



Chamber of Commerce  
and Industry WA



# **Submission to the Western Australian Industrial Relations Commission**

## **2017 State Wage Case**

*Industrial Relations Act 1979*

In the Western Australian Industrial Relations Commission

Application No. 1 of 2017

**2017 STATE WAGE ORDER**

**On the Commission's own motion**

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**SUBMISSION BY THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA**

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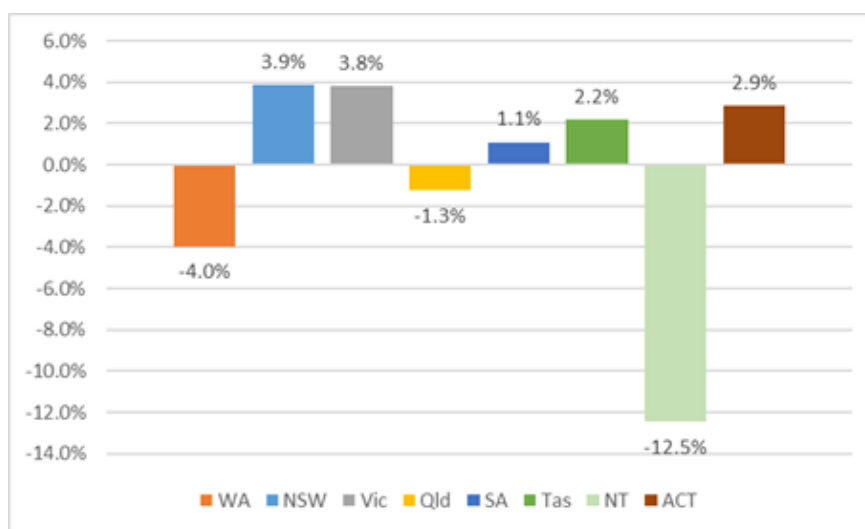
## 1. Achieving a system of fair wages

- 1.1 Fairness is frequently referred to as a two-way street in which the relevant parties are travelling in opposite directions and that a fair outcome is considered to be a point somewhere between the intended destinations of the respective parties.
- 1.2 In the context of the challenges facing many West Australian workplaces, this analogy does not hold true as both employers and employees are jointly focused on protecting business competitiveness and maintaining employment.
- 1.3 Both employers and employees are being challenged with:
  - a) slowing economic growth and declining state final demand;
  - b) declining levels of business investment;
  - c) high levels of both unemployment and underemployment; and
  - d) a contraction in the total number of jobs with displaced workers spending longer out of work.
- 1.4 With increased levels of unemployment and fewer job opportunities there is a greater focus by employees on ensuring that they are providing a meaningful contribution that improves the competitiveness of the workplace. For employers, their competitive advantage often rests in retaining valuable and committed team members.
- 1.5 This is reflected in the increasing consideration of strategies aimed at minimising the risk of job loss, with wage freezes and reductions in working hours commonly being negotiated as an alternative to redundancies.
- 1.6 In this context, the Chamber of Commerce and Industry of Western Australia (**CCI**) is of the view that there is a need for restraint when reviewing minimum wages at both the State and National level in order to help employees maintain their living standard by retaining their employment and working hours, along with reducing the barriers for job creation.
- 1.7 As part of the national Annual Wage Review, CCI is advocating for a \$8.10 per week increase, which would equate to a 1.2 per cent increase to the National Minimum Wage (**NMW**). For WA workers reliant on national awards this would result in a modest growth in real wages in recognition that their rates have grown at a slower pace taking into account the overall state of the Australian economy.
- 1.8 In comparison, for the better part of a decade State award wages have increased at a faster rate largely due to WA's previous economic fortunes. However, given the changes in the State's economic performance over recent years the justification for this premium no longer holds true and we believe that the interests of these employees are best served through consolidating these gains by maintaining the award rates and State Minimum Wage (**SMW**) at their current level.
- 1.9 CCI believes that this approach will help alleviate the competitive disadvantage placed on small businesses owners required to pay a higher minimum wage than their incorporated competitors. In doing so it will also minimise the risk to employees of loss of employment or working hours that would result in the benefits conveyed to them in previous State Wage Case decisions being undone.

## 2. State of the WA economy

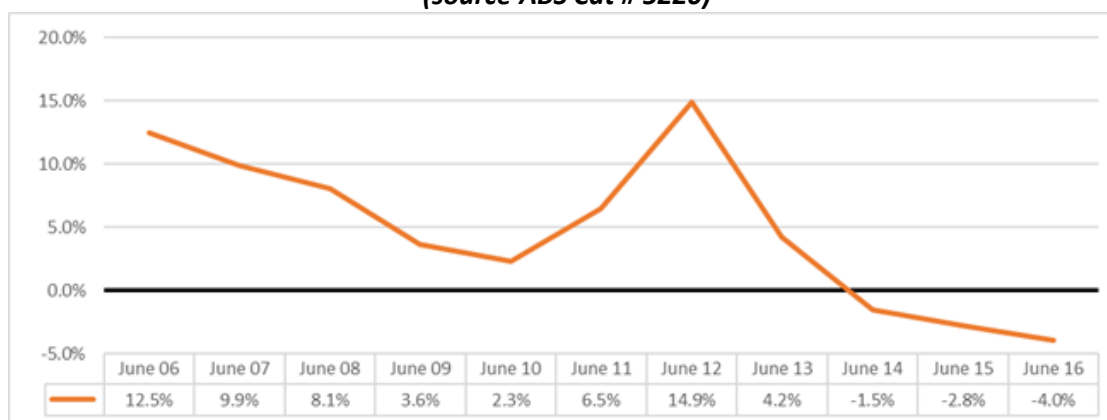
- 2.1 The WA economy continues to underperform compared to other states and territories, particularly New South Wales (**NSW**) and Victoria, which are contributing to the marginal improvement current occurring within the national economy.
- 2.2 As shown below, both NSW and Victoria are showing positive growth in State Final Demand (**SFD**), with growth of 3.9 per cent and 3.8 per cent respectively. In sharp contrast is the decline experienced in WA's SFD which has fallen by 4.0 percent in the same period<sup>1</sup>.

**Graph 1 – Annual Growth in State Final Demand 2015-16**  
(source ABS Cat # 5220)



- 2.3 This forms part of a longer-term trend with WA experiencing negative growth in SFD since 2014, as shown in the following graph. The Department of Treasury (**WA Treasury**) predicts that SFD will continue to contract, predicting it to fall by 6.75 per cent in 2016-17 with a further decline of 1.25 per cent in 2017-18.<sup>2</sup>

**Graph 2 – Annual Growth in State Final Demand (WA)**  
(source ABS Cat # 5220)

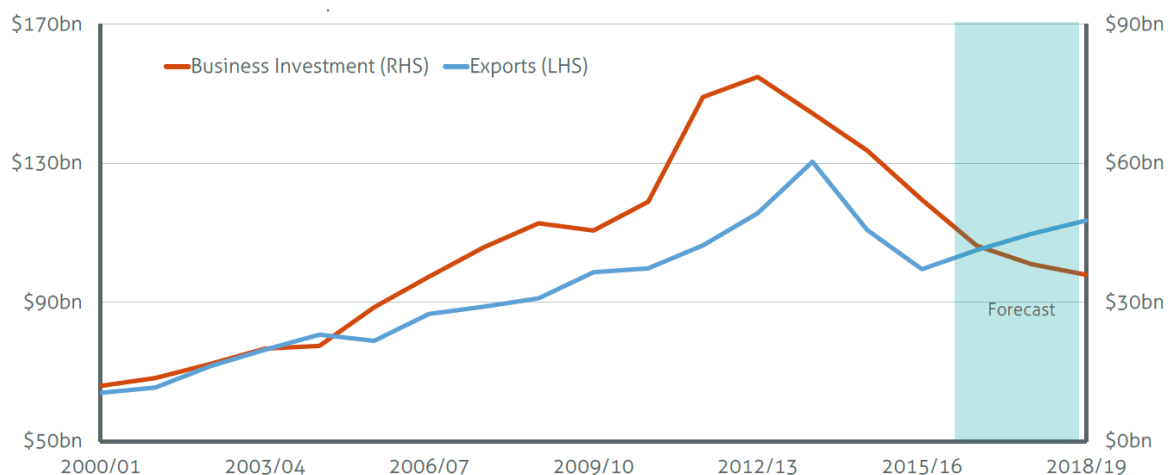


<sup>1</sup> Australian Bureau of Statistics (2017) [Australian National Accounts: State Accounts, 2015-16](#). Cat # 5220.0

<sup>2</sup> Department of Treasury (Feb 2017) [2016-17 Pre-Election Financial Projections Statement](#), p 28.

- 2.4 The decline in SFD is reflected in declining levels of private business investment within WA, which fell by 16.7 per cent in 2015-16, whilst public capital investment remained relatively stable.<sup>3</sup>

**Graph 3 – WA Business Investment and Export of Goods**  
(source State Budget Papers and ABS Cat # 5220.0)



- 2.5 WA Treasury predicts that business investment will fall by 32.5 per cent for 2016-17 and dwelling investment will also decline by 10.25 per cent over the same period. These declines are only partially offset by a projected 7.5 per cent increase in Government investment for 2016-17.<sup>4</sup>
- 2.6 As shown in the above graph, the value of exports is expected to grow which has allowed Gross State Product to remain in positive territory at 1.9 per cent in the year to June 2016, although it remains substantially below the 3.6 per cent growth in the year to June 2015 and 5.8 per cent in the year to June 2014.
- 2.7 CCI's March quarter *Survey of Business Expectations* shows that confidence continues to remain subdued with 31.5 per cent of businesses expecting the WA economy to be weaker in the next 12 months when compared to last year, 39.6 per cent expecting it to remain the same, 28.2 per cent predicting that it will be somewhat stronger and 0.7 per cent expecting the economy to be much stronger.<sup>5</sup> Consequently 71.1 per cent of businesses surveyed expect conditions to remain the same or get worse over the next 12 months.

<sup>3</sup> Department of Treasury (Feb 2017) [2016-17 Pre-Election Financial Projections Statement](#), p 28.

<sup>4</sup> Ibid.

<sup>5</sup> CCI (March 2017) CCI Survey of Business Expectations. See Appendix A.

