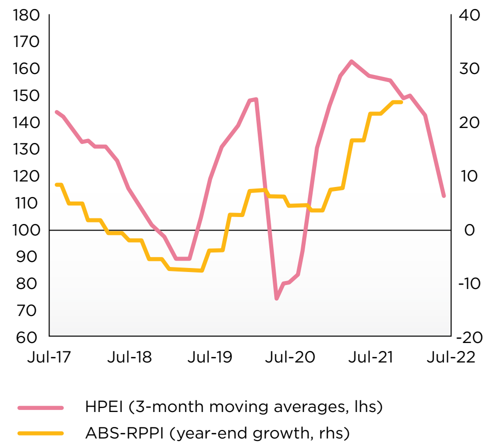
Engendering productivity growth, however, is by no means a simple policy problem that can be quickly addressed. Nevertheless, undertaking reforms to the Australian economy to promote productivity growth, in addition to direct assistance to disadvantaged households, should be a policy priority for the new government.

Getting actual inflation down by raising rates will take time as changes in borrowing and spending happen with a lag. The frontloading of the initial tightening should help ensure that medium- and long-term inflationary expectations remain contained. While the quick and sharp hikes were an appropriate unwinding of extreme policy settings implemented during the pandemic, an issue is when the pace of tightening should be moderated further.

This is not straightforward as considerable uncertainty surrounds what constitutes the new normal level of interest rates. But while it is too early to see the dampening impact of the rate hikes in official data, more timely indicators already show that consumers' intentions to buy major household items and house price expectations have moved sharply lower (Figure 8). Thus a further moderation of the pace of rate hikes soon may be appropriate, which together with close monitoring of the dampening impact on activity, may prevent a sharp contraction in demand. In other words, managing inflationary pressure by engineering a period of below-trend growth rather than risk incurring excessive real costs, namely precipitating a recession.

Figure 8.
Dampening demand—Household buying intentions and house price expectations.





Notes: GTTB denotes 'good time to buy' major household items. HPEI is the Westpac–Melbourne Institute House Price Expectations Index. ABS-RPPI is the Residential Property Price Index.

Sources: Melbourne Institute's CASiE Survey; ABS Australian National Accounts: National Income, Expenditure and Product (Cat 5026 - Table 1); Residential Property Price Indexes: Eight Capital Cities (Cat 6416 - Table 1).

CONCLUDING REMARKS

Australian households currently face a challenging environment of rising interest rates, and high inflation and housing costs. This chapter demonstrates the insights that can be obtained about household financial stress from the CASiE data set. Using a combination of CASiE and ABS data, we identify that renters living in certain disadvantaged areas are amongst the most financially vulnerable. We suggest that a case can be made to provide a targeted fiscal policy response, namely providing temporary financial support to this demographic group (especially while monetary policy continues to be in a tightening phase).

However, a broader macro-policy issue—such as how tight can monetary policy be without choking off demand and precipitating a recession—still needs to be addressed. This is a challenging question as much of the key information—such as the extent of slack in the economy and the normal level of interest rates—is unobserved. In recent years the advent of new data sets has expanded the information set available to macroeconomic policy-makers to assess the state of the economy and its prospects. Whether these new data, or new methods, can be used to estimate these key unobserved quantities is an area where macroeconomic research potentially could be of value to policy-makers.

We continue to monitor and use our timely data to provide early signals of activity to support evidence-based macro policy. For example, the Westpac-Melbourne Institute Leading Indicator of economic activity is signalling below trend growth in the next six to nine months, but our analysis of turning points indicates that the probability of a recession is still very low. The tightening cycle is not over, but meanwhile, a lift in productivity growth, while a challenging policy problem, would go some way to improving wage and GDP growth and the living standards of all Australians.

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