UnionsWA submission in reply on the 2018 state wage order

Appl No. 1 of 2018

ON THE COMMISSION’S OWN MOTION

Western Australian Industrial Relations Commission

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1. Submission in reply

1.1. The Western Australian Industrial Relations Commission (Commission) issued an application to make a State Wage Order pursuant to section 50A of the Industrial Relations Act 1979 (WA) (IR Act) to determine rates of pay for the purposes of the Minimum Conditions of Employment Act 1993 (WA) (MCE Act) and State awards.

1.2. On 15 May 2018 UnionsWA filed a submission requesting the Commission issue a general order pursuant to Section 50A of the Act to increase Award wages and the statutory minimum wage by $50 per week or by 6.2%, whichever is greater. For our claim, this should mean that the lower award rates from C14 to C10 will be increased by $50. It should mean that the higher rates C9 to C5 be increased by 6.2%.

1.3. Our State Wage Claim would have the following effect on each award classification level - using the current rates of the WA Metal Trades (General) Award.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Current Weekly</th>
<th>Current Hourly</th>
<th>If proposed UnionsWA increase applied Weekly</th>
<th>If proposed UnionsWA increase applied Hourly</th>
<th>% Change</th>
<th>$ Weekly change</th>
<th>$ Hourly change</th>
</tr>
</thead>
<tbody>
<tr>
<td>C14</td>
<td>$708.90</td>
<td>$18.66</td>
<td>$758.90</td>
<td>$19.97</td>
<td>7.1%</td>
<td>$50.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>C13</td>
<td>$726.50</td>
<td>$19.12</td>
<td>$776.50</td>
<td>$20.43</td>
<td>6.9%</td>
<td>$50.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>C12</td>
<td>$750.30</td>
<td>$19.74</td>
<td>$800.30</td>
<td>$21.06</td>
<td>6.7%</td>
<td>$50.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>C11</td>
<td>$772.40</td>
<td>$20.33</td>
<td>$822.40</td>
<td>$21.64</td>
<td>6.5%</td>
<td>$50.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>C10</td>
<td>$810.10</td>
<td>$21.32</td>
<td>$860.10</td>
<td>$22.63</td>
<td>6.2%</td>
<td>$50.00</td>
<td>$1.32</td>
</tr>
<tr>
<td>C9</td>
<td>$832.70</td>
<td>$21.91</td>
<td>$884.33</td>
<td>$23.27</td>
<td>6.2%</td>
<td>$51.63</td>
<td>$1.36</td>
</tr>
<tr>
<td>C8</td>
<td>$855.10</td>
<td>$22.50</td>
<td>$908.12</td>
<td>$23.90</td>
<td>6.2%</td>
<td>$53.02</td>
<td>$1.40</td>
</tr>
<tr>
<td>C7</td>
<td>$875.60</td>
<td>$23.04</td>
<td>$929.89</td>
<td>$24.47</td>
<td>6.2%</td>
<td>$54.29</td>
<td>$1.43</td>
</tr>
<tr>
<td>C6</td>
<td>$920.60</td>
<td>$24.23</td>
<td>$977.68</td>
<td>$25.73</td>
<td>6.2%</td>
<td>$57.08</td>
<td>$1.50</td>
</tr>
<tr>
<td>C5</td>
<td>$943.20</td>
<td>$24.82</td>
<td>$1,001.68</td>
<td>$26.36</td>
<td>6.2%</td>
<td>$58.48</td>
<td>$1.54</td>
</tr>
</tbody>
</table>

1.4. UnionsWA notes the following positions on quantum made by section 50 parties and other interested stakeholders:

- Submission by Patricia Carmichael
- Submission by a member of the public who did not wish to be identified
- Submission by a member of the public who did not give consent for name to be published
- Western Australian Government (the Minister)
- Chamber of Commerce and Industry of WA (CCIWA)
- WA Council of Social Service Inc (WACOSS)
- Submission by the Western Australian Hotels and Hospitality Association Incorporated (Union of Employers) (AHA)

1.5. The submission below is the UnionsWA response to issues raised in these submissions, as well as to relevant and significant developments since UnionsWA made its original submission.
1.6. In the 2017 State Wage Case UnionsWA also made a submission that the state minimum wage needed a real increase to meet the needs of the low paid, improve or maintain living standards given increases in the basic costs of living, protect employees unable to reach an industrial agreement and address the gender pay gap. UnionsWA argued that the ongoing, and growing, disparity between minimum wage and Average Weekly Earnings also needed to be addressed in the Commission’s decision. UnionsWA also urged consideration of the need to maintain the relativities of award rates of pay in the Commission’s decision.