**Table 1 – Business Expectations**  
(source CCI Survey of Business Expectations)

<i>What are your expectations for the Western Australian economy over the next 12 months in comparison with the last 12 months?</i>					
<i>Answer Options</i>	<b>Much weaker</b>	<b>Somewhat weaker</b>	<b>About the same</b>	<b>Somewhat stronger</b>	<b>Much stronger</b>
<b>Expectations:</b>	9.9%	21.6%	39.6%	28.2%	0.7%

- 2.8 The contraction in WA's state final demand, reduced levels of business investment and low levels of business confidence not only results in a challenging environment for WA employers but also has negative implications for the labour market.

### 3. The impact on employment

- 3.1 The State's unemployment rate continues to rise and has been consistently above the national average since March 2016, with an upward trend since June 2012. WA trend unemployment rate is currently 6.4 per cent (as at March 2017) compared to the national rate of 5.9 per cent.<sup>6</sup> WA currently has the second highest unemployment rate (equal with Queensland) with only South Australia recording higher at 6.7 per cent.

**Graph 4– Trend Unemployment Rate**  
(source ABS Cat # 6202)



- 3.2 The situation is worse for young people aged 15-24 years who are currently faced with an unemployment rate of 14.7 per cent as at March 2017.<sup>7</sup> In the context of these proceedings the youth unemployment rate is particularly concerning given the high proportion of young people engaged in the retail and hospitality industry.

<sup>6</sup> Australian Bureau of Statistics (2017) [Labour Force, Australia, March 2017](#) Cat # 6202.0

<sup>7</sup> Ibid

- 3.3 The Fair Work Commission's (**FWC**) industry profile reports show that the concentration of workers aged between 15 and 24 years is greater in the accommodation and food services industry (**hospitality industry**) at 44.2 per cent and retail trade industry at 32.8 per cent compared to the 'all industry' average of 15 per cent.<sup>8</sup>
- 3.4 Given the increased potential for retail and hospitality businesses to be covered by the State industrial relations system (**State system**) it is important to ensure that the barriers for these employers to engage young people are kept low in the current economic environment.
- 3.5 For those who are unemployed, the amount of time that they spend out of the workforce is also increasing. As shown in the table below, since 2012 the proportion of workers who are unemployed for more than 52 weeks has increased significantly, whilst the proportion of those who return to work within 13 weeks has fallen. Currently 54.7 per cent of unemployed workers will remain so for more than 13 weeks, of which 22.7 per cent will become long term unemployed.<sup>9</sup>

**Table 2 – Unemployment Duration**  
(source Department of Employment - Labour Market Information Portal)

<b>Western Australia</b>		
	March 2012	March 2017
<b>Under 4 weeks</b>	29.2%	20.7%
<b>4 weeks and under 13 weeks</b>	28.3%	24.7%
<b>13 weeks and under 26 weeks</b>	14.9%	16.9%
<b>26 weeks and under 52 weeks</b>	12.8%	15.1%
<b>52 weeks and under 104 weeks</b>	8.3%	11.9%
<b>104 weeks and over</b>	6.6%	10.8%

- 3.6 The high unemployment rate and increased duration of unemployment may also negatively impact upon the participation rate as those unable to find work leave the labour market, with WA Treasury predicting that it will fall from 68.3 per cent for 2015-16 to a projected 66.8 per cent for 2016-17.
- 3.7 The high unemployment rate is reflected in an oversupply of labour with 76.2 per cent of WA businesses reporting that labour availability was either adequate or abundant, according to CCI's *Survey of Business Expectations*.<sup>10</sup> This places low skilled workers at a comparative disadvantage as skilled workers are increasingly vying for limited employment opportunities.

<sup>8</sup> Fair Work Commission, (2017) [Industry Profile – Retail trade](#), Table 5.2,p42 and Fair Work Commission (2017) [Industry Profile – Accommodation and food services](#), Table 5.2, p27.

<sup>9</sup> Department of Employment (January 2017) [Labour Market Information Portal](#). Data from ABS Labour Force Survey, 12-month average of original data, accessed on 27 March 2017.

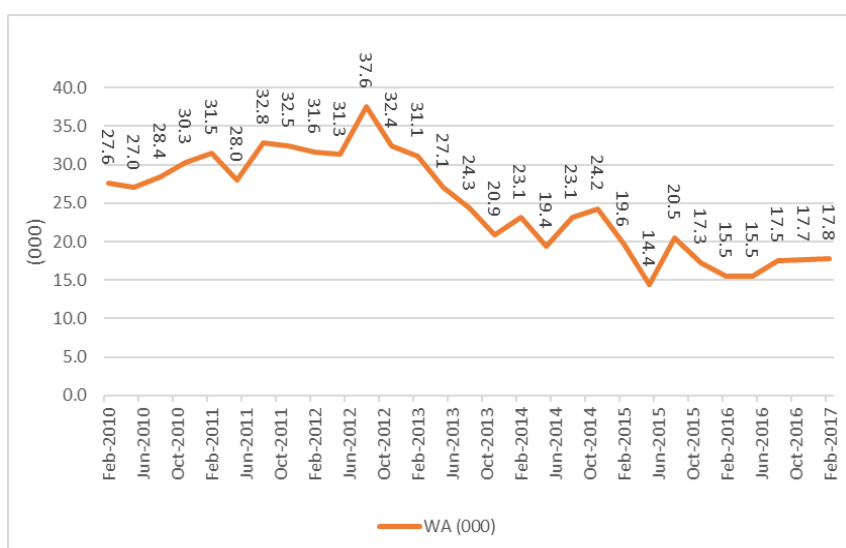
<sup>10</sup> CCI (March 2017) CCI Survey of Business Expectations.

**Table 3 – Labour Availability**  
(source CCI Survey of Business Expectations)

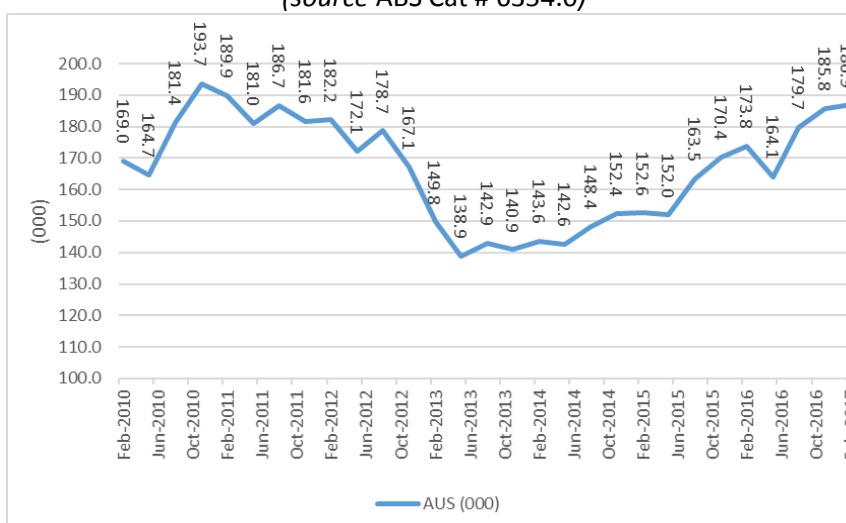
Do you regard labour availability as					
Answer Options	Scarce		Adequate		Abundant
Current quarter	7.4%	16.3%	45.1%	16.3%	14.8%

- 3.8 The number of job vacancies in WA are also in decline, as seen in the graph below, which shows a clear downward trend. This is in stark contrast to the situation nationally where the number of job vacancies are rapidly increasing, reinforcing the marked contrast between the state of the WA and national economies.<sup>11</sup>

**Graph 5 – Job Vacancies (Western Australia)**  
(source ABS Cat # 6354.0)



**Graph 6 – Job Vacancies (Australia)**  
(source ABS Cat # 6354.0)



<sup>11</sup> Australian Bureau of Statistics (2017) [Job Vacancies, Australia, Feb 2017](#) Cat # 6202.0



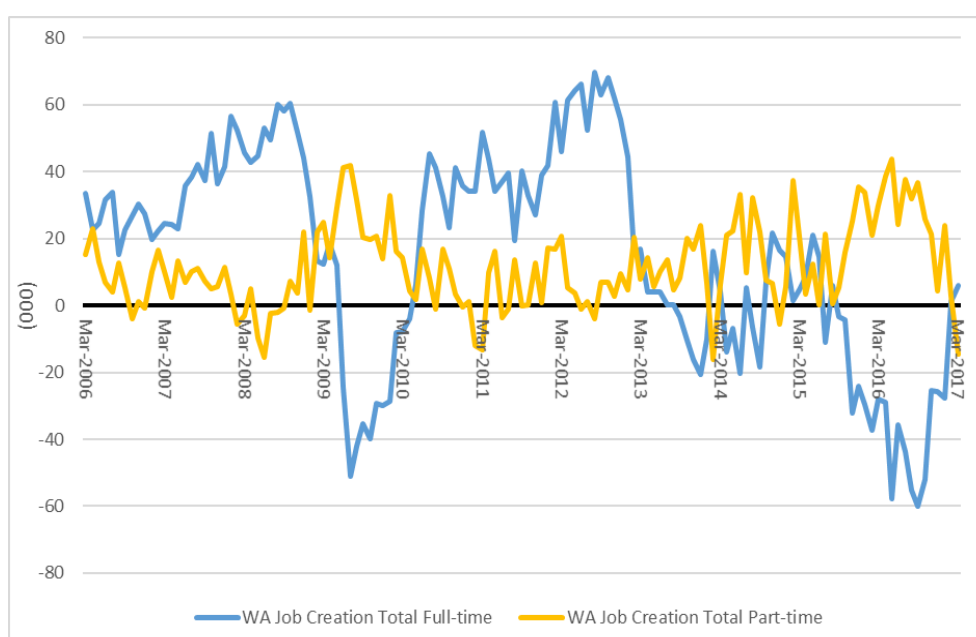
- 3.9 The above reinforces the views expressed by WA businesses in CCI's *Survey of Business Expectations* regarding employment levels. As shown in the table below 19.0 per cent of respondents expected to have fewer employees in the March quarter whilst 64.8 per cent expected no change. Only 16.3 per cent of the businesses surveyed expected to increase their current number of employees.

**Table 4 – Number of Employees**  
(source CCI Survey of Business Expectations)

Number of employees					
Answer Options	Much less	Less	No change	More	Much more
Level in current quarter compared to previous quarter	2.7%	16.3%	64.8%	15.9%	0.4%

- 3.10 In the 12 months to March 2017 the total number of jobs has fallen by 8.8 per cent to 1,348,600 down from 1,357,400 in March 2016.<sup>12</sup> The mix of new jobs being created has also changed with WA experiencing a significant loss in the number of full time jobs from September 2015 to January 2017 which was partially offset by growth in part time jobs.