1.7. In its 2017 decision para 267 the Commission stated that

In considering the need to ensure that the award framework represents a system of fair wages and conditions of employment, we take account of the slight compression in relativities that has occurred over the years due to flat dollar wage increases. We are also conscious of the competing needs to ensure that the needs of the low paid are dealt with and to maintain the margins for skills. The margin for skill reflects the effort and investment employees make in their skills development and that makes their work more valuable to their employers and the economy. In that context, we are of the view that a percentage increase for the level C10 and above is appropriate.

1.8. In its 2015 decision paras 91-92 the Commission stated that

We have recognised that an increase to the WA minimum wage contributes to providing equal remuneration for men and women for work of equal or comparable value (s 50A(3)(a)(vii)) and have noted the distinction between this consideration and the gender pay gap. We have recognised that in the private sector in Australia, women are much more likely than men to be dependent on the award rate and dependent on annual increases to the minimum wage. We therefore do not accept the submission that we should award no increase to the WA minimum wage.

1.9. In its 2014 decision para 61 the Commission stated that

The requirements imposed on the Commission by the Act to take into account the need to meet the needs of the low paid, and to contribute to improved living standards for employees, are requirements which make it difficult, in our view, for a submission that the WA minimum wage be allowed to stagnate, or reduce, because it is higher than the level of the national minimum wage, to be able to be validly considered.

1.10. UnionsWA again submits that the Commission must provide for an increase to the state minimum wage, it must be a real increase that improves living standards of employees, that addresses the growing disparity between minimum wage and Average Weekly Earnings in WA, and that addressed the relativities in award rates.

2. The most recent ABS Wage Price Index

2.1. On 16 May 2018 the Australian Bureau of Statistics (ABS) released the Wage Price Index (WPI) for March 2018. WPI measures changes in the price of labour services resulting from market pressures, and is unaffected by changes in the quality or quantity of work performed, by changes in the composition of the labour force, by hours worked, or by changes in characteristics of employees such as work performance. The ABS found that nationally the WPI rose 0.5 per cent in March quarter 2018 and 2.1 per cent through the year. For WA it
found that, through the year, private sector wages have increased by 1.6 per cent, as opposed to 2 per cent nationally.¹

2.2. Callam Pickering, former RBA economist and economic journalist, tweeted the following chart of Australia’s seasonally adjusted real wage growth, pointing out that²

Real wages in Australia fell by 0.1% in the March quarter, to be 0.1% higher over the past year - the slowest annual pace since the September quarter 2015. It's now been more than 5-years since we last saw respectively real wage growth

¹ ABS, 6345.0 - Wage Price Index, Australia, Mar 2018
² Callam Pickering @CallamPickering (9:43am, 16 May 2018)
https://twitter.com/CallamPickering/status/996566805039628289
2.3. Economics Journalist Greg Jericho has pointed out that most recent Federal budget predicted that annual wages growth by June this year would be 2.25%, and yet the current seasonally adjusted growth rate is just 2.07%.\(^3\)

This means that to reach 2.25% by June, wages in the next quarter will have to increase by 0.73% – a rate faster than which has been achieved in the past four years.

2.4. As UnionsWA pointed out in its 2017 submission, the Federal government is clearly indicating to the labour market that wages must rise in order to secure future economic growth.

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There Australia has institutional mechanisms by which wages growth has been traditionally secured. These include minimum wage decisions.

2.5. The Federal Budget shows that wages growth is vital for the recovery of the national economy. UnionsWA argues that it is also the case that the WA state economy will benefit from substantial wage growth.

2.6. UnionsWA refers the Commission to our initial submissions section 3 in which we cite ACTU calculations to make the case that a minimum wage increase, even one impacting the limited number of workers under the state system, will have a stimulatory impact on the WA economy.

2.7. We reiterate the point made in our initial submission (para 3.7), that the WA Industrial Relations Commission has the opportunity to contribute to restoring the growth of the WA economy.

3. RBA Research Discussion Paper – ‘The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss’

3.1. On 16 May 2018 the Reserve Bank of Australia (RBA) released a Research Paper that used ‘some of the unique institutional features of wage setting in Australia as an identification strategy to estimate the effects of minimum wage rises on wages, hours worked and the job destruction rate’. This appears to be the first study of its kind in Australia.\(^4\)

3.2. Not only did the Report find ‘strong evidence that award adjustments are passed on to wages’, it also found no evidence that award changes between 1998 and 2008 have an adverse effect on hours worked. Indeed it found evidence

\[ \text{... that jobs with larger award wage rises had larger increases in hours worked than jobs experiencing a smaller award wage rise. Based on the 95 per cent confidence interval, I am able to rule out adverse effects on hours worked that are larger (in absolute value) than \(-0.46.13\) I also find that award wage increases do not have a statistically significant effect on the job destruction rate (Table 2). Again, if anything, the point estimates suggest that the job destruction rate actually declines when the award wage is increased.} \]

| Table 2: Effect of Award Increases on Wages, Hours Worked and the Job Destruction Rate |
|---------------------------------|-----------------|-----------------|
|                                 | Effect of a 1 per cent increase in award wages |
|                                 | Wages (\%)     | Hours worked (\%) | Job destruction rate (ppt) |
| 1998-2008 sample               | 0.83*** (0.03) | 0.25 (0.37)      | -0.22 (0.44)               |
| 2002-08 sample                 | 0.93*** (0.04) | 0.13 (0.47)      | -0.37 (0.55)               |

Notes: Standard errors (in parentheses) are clustered at the individual job level; ***, ** and * denote statistical significance at the 1, 5 and 10 per cent levels, respectively.

3.3. UnionsWA refers the Commission to our initial submissions section 5, in which we discuss the extensive economic literature that disproves the supposed adverse impact of minimum wage rises on employment. In particular our para 5.17 points out that ‘the WA Commission has been warned year after year about the potentially dangerous impacts on employment of

raising the state minimum wage. These have never come to pass’. The RBA Research Report provides further evidence that the WA Commission should place no weight upon submissions that predict such an outcome.

4. ABS release: Labour Force, Australia, April 2018

4.1. On 17 May 2018, the Australian Bureau of Statistics (ABS) released its Labour Force data for April 2018. It found that, nationally, ‘the trend participation rate increased to a further record high of 65.7 per cent in April 2018 ... the highest it has been since the series began in 1978’.5

4.2. It found increases in trend employment in all states and territories (except for the Australian Capital Territory and Tasmania), with WA having the third highest increase (up 1,400 persons). In seasonally adjusted terms WA was the second highest (up 8,300 persons). Both trend and seasonally adjusted participation rates were up by 0.1 per cent in WA. The WA unemployment rate was marginally higher in trend terms (a result that may be caused by more workers entering the labour market), and down by 0.4 in seasonally adjusted terms.

<table>
<thead>
<tr>
<th>Table 1, Unemployment rate, States and Territories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trend</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>New South Wales</td>
</tr>
<tr>
<td>Victoria</td>
</tr>
<tr>
<td>Queensland</td>
</tr>
<tr>
<td>South Australia</td>
</tr>
<tr>
<td>Western Australia</td>
</tr>
<tr>
<td>Tasmania</td>
</tr>
<tr>
<td>Northern Territory</td>
</tr>
<tr>
<td>Australian Capital Territory</td>
</tr>
<tr>
<td>Australia</td>
</tr>
</tbody>
</table>

np not available for publication but included in totals where applicable, unless otherwise indicated

4.3. UnionsWA refers the Commission to our initial submissions section 5, para 5.13, which refers to the WA Budget’s rising lead indicators of Labour Demand. We also refer to our section 11, para 11.2 which refers to the WA Budget’s forecast growth in Gross State Product (GSP) by 3.25% in 2018-19. The most recent labour force results in WA confirm that economic recovery is proceeding, and a strong increase in the state minimum wage will be positive for this recovery.

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5 ABS, 6202.0 - Labour Force, Australia, Apr 2018
5. Submission by Patricia Carmichael

5.1. UnionsWA notes the submission by Patricia Carmichael which asks that

The Minimum wage pay rise must be kept in line with Politicians' annual pay rise.

5.2. UnionsWA appreciates the sentiments expressed by Ms Carmichael. It is indeed the case that the frameworks for decisions on what constitute a fair increase in the minimum wage are made by people who are not on that wage, nor are their current wages set by the type of criteria by which the minimum wage is judged.

5.3. We would also note that WA politicians and senior public servants are currently under a four year pay freeze, which UnionsWA does not support for minimum wage workers. However we would also note that the $78,000 annual ‘electorate allowance’ received by MPs in WA is still higher than the annual rate of the WA minimum wage, even if the UnionsWA claim is accepted in full.6

6. Submission by a member of the public who did not wish to be identified

6.1. UnionsWA notes the submission by a member of the public who did not wish to be identified which asks that

To ensure a framework representing a system of fair wages the WA minimum wage should be set at $25.00 per hour or $950.00 per week to provide for a suitable income to meet costs of living pressures and ongoing development.

6.2. UnionsWA has joined with the ACTU in calling for a restoration of minimum wages to around 60 per cent of median weekly earnings. In our initial submission section 6, para 6.2 UnionsWA provided a table showing the declining proportion (or ‘bite’) of average full time weekly earnings taken up by minimum wages in both WA and Australia. That an increase of the size proposed by this member of the public might take the ‘bite’ back to over 50 per cent is a dramatic demonstration of how far minimum wage rates have fallen behind the broader community in terms of fair wages and conditions.

6.3. However it also demonstrates the essential moderation of the UnionsWA claim for $50 per week or by 6.2%, whichever is greater. We are proposing that the WA Commission take gradual steps, in favourable economic circumstances, to restore minimum wage ‘bites’ to levels needed for a living wage in WA.