**Graph 7 – WA Job Growth**  
(source ABS Cat # 6202)

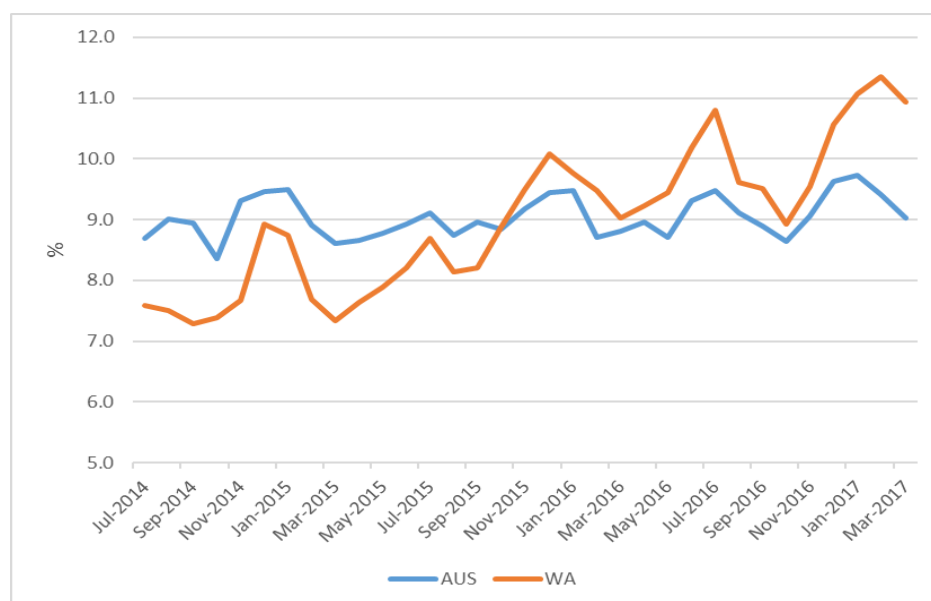


- 3.11 This is contributing to a growing problem of underemployment. As at March 2017, 10.9 per cent of WA workers are under-employed compared to the national average of 9.0 per cent. Of the underemployed in WA 13,200 people are full time workers who worked part time hours for economic reasons with 134,300 part time employees who would prefer to work more hours.<sup>13</sup>

<sup>12</sup> Australian Bureau of Statistics (2017) [Labour Force, Australia, March 2017](#) Cat # 6202.0

<sup>13</sup> Ibid, Table 25

**Graph 8 – Underemployment Rate**  
(source ABS Cat # 6202)



- 3.12 The underemployment rate highlights the current sensitivity of the labour market, and the high proportion of employees who are vulnerable to the impact of fewer working hours as a result of increased cost pressures or reduced revenue. We are concerned that any significant increase in award wages may have a detrimental impact on the take home pay of these employees given the need of many WA businesses to focus on managing their cost base in response to the State's reduced economic performance.
- 3.13 Since the downturn of the State's economy there has been a greater focus by WA businesses in seeking to lower the overall cost of doing business, including reducing employment costs. This has in part occurred by reducing the number of staff employed, either by means of redundancy or natural attrition, which can be seen in the growing levels of unemployment. However, for many businesses lower operational costs have also been achieved through strategies aimed at preserving employment by freezing wage rates or negotiating reductions in pay.
- 3.14 This is reflected in CCI's *Survey of Business Expectations* in which 9.1 per cent of businesses expected their total labour costs to decline in the March 2017 quarter whilst 71.6 per cent expected labour costs to remain the same.

**Table 5 – Total Labour Cost**  
(source CCI Survey of Business Expectations)

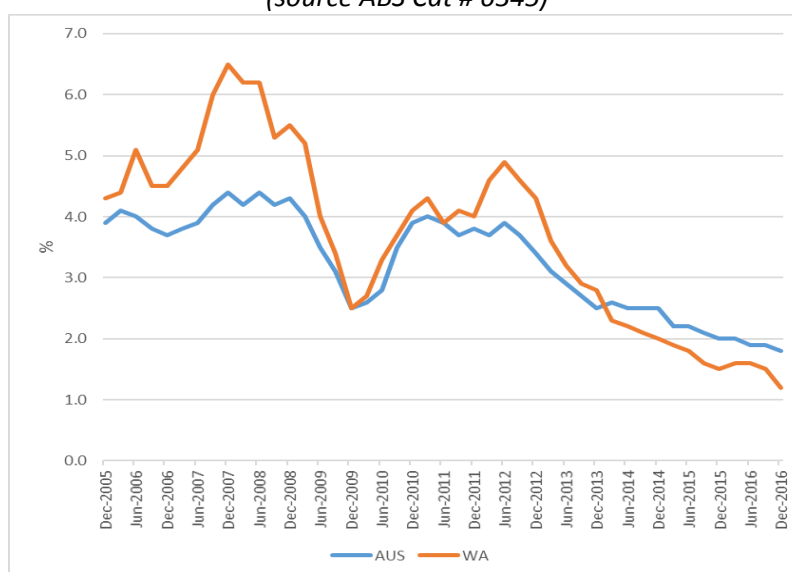
Answer Options	Much less	Less	No change	More	Much more
<b>Level in current quarter compared to previous quarter</b>	0.8%	8.3%	71.6%	19.3%	0.0%

- 3.15 The need for businesses to manage wage costs has also been recognised by the State Government in terms of its own responsibility as an employer, having recently made an announcement seeking wage restraint within the public sector. The Treasurer was recently quoted as stating that existing public sector wage policy of 1.5 per cent was generous in the current climate and that wage freezes could occur.<sup>14</sup> The Australian Service Union has confirmed that the Government is following through on this view claiming that in negotiating a replacement enterprise agreement for Western Power, employees have been asked to accept a zero increase in wages for the first year, CPI aligned pay rises at 0.6 per cent for the following years and 1.5 per cent increase in year four.<sup>15</sup>

## 4. Current wages and cost of living trends

- 4.1 The changes in the WA economy is reflected in the significant decline in private sector wage growth which fell to 1.2 per cent in December 2016, significantly below the national average of 1.8 per cent.<sup>16</sup> As seen in the graph below private sector wage growth has been declining rapidly since June 2012, and below the national average since March 2014, as both employers and employees take measure to reign in the very high level of wage growth during the recent construction led resources boom.

**Graph 9 – Private Sector Wage Growth**  
(source ABS Cat # 6345)



- 4.2 In many workplaces the contraction in wage growth has occurred through the freezing of wage rates or negotiated reductions in pay.

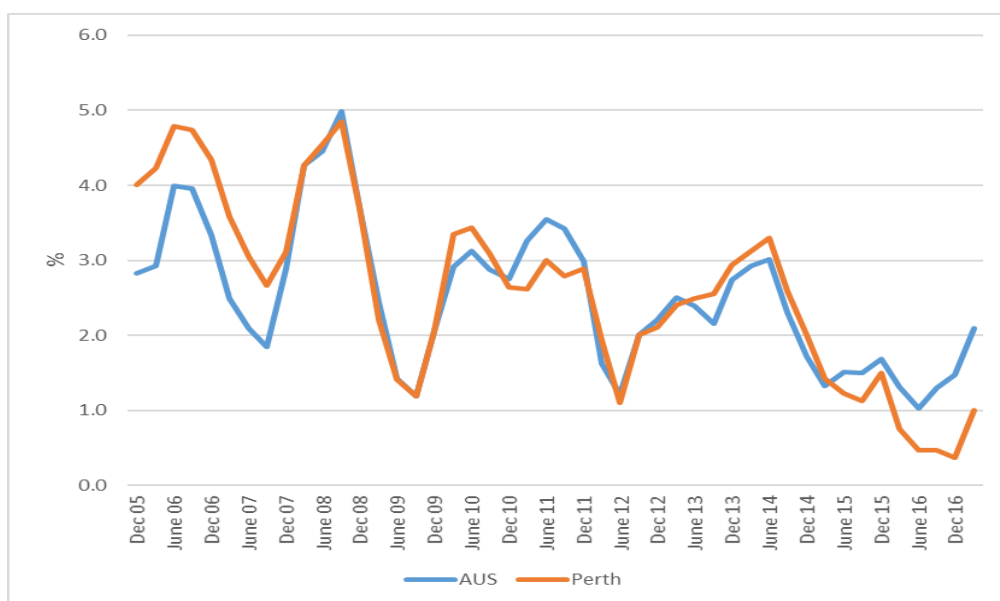
<sup>14</sup> Kagi, J. (6 April 2017) [WA budget: Power price hike, public sector wage freeze on cards after dire figures laid bare](#). ABC News Online.

<sup>15</sup> McKinnon, S (28 April 2017) [Western Power staff asked to accept pay freeze](#). The West Australia.

<sup>16</sup> Australian Bureau of Statistics (2017) [Wage Price Index, Australia, December 2016](#) Cat # 6345.0

- 4.3 It is the experience of CCIWA that there is a growing number of applications being made to the Fair Work Commission (**FWC**) to vary downwards existing rates of pay in enterprise agreements or to terminate an enterprise agreement because the rates of pay are no longer sustainable in the current market. The latter is exemplified in the decision of *Griffin Coal Mining Company Pty Ltd [2016] FWCA 2312* in which the relevant enterprise agreement was terminated after ongoing attempts to negotiate a new agreement with lower overall terms and conditions of employment failed. In considering the employer's application, former Commissioner Cloghan succinctly observed that *"I am left with the observation that unproductive, inefficient, inflexible and unprofitable business do not remain in existence as a some sort of societal right. Griffin Coal relies on that sense of circumstances, when stating its facts and inferences"*.<sup>17</sup>
- 4.4 This is well recognised in most workplaces, with employers and employees actively working together to address the challenges arising out of changing economic circumstances in order to protect both the business and jobs.
- 4.5 As wage growth has been declining so too has inflation. As measured by the Consumer Price Index (**CPI**), inflation in Perth grew by 1.0 per cent in the 12 months to March 2016, significantly lower than the national average of 2.1 per cent over the same period.<sup>18</sup>