7. Submission by a member of the public who did not give consent for name to be published

7.1. UnionsWA notes the submission by a member of the public who did not give consent for name to be published which says that

I am of the strong opinion that the minimum wage should apply to all awards once the person turns 18.

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7.2. Mindful of the distinctions between state system awards and national system awards, UnionsWA is supportive of this proposition. We look forward to steps that might be taken when reviewing the Statement of Principles to address this situation.

8. Submission by the WA Council of Social Service Inc (WACOSS)

8.1. UnionsWA is supportive of the WACOSS submission’s claim in its section 2.0 that WACOSS submits that an increase to the State Minimum Wage rate (and in the minimum award rates for junior employees, apprentices and trainees) of $50 per week is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and (b) a very reasonable increase which takes into account current economic conditions.

8.2. UnionsWA wishes to call the WA Commission’s attention to section 5.0 of the WACOSS Submission which makes the point that Using the standard Henderson poverty line of less than 50 per cent of median income, we can see that in Western Australia there are around 17.6 per cent or 360,000 Western Australians living poverty. Further analysis shows that an additional 150,000 Western Australians are at risk of financial hardship should they face an unforeseen crisis.

Figure 11 demonstrates that those in financial stress are increasingly spending more on housing and utilities than the average Western Australian household, forcing them to cut their spending in more discretionary areas.

Figure 11: WA Gap in Expenditure Shares, Households with Financial Stress Measures, Relative to Average WA Household, 2003-2015

Source: Bankwest Curtin Economic Centre | Authors’ estimates based on ABS Household Expenditure survey, 2003-04, 2009-10 and 2015-16

8.3. UnionsWA refers the Commission to our initial submission section 11, para 11.3, which refers to the WA Budget’s observation that
The State’s household sector remains subdued by historical standards, with household consumption growing by just 1.3% in 2017. Growth continues to be underpinned by spending on essential items, while spending on non-essential goods and services remains weak.

8.4. WACOSS adds further weight to the point that UnionsWA makes in our para 11.4

... that spending on ‘non-essential goods and services’ is weak because of low wage growth, and the disparities in wage distribution in Western Australia. The ‘steadier and more balanced phase of expansion in the State’s economy’ forecast by the Budget papers gives the Commission the opportunity to address consumption growth by playing its part in increasing wages.

8.5. WACOSS also provides evidence that spending on ‘essential items’ is also being negatively impacted by low wage growth. In their section 3.3 they point out

The 2016-17 financial year saw a dramatic increase in residential electricity disconnections from 9,774 in 2015-16 to 15,935 in 2016-17. Synergy’s disconnections alone increased from 8,069 to 14,109 - the highest number of disconnections by Synergy since the Economic Regulation Authority began reporting.13 Residential gas disconnections also increased, from 16,649 in 2015-16 to 17,097 in 2016-17.

Figure 4 shows the significant increase in electricity disconnections from 2015-16 to 2016-17.

8.6. UnionsWA agrees that a substantial increase to wages is needed to bolster both ‘essential’ and ‘non-essential’ household spending, and the WA minimum wage should play its part in achieving that.

8.7. UnionsWA also notes the information WACOSS provides in their section 5 about how ‘persistent poverty plays a demonstrable role in increasing levels of psychological distress.’
8.8. UnionsWA argues that this information corroborates the point we made in our initial submission section 7, paras 7.9 to 7.13. In particular the findings by Butterworth et.al. that jobs with poor psychosocial attributes were no better, and may have worse effects on mental health, than unemployment. This includes jobs with low pay or few benefits. UnionsWA has previously argued that a crucial role of the minimum wage system is to make working pay. By contrast, a minimum wage that merely enables poverty to persist will have long term health impacts which will cost the community dearly.

9. Submission of by the Western Australian Hotels and Hospitality Association Incorporated (Union of Employers)

9.1. In para 4 of its submission, the Western Australian Hotels and Hospitality Association (AHA) argues that

... an increase of 1% to the State minimum wage is appropriate

9.2. UnionsWA contends that such an increase would constitute no real increase in the wages workers on the state minimum wage, given that, as outlined in the Minister’s submission Attachment A ‘Economic Outlook’, the estimated actual growth for CPI in Perth was 1 per cent in 2017-18. In 2018-18 the projected estimate is 1.5 per cent, which is forecasting a real wage cut if the AHA’s submission is accepted. Section 50A(3)(a)(iv) of the Act asks the WA Commission to consider how its decision can contribute to improved living standards for employees. The AHA’s 1 per cent would do the total opposite.

9.3. At their para 6, the AHA observes that ‘the Accommodation and food services industry has the highest proportion of Award reliant employees at 42.7%.’ This is presented as evidence for their 1 per cent claim.

9.4. UnionsWA points out that 50A(3)(b) and (c) of the Act asks the Commission to respectively take into account of the needs of the WA and national economies, rather than a particular industry.