**Graph 10 – Consumer Price Index – Annual Growth**  
(source ABS Cat # 6401)

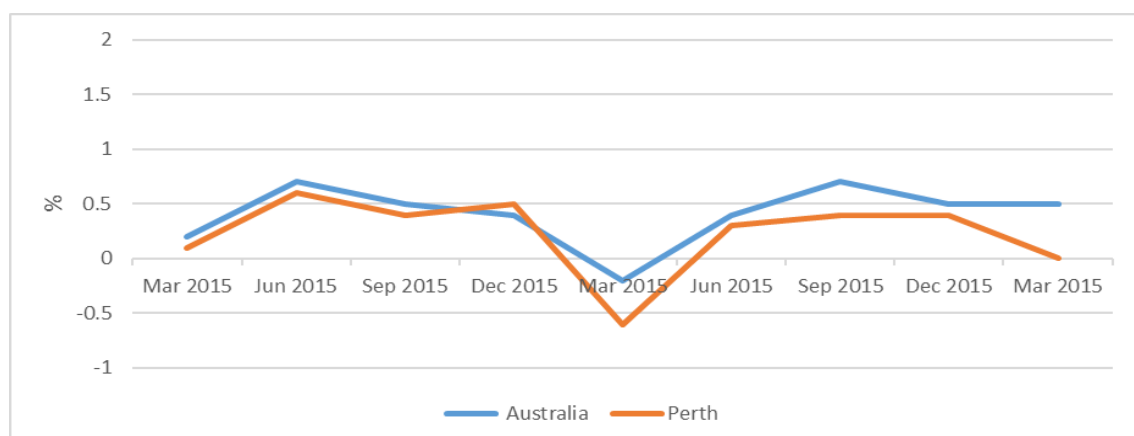


- 4.6 As shown by the above graph, for most this financial year the annual rate of inflation has been below one per cent, with prices growing by just 0.4 per cent in the 12 months to December 2016. The jump in the March data can be attributed to deflation in the quarterly CPI rate in March 2015 where prices fell by 0.6 percent. For March 2017 the quarterly rate of inflation for Perth was 0.0 per cent, with the cost of living unchanged from the December 2016 quarter.

<sup>17</sup> [Griffin Coal Mining Company Pty Ltd \[2016\] FWCA 2312 at 171](#)

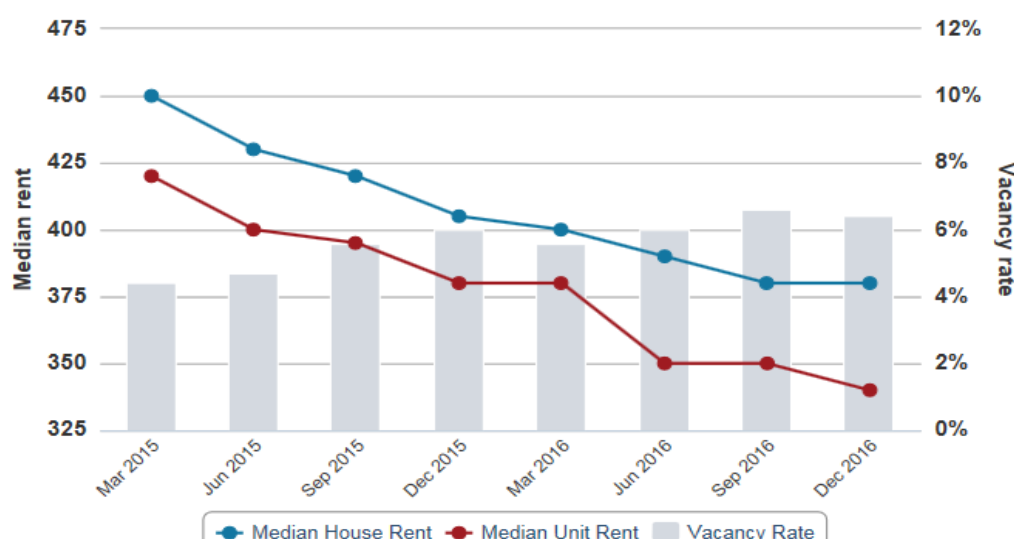
<sup>18</sup> Australian Bureau of Statistics (2017) [Consumer Price Index, Australia, March 2017](#) Cat # 6401.0

**Graph 11– Consumer Price Index – Quarterly Growth**  
(source ABS Cat # 6401)



- 4.7 Consequently, there has been very little real change in the cost of living over the course of the past year, meaning the purchasing power of award wages remains strong given the real wage increase granted as part of last year's decision which resulted in a 1.9 per cent increase to the SMW compared to 1.0 per cent inflation for 2015-16<sup>19</sup>.
- 4.8 In last year's decision, specific consideration was given to housing affordability. As shown in the graph below the median rental price for Perth properties has continued to decline from \$405 per week in December 2015 to \$380 per week in December 2016. In the case of units, average rental prices have fallen further from \$380 to \$340 per week over the same period. At the same time the vacancy rate has improved from 6.0 per cent in December 2015 to 6.4 per cent in December 2016.<sup>20</sup>

**Graph 12– Perth Rental and Vacancy Rate**  
(source REIWA)

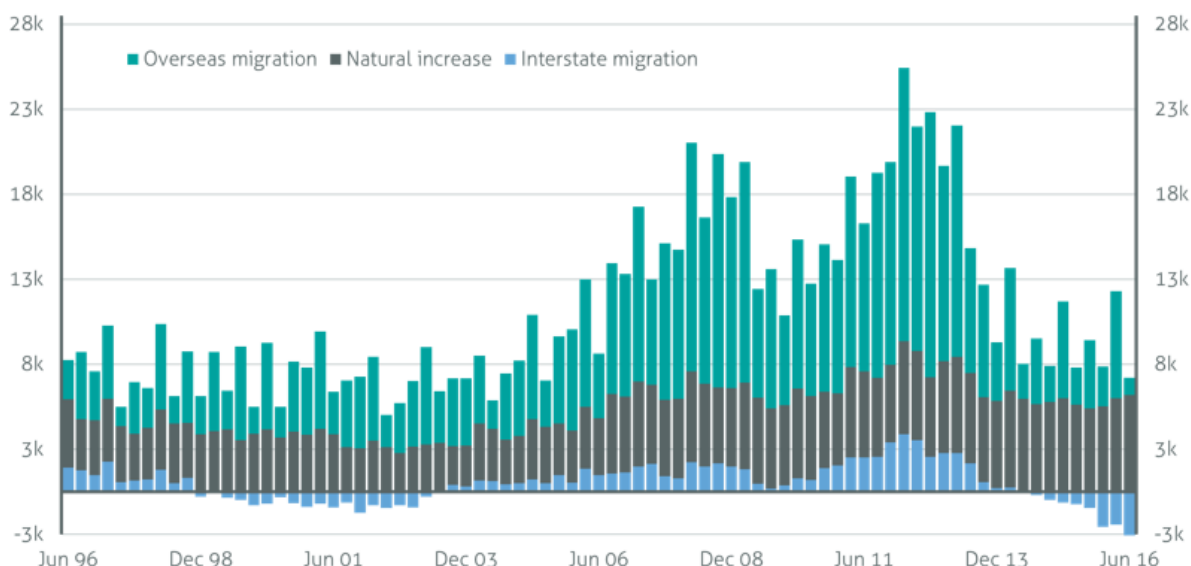


<sup>19</sup> Department of Treasury (Feb 2017) [2016-17 Pre-Election Financial Projections Statement](#), p 28

<sup>20</sup> REIWA. [Perth Market Snapshot](#). Accessed 28 April 2017.

- 4.9 This position is expected to improve as growth in the WA population continues to slow, with significantly low levels of overseas migration and negative growth in interstate migration as people increasingly move to the east coast seeking better employment opportunities.

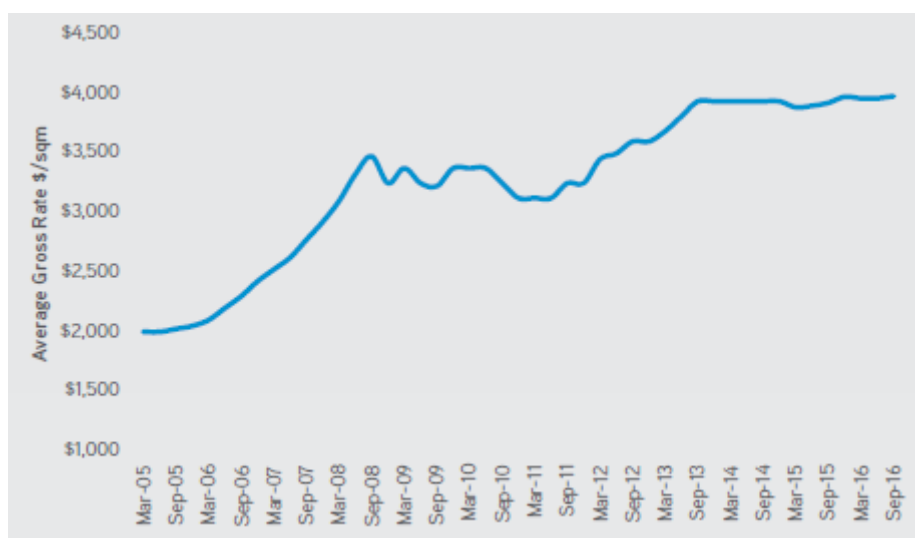
**Graph 13 – WA Population Growth**  
(source ABS Cat # 3101.0)



- 4.10 Median rental prices only tell part of the story in relation to housing affordability with a range of properties available at different rental prices. Appendix B of this submission contains unpublished data from the Real Estate Institute of Western Australia (**REIWA**) on the number of rental properties listing by price range and area. The data shows that in the first quarter of 2017 that 5,414 rental properties (51.8 per cent) were listings with rents below \$350 per week. Specific locations also had a significant proportion of properties for rent at less than \$250 per week, including:
- a) Armadale/Serpentine with 23.2 per cent of properties;
  - b) Bassendean/Bayswater with 16.7 per cent of properties;
  - c) Canning with 13.5 per cent of properties;
  - d) Joondalup North with 11.2 per cent of properties;
  - e) Rockingham/Kwinana with 12.8 per cent of properties;
  - f) Stirling East with 12.9 per cent of properties; and
  - g) Vincent/ South East Stirling with 12.1 per cent of properties.
- 4.11 However, the declining rental costs for residential housing is not necessary reflected in the commercial market, with the average gross rental rate for Perth CBD mall and high street retail space plateauing at the high levels reached in 2013.<sup>21</sup>

<sup>21</sup> Colliers International (2017) [Retail - Second Half 2016](#), p18

**Graph 14 – Perth CBD mall and high street average rents**  
(source Colliers International)



## 5. Challenges for employers

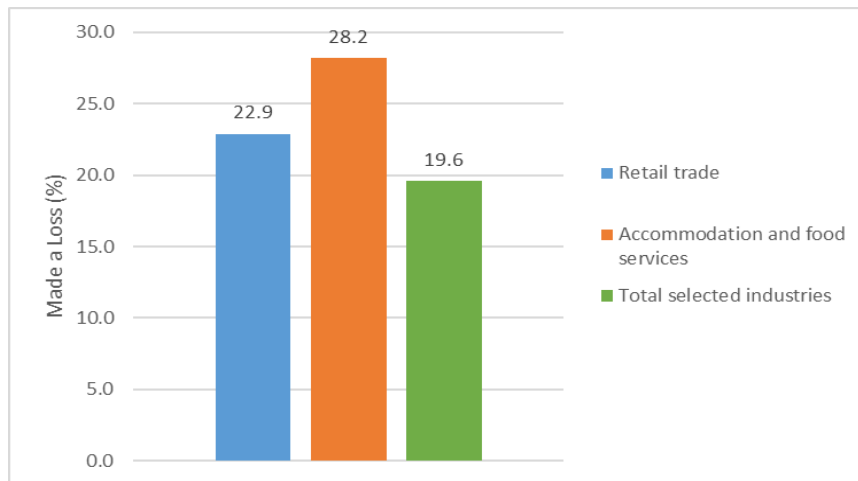
- 5.1 It has been previously recognised that the dominant group of employers directly affected by the State Wage Case decision are small businesses, being the group most at risk from the continual decline in the performance of the WA economy.
- 5.2 Given the coverage of the state system, the owner of a small business is not a corporation, but a person who has invested their own assets in the hope of establishing a viable business.
- 5.3 The rewards for this investment are often low, with Pascale Human Capital identifying that the median annual income of a small business owner in Australia is \$60,505 per annum<sup>22</sup>, which is significantly below the Average Weekly Ordinary Time Earnings (AWOTE) for WA of \$1703.20 per week or \$88,566 per annum.<sup>23</sup>
- 5.4 In the case of retail and hospitality businesses, which form a significant proportion of the private sector businesses covered by the state system, the likelihood of business owners suffering a loss is also higher, with 28.2 per cent of hospitality businesses and 22.9 per cent of retail businesses making a loss in 2014-15 compared to a cross industry average of 19.6 per cent.<sup>24</sup>

<sup>22</sup> PayScale Human Capital (2017) [Small Business Owner / Operator Salary \(Australia\)](#), accessed 1 May 2017

<sup>23</sup> ABS (2017) [Average Weekly Earnings, Australia, Nov 2016](#) Cat # 6302.0. Data based on full time adults

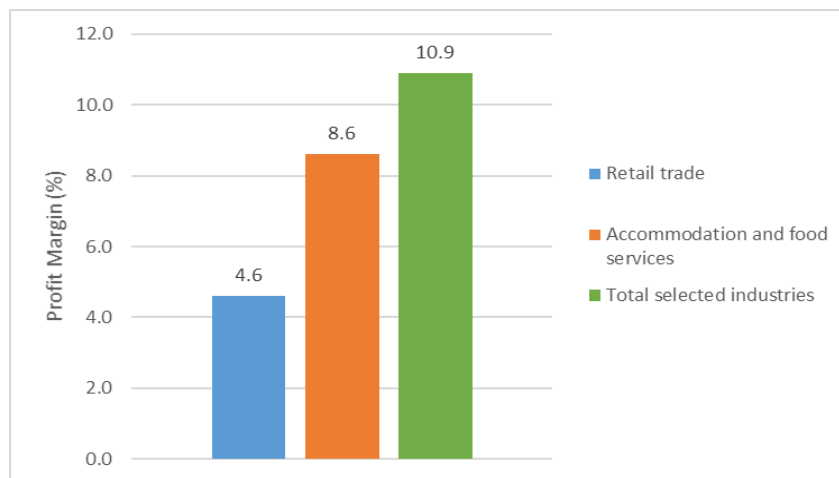
<sup>24</sup> Australian Bureau of Statistics (2016) [Australian Industry, 2014-15](#) Cat # 8155.0

**Graph 15 – Percentage of businesses that made a loss**  
(source ABS Cat # 8155.0)



- 5.5 For those business owners who are successful, the average profit margin for a retailer is just 4.6 per cent and 8.6 per cent in the case of a hospitality business compared to the cross-industry average of 10.9 per cent.<sup>25</sup>

**Graph 16 – Profit Margin**  
(source ABS Cat # 8155.0)



- 5.6 94 per cent of retail and 88 per cent of hospitality organisations are small businesses. Overall small business owners face significant greater range of challenges than their larger competitors, which is reflected in lower survival rates. As shown in the table below a significant smaller proportion of small business operating in 2012 were still operating in June 2016 when compared to businesses with over 200 employees.<sup>26</sup>

<sup>25</sup> Australian Bureau of Statistics (2016) [Australian Industry, 2014-15](#) Cat # 8155.0

<sup>26</sup> Small Business Development Corporation. [Facts and Statistics](#). Accessed on 1 May 2017



**Table 6 - Survival of Businesses by Employment Size Range: June 2012–June 2016**  
(source: Small Business Development Corporation)

Business size (by number of employees)	Number of businesses already operating in June 2012	Number of businesses that survived to June 2016	Survival rate
0	139,107	78,175	56.2%
1-19	76,206	53,567	70.3%
20-199	6,194	5,121	82.7%
200+	391	319	81.6%

- 5.7 The lower survival rate of small businesses has a direct effect on the employment security of their workers.
- 5.8 In the 2016 State Wage Case decision, the Commission in Court Session noted the earlier evidence of Professor Barratt that where costs “*increase beyond the employers’ capacity to absorb them, employers will look to ways to reduce their costs. These include, particularly in the case of small business, increasing the number of hours the owners work, generally increasing the capital to labour ratio, reducing staff numbers or hours, and what Professor Barratt described as less diligent compliance with award provisions such as penalty rates and overtime*”.<sup>27</sup>
- 5.9 The decision also noted the Productivity Commission’s conclusions in its 2015 inquiry into the workplace relations framework that faced “with higher wages for lower skilled workers, businesses have an incentive to reduce employment of such workers, and/or to invest in labour displacing capital, hire (or make more intensive use of existing) higher skilled workers, and seek to pass on costs” as well as the FWC’s industry reports that identified:
- “In each of the Industry Profiles for the retail trade and the accommodation and food services industry, it provided the responses of employers as to how they would manage potential short-term and long-term increases in labour costs if demand for their major products and/or services had not changed. In the retail trade, the most common short-term responses were to ‘reduce hours of casual staff’, ‘more hours worked by proprietors/owners’ and ‘reduce number of employees via attrition’. The long-term strategies were most commonly to ‘reduce workforce/hours’ or ‘increase profitability/efficiencies’ (page 58-59). In the accommodation and food services, in the short-term, the response would be to ‘reduce hours of casual staff’, ‘more hours worked by proprietors/owners’ and ‘reduce number or length of shifts’. The longer-term response would be to ‘increase profitability/efficiencies’ in award reliant enterprises, and in other enterprises ‘reduce workforce/hours’ (pages 47-48).”<sup>28</sup>*
- 5.10 The current situation has not improved from last year, rather it has deteriorated with a continual decline in the number of jobs available due to both increased unemployment and high levels of underemployment as the total number of available working hours contracts.

<sup>27</sup> [2016 WAIRC 00358](#) at 156

<sup>28</sup> Ibid at 158 and 160

- 5.11 The Commission in Court Session also noted the late Professor Plowman’s 2006 report in concluding that *“where the State does not experience economic growth, this finding suggests that the effect of the increases in the minimum wage will be greater than in times of growth”*.<sup>29</sup>
- 5.12 With reduced levels of discretionary spending and very low levels of inflation, the ability for employers to pass on increased costs to consumers is low. Consequently, increased costs will be absorbed through other means and in the case of service based industries this is most readily achieved by adjusting the overall cost of labour.

## **6. Meeting the needs of the low paid**

- 6.1 Paid employment is the tool most commonly utilised by people to improve their standard of living.
- 6.2 However, the recent economic performance of the WA economy is placing this tool at risk given the increasing proportion of employees who are currently out of work or working less hours than desired. This is progressively pushing many WA workers into relying on social security to meet their household expenses, which is having a negative impact on their standard of living.
- 6.3 The benefit of employment over unemployment is highlighted by the Australian Government in its submission to the national Annual Wage Review which shows the difference in household income between unemployment and one family member receiving the NMW<sup>30</sup>. A copy of the modelling is attached at Appendix C of these submissions and shows that:
- a) a single adult household without children would increase their disposable income by \$337.74 per week (125.7 per cent) when employed full time on the NMW;
  - b) a couple without children would be \$247.72 per week (51 per cent) better off if one partner is employed full time on the NMW;
  - c) a couple with a three-year-old child would be \$172.93 per week (18.6 per cent) better off if both parents worked full time on the NMW, even considering the cost of child care.
- 6.4 These examples also demonstrate the role of the tax transfer system in contributing to the living standards of the low paid, comprising of up to \$638.25 per week (70.6 per cent) of total disposable income<sup>31</sup>.
- 6.5 The improvement in the financial position of low paid workers can also be seen in the *2016 Cost of Living Report* produced by the Western Australian Council of Social Services (WACOSS). Whilst CCI has concerns about relying upon hypothetical examples as a means for assessing the relevance of the minimum wage we note that it has been commonly cited to support arguments for increases to award rates of pay.

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<sup>29</sup> 2016 WAIRC 00358 at 179

<sup>30</sup> Department of Employment (2017) [Australian Government Submission to the Fair Work Commission Annual Wage Review 2017](#), para 236 – 240.

<sup>31</sup> Ibid, p75. Based on Couple both unemployed with 2 children aged 3 and 9 years where one partner obtains a part time job at \$265.50 per week.