9.5. However we would also refer the WA Commission to the chart in the UnionsWA initial submission para 2.4. This projection of WA employment by industry (from the Commonwealth Department of Employment) shows that the Accommodation and food services industry will be the fourth largest employing industry by 2022.
9.6. UnionsWA also points out in para 5.13 of our initial submission that

*The most recent WA Budget papers point out that, while the labour market has moved into the less labour-intensive production phase of major resource projects, hiring levels have been supported by a growing services sector workforce (with the largest single increase being in the Accommodation and Food Services industry). This has also been occurring in the context of rising business confidence and job advertisements.*

9.7. UnionsWA contends that workers in the Accommodation and food services industry need a pay increase as much as any other worker in the WA economy. The AHA’s argument about
differing rates of pay between the national and the state system does not negate this need, particularly as the industry as a whole is projected to grow as an employer.

10. Submission by Chamber of Commerce and Industry of WA (CCIWA)

10.1. The Chamber of Commerce and Industry of WA (CCIWA) has recommended at its para 19 that

"CCIWA urges the Western Australian Industrial Relations Commission to consider the state of the Western Australian economy and labour market, both at present and over the short-term period, and adopt a responsible and sustainable approach and award an increase in the State Minimum Wage and award minimum wages of no more than 1.2 per cent."

UnionsWA contends that such an increase will not address

(ii) meet the needs of the low paid; and

(iii) provide fair wage standards in the context of living standards generally prevailing in the community; and

(iv) contribute to improved living standards for employees; and

As the WA Commission is required to do under section 50A(3)(a) of the Act.

10.2. UnionsWA points out in its initial submission section 7, para 7.1, that ‘recent increases in living costs from the WA state budget, and the lack of benefits from the recent Federal Budget’, warrant an increase to the minimum wage far above CPI inflation. The cited increases in living costs are as follows

<table>
<thead>
<tr>
<th>WA State Charges</th>
<th>2018-19 WA Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>+7%</td>
</tr>
<tr>
<td>Water</td>
<td>+5.5%</td>
</tr>
<tr>
<td>Transport</td>
<td>+1.6%</td>
</tr>
<tr>
<td>Motor Vehicle Registration</td>
<td>+3.8%</td>
</tr>
</tbody>
</table>

The Budget papers go onto state that

"Total expenditure by the ‘representative’ household on this basket of public sector goods and services in 2018-19 is $6,327.02. This represents an increase of $292.07 (or 4.8%) on 2017-18 levels."

All of these increases will be larger than the wage increase proposed by the CCIWA.

10.3. The UnionsWA initial submission also refers to a number of CPI Expenditure Groups at its para 7.7. These represent crucial cost for the low paid, and all their most recent increases are larger than what the CCIWA proposes.

<table>
<thead>
<tr>
<th>Expenditure Group</th>
<th>WA CPI % Change March 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive fuel</td>
<td>+4.6</td>
</tr>
<tr>
<td>Insurance</td>
<td>+3.4%</td>
</tr>
<tr>
<td>Child care</td>
<td>+6.3%</td>
</tr>
<tr>
<td>Medical and hospital services</td>
<td>+5.5%</td>
</tr>
</tbody>
</table>
### Table: WA CPI % Change March 2017-18

<table>
<thead>
<tr>
<th>Expenditure Group</th>
<th>WA CPI % Change March 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water and sewerage</td>
<td>+7.9%</td>
</tr>
<tr>
<td>Medical, dental and hospital services</td>
<td>+4.8%</td>
</tr>
<tr>
<td>Property rates and charges</td>
<td>+4.3%</td>
</tr>
<tr>
<td>Preschool and primary education</td>
<td>+1.5%</td>
</tr>
<tr>
<td>Electricity</td>
<td>+9.7%</td>
</tr>
<tr>
<td>Secondary education</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>+7.5%</td>
</tr>
<tr>
<td>Health</td>
<td>+4.2%</td>
</tr>
<tr>
<td>Urban transport fares</td>
<td>+3.8%</td>
</tr>
</tbody>
</table>

10.4. Focusing specifically on Electricity and utilities, the WACOSS submission refer to the 2016 BCEC Energy Poverty survey, which found that...

...a number of low-income households were resorting to different measures in order to reduce their power bills.

10.5. In its para 20, the CCIWA argues that the 'The Western Australia economy is at a turning point. After a protracted period of challenging economic conditions following the end of the resources investment boom over four years ago, positive signs are emerging and a return to positive economic growth is forecasted, albeit at a slow and gradual pace.'

10.6. In its para 34, CCIWA reports that 'WA business confidence has maintained a favourable outlook for the economy as it did throughout the latter part of 2017 as the economy continues its adjustment to the end of the resources investment boom.'
10.7. In its para 40, CCIWA also points out that ‘there is a growing belief in WA’s economy and continued signs of recovery as consumer confidence grows to its highest level in four years’.