- 6.6 The *Cost of Living Report* shows significant improvement in the financial circumstances of the three hypothetical households:
- a) The first household is a single parent family made up of a mother with two dependents working 18 hours per week at the minimum wage plus casual loading. In this example the difference between income and expenditure is a surplus of \$72.08 per week in 2015-16, up from \$5.95 per week for 2014-15 and minus \$35.26 per week in 2013-14.
  - b) The second household is a working family comprising of a working couple with two dependent children, in which one partner works full time at a rate 33% higher than the minimum wage and the other partner employed for 16 hours a week at the minimum wage plus casual loading. The report shows that the weekly difference between the household's income and expenditure has been growing, currently sitting at \$130.97 per week for 2015-16, up from a surplus of \$76.05 per week in 2014-15 and \$9.63 per week in 2013-14.
  - c) The final household is the unemployed single, being a single person with no dependent whose weekly difference between income and expenditure is minus \$33.31 per week in 2015-16, being an improvement on minus \$48.83 in 2014-15 and minus \$60.64 per week in 2013-14.<sup>32</sup>
- 6.7 In comparison, if the unemployed person earns the SMW then their financial position is significantly improved. Assuming none of the Government payments apply, her weekly net income would be \$617.22 per week.<sup>33</sup> Based on her expenses remaining unchanged she would have a surplus of \$273.55 per week, although we note that her transport costs are likely to be higher given the need to commute to her place of work.
- 6.8 In its report WACOSS cautions that *"rising unemployment rates in Western Australia places job security at risk"* and in the case of the hypothetical working couple the *"loss of even one source of income would put this family in a financially precarious situation"*.<sup>34</sup>
- 6.9 The example of the working couple and single mother indicates that the combination of minimum wages and social security benefits is exceeding the basic standard of living that reflects community expectations, as defined by WACOSS.<sup>35</sup> By contrast the income of the unemployed hypothetical household is insufficient to cover their basic standard of living.
- 6.10 It is the view of CCIWA that in the current environment the needs of the low paid is best served through strategies aimed at maintaining and improving employment opportunities, rather than seeking to significantly increase minimum rates of pay.

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<sup>32</sup> WA Council of Social Services (2016) [2016 Cost of Living Report](#), p 7-12

<sup>33</sup> Based on the tax rates for 2015-16 of 19c for each dollar earned over \$18,200 applied to the 2015 SMW of \$679.90 per week.

<sup>34</sup> WA Council of Social Services (2016) 2016 Cost of Living Report, p 4.

<sup>35</sup> Ibid, p 4.

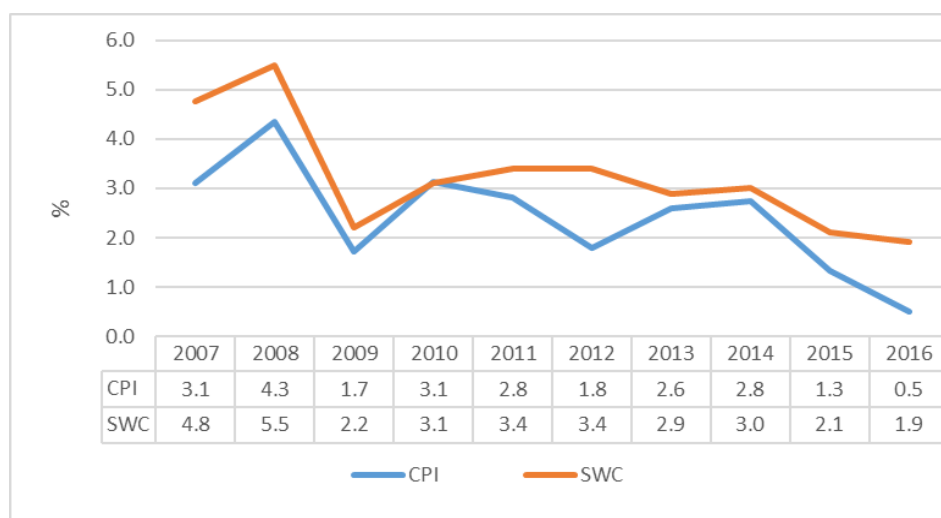
- 6.11 This is particularly important in the case of low skilled workers who jobs are more vulnerable to substitution through the utilisation of existing skilled workers or technology, with the Productivity Commission cautioning that:

*“There may be circumstances when people priced out of ‘employee’ labour markets due to minimum wage laws are not priced out of labour markets more generally. Such people may take up self-employed or contractor roles, or informal jobs where workers are paid ‘cash-in-hand’ or ‘in-kind’ (as in the case of a live-in housekeeper or nanny), which avoid the need to be paid at the rate of the minimum wage.”<sup>36</sup>*

## 7. Improving living standards

- 7.1 Successive State Wage Case decisions have significantly improved the living standards of employees through substantial real wage growth, as shown in the graph below:

**Graph 17 – Growth in the State Minimum Wage v Average Annual Growth in CPI**  
(source: WAIRC and ABS Cat # 6401)



- 7.2 In considering the requirements under s50A(3)(a)(iv) of the *Industrial Relations Act 1979 (WA)*, CCI believes that the Commission in Court Session should consider the impact that successive State Wage Case decisions have had in improving living standards during more favourable economic periods and the effect that these will continue to have in future years.
- 7.3 The cumulative effect of these increases means that State system employees continue to benefit from higher minimum wages compared to their national system colleagues, with the higher increases contributed to the economic growth during the resources boom being carried forward into the far more subdued economic environment we are currently experiencing.
- 7.4 Consequently we believe that significantly less weight should be given to this objective in the current proceedings given the need to secure these gains by focusing on protecting existing jobs.

<sup>36</sup> Productivity Commission (2015) [Workplace Relations Framework - Inquiry report](#). Vol 1, page 186.

## 8. Impact of the penalty rate decision

- 8.1 On 23 February 2017 the FWC handed down its decision on Sunday and public holiday penalty rates for the retail and hospitality sectors<sup>37</sup>, which resulted in a significant reduction in the penalty rates for a number of national awards.
- 8.2 In reaching its decision, the FWC recognised that the existing penalty rates have resulted in a restriction in trading hours, lower staffing levels on these days, and restrictions on the type and range of services provided. Consequently, it has accepted that reducing these rates will result in greater employment opportunities for workers.
- 8.3 The penalty rate decision will significantly reduce the penalty rates for work being performed on a Sunday, with the largest reduction being reserved for the *General Retail Industry Award 2010* and *Pharmacy Industry Award 2010* in which the existing 200 per cent loading will be reduced to 150 per cent for full time and part time workers.

**Table 7 – Summary of changes to Sunday Penalty Rates**  
(source [2017] FWCFB 10010)

Award	Sunday Penalty Rate
<b>Hospitality Award</b> <i>Full-time and part-time employees:</i> (no change for casuals)	175 per cent to 150 per cent
<b>Fast Food Award</b> (Level 1 employees only) <i>Full-time and part-time employees:</i> <i>Casual employees:</i>	150 per cent to 125 per cent 175 per cent to 150 per cent
<b>Retail Award</b> <i>Full-time and part-time employees:</i> <i>Casual employees:</i>	200 per cent to 150 per cent 200 per cent to 175 per cent
<b>Pharmacy Award</b> (7.00 am – 9.00 pm only) <i>Full-time and part-time employees:</i> <i>Casual employees:</i>	200 per cent to 150 per cent 200 per cent to 175 per cent

- 8.4 In the case of public holiday loadings, the rate for full and part time employees will be reduced to 225 per cent across the relevant awards and to 250 per cent for casual employees.
- 8.5 In terms of its relevance to the current proceedings, once implemented the federal penalty rate decision will increase the current disadvantage faced by small business owners in the State system when compared to their competitors covered by the national system.
- 8.6 This is particularly relevant for retail businesses, for which the penalty rate decision will have the greatest impact. Consequently, small businesses covered by the *Shop and Warehouse (Wholesale and Retail Establishment) Award* will not only be impacted by higher award wages, (as shown in the table overleaf) but also a higher penalty rate structure for weekend work.

<sup>37</sup> 4 yearly review of modern awards – Penalty Rates [2017] FWCFB 1001 (23 February 2017)

**Table 8 – Comparison of Retail Award Rates**

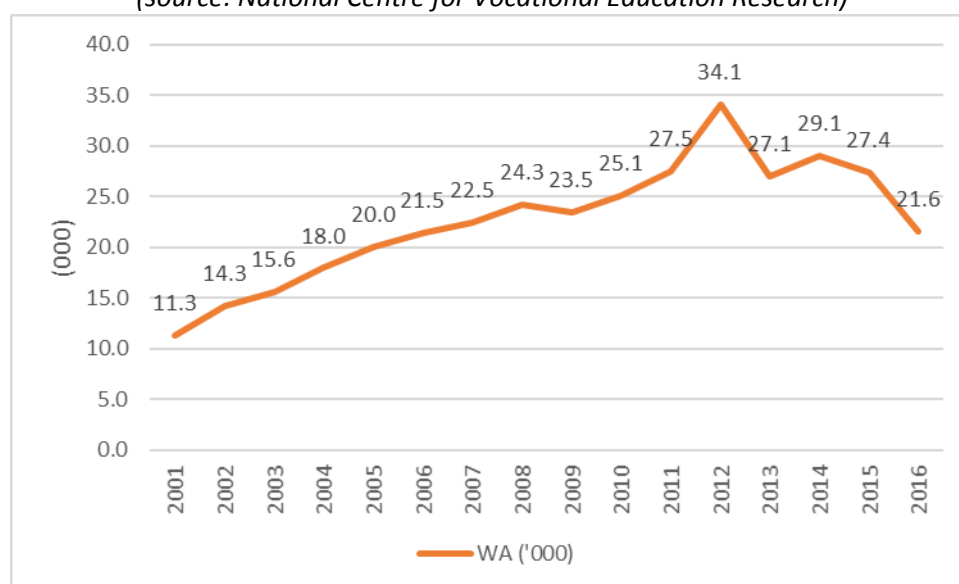
(source: Fair Work Commission and Western Australian industrial Relations Commission)

Award	Classification	Base Rate
<b>Shop and Warehouse (Wholesale and Retail Establishment Award</b>	Shop Assistants	\$755.90
<b>General Retail Industry Award 2010</b>	Retail Employee Level 1 <sup>38</sup>	\$738.80

## 9. Encouraging skill development

- 9.1 As the State's labour market has contracted, so too has the uptake of apprentices and trainees. In the 12 months ending 30 June 2016 there were 21,600 apprenticeships and traineeships commenced in WA, down 5,800 positions from 27,400 commencements in the 12 months to 30 June 2016.<sup>39</sup>

**Graph 18 – Commencements in Apprenticeships and Traineeships**  
(source: National Centre for Vocational Education Research)



- 9.2 Apprenticeships and traineeships are particularly vulnerable to increases in minimum wages given the reduced productivity level of these workers which is only partially offset by the discounted wage rates.
- 9.3 Currently many employers are unable to invest in formal training arrangements which is ultimately to the detriment of those job seekers and workers who seek to progress into higher paying skilled roles.
- 9.4 It is therefore important to ensure that apprentice and trainee wages are accessible to the predominately young people seeking these opportunities by moderating wage growth.