10.8. In the Minister’s Submission Attachment A ‘Economic Outlook’ it is pointed out that

> By 2019-20 all the components of the State’s domestic economy are expected to return to growth, which combined with a moderate expansion in net exports, is forecast to support GSP growth of 3.75%. GSP growth is then projected to moderate to 3.0% per annum in both 2020-21 and 2021-22. Notably, all of these rates are below Western Australia’s long-term average annual growth rate of 4.3%.

![Gross State Product](image)

10.9. In its chart outlining the components of economic growth, the Outlook shows that household consumption expenditure is not making the same level of contribution to economic growth in WA as it is nationally.

Table 4 – Components of Economic Growth (Seasonally Adjusted)

<table>
<thead>
<tr>
<th></th>
<th>Western Australia (%)</th>
<th>Australia (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household consumption expenditure</td>
<td>1.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Business Investment</td>
<td>-10.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Dwelling Investment</td>
<td>-18</td>
<td>-2.4</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>2.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Government Investment</td>
<td>8.4</td>
<td>10.5</td>
</tr>
<tr>
<td>State/Domestic Final Demand</td>
<td>-1.8</td>
<td>2.9</td>
</tr>
<tr>
<td>International exports of goods (a)</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>International imports of goods (a)</td>
<td>N/A</td>
<td>7.6</td>
</tr>
<tr>
<td>Gross Product</td>
<td>N/A</td>
<td>2.3</td>
</tr>
</tbody>
</table>

(a) Figures for Australia are for trade in both merchandise and services, while figures for Western Australia are for merchandise trade only.

10.10. The WA Treasury’s Outlook document then goes onto point out on its page 7 that
Modest growth in household consumption (particularly discretionary spending) is consistent with weak labour market conditions, low wage growth and subdued population growth. Notwithstanding this, growth in household consumption is expected to lift from 1.75% in 2017-18 to 3.5% in 2021-22 as labour market conditions improve.

10.11. In the following chart from the Outlook on Consumption by category, it can be seen that discretionary spending could be making a far greater contribution to Household consumption, and therefore economic growth, than it is currently doing.

![Chart of Consumption by Category](chart.png)

10.12. The CCIWA’s proposed 1.2 per cent increase does not adequately address the need for more discretionary spending in the WA economy. The need for more growth has been recognised in both the Federal and State Budgets. By contrast, the UnionsWA claim would deliver on one means by which such a lift in discretionary spending could be achieved.

10.13. The WA Commission is required, in accordance with section 50A(3)(a)(iv) of the Act, that it must consider how to...

...provide equal remuneration for men and women for work of equal or comparable value

10.14. In its para 333, the CCIWA states that ‘it does not believe it is possible or indeed necessary to consider such equal remuneration matters for a small, award reliant private sector that is not capable of effective participation or representation.’

10.15. UnionsWA submits that this is a complacent and ill-informed view that should be disregarded by the WA Commission. As the Minister’s Submission points out in para 47.

*In May 2016, 28.9 per cent of female non-managerial employees in Australia were paid in accordance with an award, compared to 19.6 per cent of male non-managerial employees.*
11. Submission by the Western Australian Government (the Minister)

11.1. The Minister for Commerce has submitted a claim for a $19.20 per week adjustment would increase the State minimum wage by approximately 2.7 per cent, lifting it to $728.10 per week. The Minister states at para 8 that

_The Minister believes that granting a real wage increase to the low paid in this year’s State Wage Order will improve their relative economic position in the community, enhance their standards of living and protect against the risk of falling into poverty._

11.2. The Minister also states in para 72 that

_Many low paid workers are dependent on increases determined in the State Wage Case to meet changes in their everyday living costs. This includes those employees who are not presently covered by an award, and are solely reliant on the statutory minimum rates of pay derived from the Minimum Conditions of Employment Act 1993 (MCE Act)._ 

11.3. UnionsWA welcomes the Minister’s submission that the state minimum wage should be increased by more than the estimated CPI inflation rates as forecast by WA Treasury.

However we seek to make two points

- As with the Federal Budget (see our section 2 above) there is still an issue of where future wage growth will come from
- Also, the Minister’s proposed increase in the state minimum wage is still too conservative given the persistence of measures of inequality in WA, such as the gender pay gap.

11.4. On the gender pay gap, the Minister provides the following chart

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross State Product</td>
<td>-2.7%</td>
<td>2.5%</td>
<td>3.25%</td>
<td>3.75%</td>
<td>3.0%</td>
</tr>
<tr>
<td>State Final Demand</td>
<td>-7.2%</td>
<td>-0.25%</td>
<td>-0.25%</td>
<td>3.75%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Employment Growth</td>
<td>-0.9%</td>
<td>2.25%</td>
<td>1.5%</td>
<td>2.0%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>6.2%</td>
<td>5.75%</td>
<td>5.75%</td>
<td>5.5%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Wage Price Index</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.75%</td>
<td>2.75%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>0.6%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>2.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
The Minister’s submission also states at para 48 that

*While the causes of the gender pay gap are complex, regular increases in minimum and award wages can nonetheless play an important role in helping to reduce gender pay inequality, particularly given the State Wage Order directly affects a larger proportion of female employees than male employees.*

Given this situation, and the persistence of the larger gender pay gap over time, the WA Commission needs to act far more boldly than the Minister is proposing. In order to meet the considerations of the *Industrial Relations Act*, particularly relating to the needs of the low paid and the need to address the gender pay gap by providing for equal remuneration for work of equal or comparable value.

In its para 69, the Minister’s submission justifies providing a flat dollar increase on the grounds that

*A flat dollar adjustment to minimum and award wages would ensure that the greatest benefit of this year’s State Wage Order is directed to the lowest paid. In this regard, the Minister notes that the WAIRC has itself targeted those employees on the minimum wage or slightly above it in previous State Wage Case decisions.*

UnionsWA submits that, while this may be the present situation, it remains the case that WA retains a state award system with a series of award classifications. The WA Commission therefore has a responsibility to ensure that award rate relativities retain their ‘margin for skill’ at the same time as addressing the needs of the lowest paid.

It is worth noting that, if it is indeed the situation that most workers on state awards are at the ‘lower end’ of classifications, they will be the main beneficiaries of a substantial minimum wage increase anyway, regardless of whether higher rates are increased by a flat rate or a percentage amount.

UnionsWA contends that the structure of its claim (an increase Award wages and the statutory minimum wage by $50 per week or by 6.2%, whichever is greater based on the pay scales of the WA Metal Trades (General) Award) would address both the needs of the low paid, and maintain award relativities.

To that end, UnionsWA refers the Commission to the Table at para 13.6 of our initial submission, which sets out what would occur with award relativities should the Commission chose to adopt UnionsWA’s proposal for an increase by $50 per week or by 6.2%, whichever is greater.
<table>
<thead>
<tr>
<th>Metal Trades (General) Award</th>
<th>2017</th>
<th>% of C14</th>
<th>2018 (if UnionsWA claim accepted)</th>
<th>% of C14</th>
<th>Change in relativity 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>C14</td>
<td>$708.90</td>
<td>100.0%</td>
<td>$758.90</td>
<td>100.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>C13</td>
<td>$726.50</td>
<td>97.6%</td>
<td>$776.50</td>
<td>97.7%</td>
<td>0.2%</td>
</tr>
<tr>
<td>C12</td>
<td>$750.30</td>
<td>94.5%</td>
<td>$800.30</td>
<td>94.8%</td>
<td>0.3%</td>
</tr>
<tr>
<td>C11</td>
<td>$772.40</td>
<td>91.8%</td>
<td>$822.40</td>
<td>92.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>C10</td>
<td>$810.10</td>
<td>87.5%</td>
<td>$860.10</td>
<td>88.2%</td>
<td>0.7%</td>
</tr>
<tr>
<td>C9</td>
<td>$832.70</td>
<td>85.1%</td>
<td>$884.33</td>
<td>85.8%</td>
<td>0.7%</td>
</tr>
<tr>
<td>C8</td>
<td>$855.10</td>
<td>82.9%</td>
<td>$908.12</td>
<td>83.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>C7</td>
<td>$875.60</td>
<td>81.0%</td>
<td>$929.89</td>
<td>81.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>C6</td>
<td>$920.60</td>
<td>77.0%</td>
<td>$977.68</td>
<td>77.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>C5</td>
<td>$943.20</td>
<td>75.2%</td>
<td>$1,001.68</td>
<td>75.8%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

12. **Conclusion**

12.1. **UnionsWA is advocating that the Commission increase Award wages an increase by $50 per week or by 6.2%, whichever is greater.**

12.2. **Below is summary of our positions under the statutory considerations in section 50A of Industrial Relations Act.**

(3) In making an order under this section, the Commission shall take into consideration —

(a) the need to —

(i) ensure that Western Australians have a system of fair wages and conditions of employment;

UnionsWA is asking the WA Commission to take this opportunity to arrest and reverse the decline of the minimum wage bite and the gender pay gap in WA. Addressing the decline of the minimum wage ‘bite’ is vital for maintaining a fair system of wages and conditions in WA, and for addressing the broader issues of inequality highlighted by measures such as the Gini Co-efficient.

(ii) meet the needs of the low paid;

UnionsWA maintains that the needs of the low paid, and particularly the need to improve the standards of the low pay – require an increase to the WA minimum wage not just at CPI, but beyond it. The interests of the low paid, and of the unemployed moving into work, are not served by making worker as cheap as possible in the labour market. Job quality is inseparable from having decent pay and conditions that actively improve living standards, not by paying workers just enough to cover immediate living costs.