<sup>38</sup> Indicative job titles within the definition of a Retail Employee Level 1 includes shop assistant

<sup>39</sup> National Centre for Vocational Education Research (2016) [Historical time series of apprenticeships and traineeships in Australia from 1963 to 2016](#). Table 4

## 10. Equal remuneration

- 10.1 CCI, on behalf of the WA business community, actively promotes gender equity in both its public advocacy and the direct services we provide to employers. CCI is also an active member of CEOs for Gender Equity (CGE) which is a collaboration of chief executive officers who aim to boost women's workforce participation, lift productivity and increase economic growth by sustainably improving gender equity in jobs and pay in enterprises throughout Western Australia.
- 10.2 However, we are of the view that increases to the minimum wage has no substantive positive impact on gender equity, the gender pay gap, or equal remuneration.
- 10.3 We note the comments of the Commission in Court Sessions in last year's State Wage Case decision which identified *"that the issue of the gender pay gap as it applies across the whole of industry in this State, or nationally, is not the same as, or a proxy for, equal remuneration for work of equal or comparable value"*. We agree with this statement and note the comments that no claims have yet been made using Principle 10 of the State Wage Principles.
- 10.4 CCI submits that the requirement for the Commission in Court Session to consider the need to *"provide equal remuneration for men and women for work of equal or comparable value"*<sup>40</sup> is appropriately considered in Principal 10 and provides a more targeted approach for addressing the issue of equal remuneration than can be achieved through the minimum wage setting function. Consequently, in establishing the grounds by which such claims can be pursued we believe that the Commission in Court Session has appropriately addressed the consideration prescribed in s50A(3)(a)(vii) to provide equal remuneration for men and women for work of equal or comparable value.
- 10.5 These views are supported by a recent report from the Bankwest Curtin Economics Centre and Workplace Gender Equality Agency which identified that:
- "the protection that awards and collective workplace agreements afford lower paid workers is apparent. Gender pay gaps among sales, service and clerical workers are very low or non-existent, with some marginally in favour of women. For part-time workers, the gender pay gap has remained in favour of women and has expanded over time from -4.2% to -6.7% when using total remuneration."*<sup>41</sup>
- 10.6 Rather, the report identified that the gender pay gap was greater in *"more senior occupation levels, where pay setting is more discretionary in nature. While the pay gap for full-time workers decreased moderately between 2015 and 2016, the gap remains wide and increases with the level of seniority. For top-tier managers, women receive on average \$93,000 less each year in total remuneration – a difference of 26.5%. Pay gaps among managers are exacerbated by the greater share of discretionary pay awarded to men compared with women."*<sup>42</sup>

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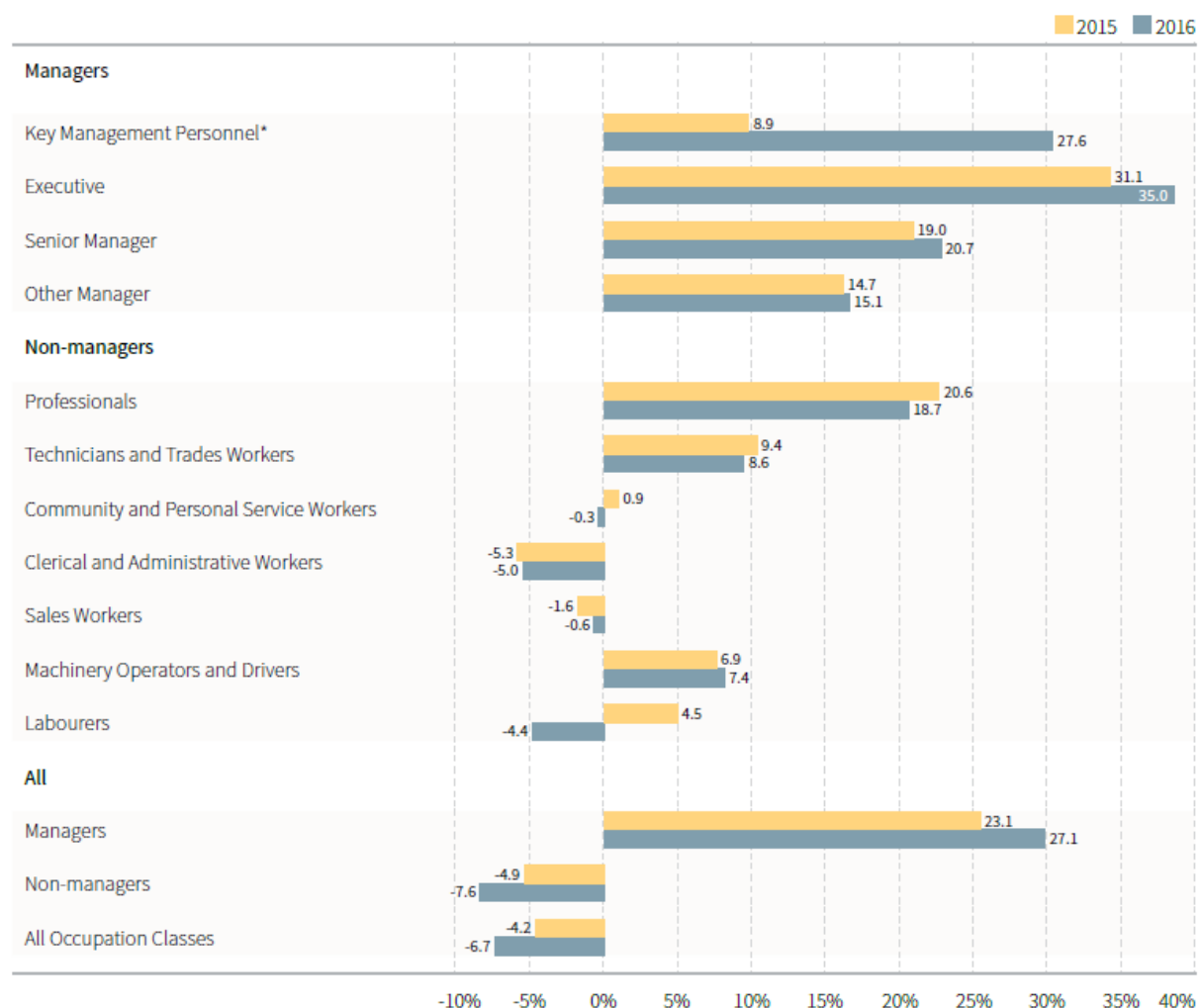
<sup>40</sup> Section 50A(3)(a)(vii) of the *Industrial Relations Act 1979 (WA)*

<sup>41</sup> Bankwest Curtin Economics Centre and Workplace Gender Equality Agency Gender Equity Series (2017) [Gender Equity Insights 2017](#), p 58

<sup>42</sup> Ibid, p58

10.7 The above points are reflected in the following graph:

**Graph 19 – Part time gender pay gap among occupations – total remuneration 2015 and 2016**  
(source: Gender Equity Insights 2017)<sup>43</sup>



Note: \*The number of men reported as working part-time in Key Management Personnel positions has decreased substantially between 2015 and 2016. This has been accompanied by strong growth in the average salaries of part-time male KMPs. Consequently, these figures should be used with caution. Salaries are provided on a full-time equivalent (FTE) basis. See technical notes and glossary for further information.

Source: WGEA Gender Equality data 2014-15 and 2015-16.

10.8 These conclusions affirm that in the case of award reliant occupations there is little work left for the State Wage Case to play in addressing the gender pay gap, and that focus is best placed on other strategies that can address this important issue moving forward.

<sup>43</sup> Bankwest Curtin Economics Centre and Workplace Gender Equality Agency Gender Equity Series (2017) *Gender Equity Insights 2017*, p 23



## **APPENDIX A**

### **Survey of Business Expectations: March Quarter 2017**

# CCI SURVEY OF BUSINESS EXPECTATIONS

March Quarter 2017 | 1300 4 CCIWA | economics@cciwa.com



## Next 12 months look bright for business

Despite ongoing challenges within the economy, Western Australian business confidence continues to tick upwards, with short-term expectations subdued for the immediate future.

CCI's business confidence index provides a snapshot of economic conditions state-wide and is the only WA-specific index in the country.

The index rose to 95.4 in the March quarter, up from 95.1 in the previous quarter - continuing an upwards trend seen over the last nine months.

Looking forward, businesses remained cautious for the short-term (three month) period ahead, with just over 10 per cent expecting the next quarter to improve and 34 per cent expecting economic conditions to hold steady.

Businesses appear to have greater confidence in the state's medium-term (12 months) economic future, with 29 per cent expecting an improvement in conditions, up by eight per cent from the previous quarter.

Nearly 40 per cent of businesses expected conditions to hold steady for the next year, with the number of businesses expecting the economy to weaken falling by a sizeable 13 per cent, down to 31 per cent. Overall, medium-term confidence has continued to rise for nearly two years.

**Business Expectations**  
Current, 3 and 12 month expectations



### Employment

The number of businesses expecting to hire more workers over the next quarter also increased, continuing an upwards trend seen over the last nine months.

With the unemployment rate at six per cent, employment intentions lifted by three per cent since last quarter, with a corresponding decrease of five per cent in the number of businesses expecting to reduce their workforce in the short-term.

### Wage costs

Around 13 per cent of respondents said wages were higher over the last three months, while the majority (73 per cent) said wage costs were unchanged for the period.

Businesses expected this trend to continue - 64 per cent said wages would remain stable in the short-term, with 11 per cent expecting wages to decrease.

### Labour costs

Labour costs cover employment taxes and areas of spending related to jobs that aren't wages (i.e. superannuation, training, safety overheads, etc.)

For the March quarter, around 76 per cent of businesses said labour costs remained stable - 13 per cent said these costs had increased from the previous quarter. Businesses largely expect this trend to continue in the short-term (70 per cent), with 20 per cent expecting labour costs to increase next quarter.

### Capital expenditure

Around 28 per cent of businesses said capital expenditure would increase over the next 12 months, while 37 per cent said it would not change. Around 36 per cent thought capital expenditure would decrease over the next 12 months - down by 3 per cent from last quarter.