(iii) provide fair wage standards in the context of living standards generally prevailing in the community

The UnionsWA argues that in terms of addressing inequality, a minimum wage increase is not the only measure that can be taken, it is however a measure without which no other policy is likely to succeed.

(iv) contribute to improved living standards for employees;
UnionsWA submits that, given the increases in living costs that impact disproportionately on low wage workers, and the recent increases in living costs from the WA state budget, and the lack of benefits from the recent Federal Budget, an increase to the minimum wage far above CPI inflation is required

(v) protect employees who may be unable to reach an industrial agreement;

The WA Commission should put no weight on claims that a substantial minimum wage increase will act to discourage bargaining. Indeed it is more probable that a minimum wage increase will act as a spur to bargaining, particularly where employees are considered award-free and need a ‘signal’ of what constitutes an acceptable wage.

(vi) encourage ongoing skills development; and

UnionsWA argues that a substantial wage increase that seeks to address the disparity between minimum rates and average weekly earnings will play its part in making apprenticeships more attractive thereby encouraging greater skills development.

(vii) provide equal remuneration for men and women for work of equal or comparable value;

UnionsWA asks the WA Commission to reject all submissions which contend that female minimum wage workers do not need a substantial pay increase because their living arrangements may be in a household with higher income earners – whether it be parents, spouses or friends. Low wage workers are entitled to the respect of being considered as individuals.

(a) the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;

(b) to the extent that it is relevant, the state of the national economy;

UnionsWA contends that a substantial increase to the WA minimum wage will be ‘pro-cyclical’ in present economic circumstances both in WA and Australia, in that it will assist the growth in household consumption by increasing aggregate demand.

(d) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;

UnionsWA contends that employers cannot credibly argue that they are currently operating in a high labour cost environment. If anything their monopsony position in the labour market has provided them with substantial powers to hold cost down. There is no reason in such an environment for the WA Commission to restrain growth in the minimum wage

(e) for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;

An increase by $50 per week or by 6.2%, whichever is greater, best balances the range of factors that the Commission must take into account. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications above C10.

(f) relevant decisions of other industrial courts and tribunals; and

(g) any other matters the Commission considers relevant.
UnionsWA points out that WA Commission has been warned year after year about the potentially dangerous impacts on employment of raising the state minimum wage by ‘too much’. These have never come to pass, and are based on outdated economic theories.

13. **Statement of Principles**

13.1. made a submissions to the Ministerial Review of the State Industrial Relations system on the matter of award updating, stating that

*There is no need for a wholesale updating of State Awards in order to ensure that WA workers without current coverage become covered by awards. Our recommendation is for a more targeted and cost effective approach that will ensure Award coverage is extended to all WA workers, by adjusting the scope and respondency clauses of existing Awards.*

13.2. UnionsWA welcome’s the Minister’s ‘strong support for equal remuneration, and commends initiatives aimed at furthering this objective.’ We welcome the Minister’s para 92 which states that

*The Minister supports the inclusion in the Principles of an equal remuneration principle, and would welcome the opportunity to work with the other section 50 parties to develop a draft equal remuneration principle for the WAIRC’s consideration.*

13.3. Further to this, UnionsWA would also be prepared to work with other section 50 parties on matters arising from Principle 8 (Total Minimum Rate Adjustments), and Principle 9 – Minimum Adult Award Wage.

13.4. UnionsWA notes however, the CCIWA’s statement at its para 345, which characterises equal remuneration cases as ‘essentially a comparative exercise where the remuneration and the value of the work of a female employee or group of female employees is compared to that of a male employee or group of male employees, CCIWA submits that such an effective comparative exercise cannot be satisfactorily undertaken’.

13.5. UnionsWA submits that there is no requirement for a ‘male comparator’ in equal remuneration cases, indeed the Queensland equal remuneration principle and Industrial Relations Act manage to avoid such requirements, in contrast to the Fair Work Act. We agree that comparative exercises are not satisfactorily undertaken, that is why equal remuneration cases should be undertaken without them.

13.6. UnionsWA also agrees with the following statement by the Minister’s submission at para 65 regarding award updating.

*The Minister submits that the powers available under section 40B are not time restricted or limited to being used only once in relation to any award. As such, there is no legislative impediment to the WAIRC re-commencing an award updating process under section 40B, should it deem it appropriate.*

13.7. UnionsWA supports this position, however we also reiterate the point we made in our initial submission para 15.7. UnionsWA made submissions to the Ministerial Review of the State Industrial Relations system on the matter of award updating, stating that

*There is no need for a wholesale updating of State Awards in order to ensure that WA workers without current coverage become covered by awards. Our recommendation is for a more targeted and cost effective approach that will ensure Award coverage is extended to all WA workers, by adjusting the scope and respondency clauses of existing Awards.*