Business spend on plant and machinery is a good indicator for levels of activity in the economy. The March quarter saw 76 per cent of businesses increase or maintain their level of capital expenditure on plant and machinery, up from 68 per cent in the December quarter. Around 74 per cent of businesses are expecting to increase or maintain their capital expenditure on plant and machinery next quarter.



## A Snapshot of Operating Conditions

- The **trading conditions** index declined, with 59 per cent of businesses rating trading conditions as poor – just 9 per cent said trading conditions were good.
- The **turnover index** decreased slightly from 29 per cent to 22 per cent, reflecting a drop in the number of businesses who said sales turnover had increased in the March quarter. There was however a sharp jump in the number of businesses expecting turnover to hold steady – this lifted by 10 per cent to 41 per cent.
- The **profitability index** remained relatively stable in the March quarter. Around 14 per cent reported a lift in profitability from the previous quarter, with 38 per cent reporting no change to profitability. Around 39 per cent expected profitability to hold steady, with 18 per cent anticipating profitability to improve.
- Export activities** remained steady, following an increase in the December quarter – businesses did not expect this to change in the immediate future.

**Operating Conditions**  
Index, 100=Neutral



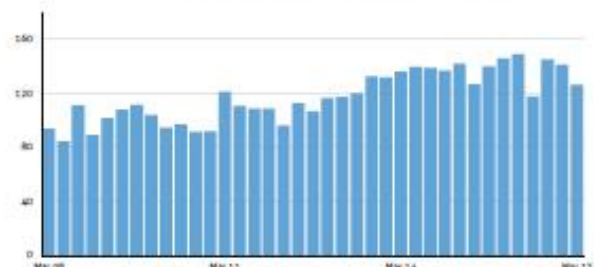
## Input costs remain low

- Input costs refer to the materials and other overhead costs of doing business (i.e. utilities charges, rent, land tax, maintenance, etc.)
- Input cost pressures have increased slightly but still remain at record low levels. The number of businesses expecting input costs to rise for the June quarter jumped by 14 per cent up to 40 per cent – 54 per cent expect costs to remain the same.

## Labour availability remains high

- Labour availability continues to remain relatively high, with more than three quarters of businesses reporting that labour availability was abundant or adequate. Nearly a quarter of businesses did say that labour was scarce in March, which was an increase from 19 per cent in the last quarter.
- Around 21 per cent of respondents expect labour availability to remain or become scarce, up from 18 per cent in the previous quarter.
- The index has stayed well above neutral for the last 20 quarters.

**Labour Availability - Current quarter**  
Index, 100=Neutral



## Key Results from the survey

Indicator (Index)	Actual			Expected	
	Sep 16	Dec 16	Mar 17	1 quarter	1 year
<b>Economy</b>					
WA Economic Conditions	94.7	95.1	95.4	97.9	100.3
<b>Operating Conditions</b>					
Trading conditions	92.3	96.2	93.2	97.1	-
Sales turnover	84.7	88.6	87.2	86.9	-
Profitability	92.2	92.1	92.1	86.5	-
Export sales	96.6	99.6	99.6	98.0	-
<b>Employment</b>					
Number of employees	86.0	90.4	91.1	89.5	-
Labour availability <sup>a</sup>	145.1	141.2	126.3	123.1	-

Indicator (Index)	Actual			Expected	
	Sep 16	Dec 16	Mar 17	1 quarter	1 year
<b>Costs &amp; Prices</b>					
Total unit labour cost	79.8	81.3	85.3	85.4	-
Average wages	80.4	80.6	81.8	81.6	-
Non-wage labour costs	82.2	82.3	84.3	82.8	-
Input costs	79.0	76.8	78.7	78.6	-
Prices charged	85.2	89.0	89.0	84.4	-
<b>Capital Expenditure</b>					
Anticipated CAPEX (next 12 months)	105.7	100.8	86.2	-	-

Notes: The Index calculation gives weight to the 'extent' to which an indicator is rising or falling (i.e. a response indicating that employment this quarter is "much less" than last quarter is given a higher weight than one saying it is "less"). By setting the "neutral" level at 100 (broadly, as much increasing or decreasing activity, weighting for extent) the index also allows for more meaningful comparisons over time – for example, as percentage changes in the index. <sup>a</sup>Lower number = scarcer.

## **APPENDIX B**

### **Rental Property Listings by Price Range REIWA Unpublished Data**



**Number of Rental Property Listings by Price Range**

2017 Q1	\$0-\$200	\$201-\$250	\$251-\$300	\$301-\$350	\$351-\$400	\$401-\$450	\$451-\$500	\$501-\$550	\$551-\$600	\$601-\$650	\$651-\$700	\$701-\$750	\$751-\$800	\$801-\$850	\$851-\$900	\$901-\$950	\$951-\$1,000	Unknown
Armada/Serpentine	8	93	140	77	72	35	4	5	1			1						
Bassendean/Bayswater	23	58	115	92	100	53	22	15	3		2				1			
Belmont	1	24	84	111	80	43	24	8	3	1				1				
Canning	66	16	121	160	111	69	34	11	8	6	3		1					2
Cockburn	7	25	85	149	133	94	27	9	4	5	1	3	1	2	1		1	2
Fremantle	3	15	36	24	29	17	23	30	14	14	7	5	7	5	2		2	6
Gosnells	4	28	134	131	99	52	20	6	1		2							
Hills	2	2	22	41	52	43	23	12	4	3	1							
Joondalup North	26	5	18	59	78	37	10	16	6	8	2	2	2	3	3		1	
Joondalup South			10	40	53	39	28	16	6	11	2	3	3	1	4	1		4
Melville	14	11	31	65	71	62	49	38	26	11	12	9	3	3	3	6	2	10
Perth City	9	44	36	59	99	116	103	55	22	16	12	8	12	7	2	1	4	14
Rockingham/Kwinana	32	99	249	353	193	54	21	12	2	3			1		1			
South Perth/Victoria Park	27	59	168	144	133	72	45	35	21	20	23	16	6	4	2	4	4	6
Stirling East	10	89	208	239	110	44	29	15	14		3	3	1		1			
Stirling West		16	57	60	73	56	46	23	25	22	15	6	12	5	4	3	2	8
Swan	3	32	143	207	126	57	20	19	4	3	5	3			1			
Vincent/Stirling SE	9	31	45	49	62	40	44	19	6	12	6	4	1	2				1
Wanneroo North East	1	1	8	37	53	43	10	9	2	1		1					1	
Wanneroo North West		14	203	189	104	36	14	14	5	2	8	3	2					2
Wanneroo South	2	10	20	21	26	20	17	4		1	1							
Western Suburbs	15	90	78	72	93	49	56	44	31	24	33	16	14	7	7	6	9	37
Perth Metro Region	262	762	2011	2379	1950	1131	669	415	207	164	138	82	67	40	32	21	26	92

### Proportion of Rental Property Listings by Price Range

2017 Q1	\$0 - \$200	\$201 - \$250	\$251 - \$300	\$301 - \$350	\$351 - \$400	\$401 - \$450	\$451 - \$500	\$501 - \$550	\$551 - \$600	\$601 - \$650	\$651 - \$700	\$701 - \$750	\$751 - \$800	\$801 - \$850	\$851 - \$900	\$901 - \$950	\$951 - \$1,000	Unknown
Armadale/Serpentine	0.1%	0.9%	1.3%	0.7%	0.7%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bassendean/Bayswater	0.2%	0.6%	1.1%	0.9%	1.0%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Belmont	0.0%	0.2%	0.8%	1.1%	0.8%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Canning	0.6%	0.2%	1.2%	1.5%	1.1%	0.7%	0.3%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cockburn	0.1%	0.2%	0.8%	1.4%	1.3%	0.9%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fremantle	0.0%	0.1%	0.3%	0.2%	0.3%	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Gosnells	0.0%	0.3%	1.3%	1.3%	0.9%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Hills	0.0%	0.0%	0.2%	0.4%	0.5%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Joondalup North	0.2%	0.0%	0.2%	0.6%	0.7%	0.4%	0.1%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Joondalup South	0.0%	0.0%	0.1%	0.4%	0.5%	0.4%	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Melville	0.1%	0.1%	0.3%	0.6%	0.7%	0.6%	0.5%	0.4%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Perth City	0.1%	0.4%	0.3%	0.6%	0.9%	1.1%	1.0%	0.5%	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Rockingham/Kwinana	0.3%	0.9%	2.4%	3.4%	1.8%	0.5%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
South Perth/Victoria Park	0.3%	0.6%	1.6%	1.4%	1.3%	0.7%	0.4%	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Stirling East	0.1%	0.9%	2.0%	2.3%	1.1%	0.4%	0.3%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Stirling West	0.0%	0.2%	0.5%	0.6%	0.7%	0.5%	0.4%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Swan	0.0%	0.3%	1.4%	2.0%	1.2%	0.5%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Vincent/Stirling SE	0.1%	0.3%	0.4%	0.5%	0.6%	0.4%	0.4%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wanneroo North East	0.0%	0.0%	0.1%	0.4%	0.5%	0.4%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wanneroo North West	0.0%	0.1%	1.9%	1.8%	1.0%	0.3%	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Wanneroo South	0.0%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Western Suburbs	0.1%	0.9%	0.7%	0.7%	0.9%	0.5%	0.5%	0.4%	0.3%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.4%
Perth Metro Region	2.5%	7.3%	19.2%	22.8%	18.7%	10.8%	6.4%	4.0%	2.0%	1.6%	1.3%	0.8%	0.6%	0.4%	0.3%	0.2%	0.2%	0.9%

## **APPENDIX C**

### **Impact of Tax Transfers on Total Income**

## Appendix C: Modelling results

Table C.1: One unemployed member of the household accepts a job paying the NMW (\$17.70 per hour)

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	(% increase) (\$ pw)	(%)
<i>Single without children – FT job at \$672.70 per week</i>						
Adult - NSA	\$268.75	\$0.00	\$66.21	\$606.49	125.7% \$337.74	0.0%
Adult renter - NSA	\$334.05	\$0.00	\$66.21	\$606.49	81.6% \$272.44	0.0%
<i>Single without children – PT job at \$265.50 per week</i>						
Adult - NSA	\$268.75	\$148.15	\$0.00	\$413.65	53.9% \$144.90	35.8%
Adult renter – NSA	\$334.05	\$213.45	\$0.00	\$478.95	43.4% \$144.90	44.6%
Student – YA – away from home	\$222.25	\$198.40	\$5.49	\$458.41	106.3% \$236.16	43.3%
Student – YA – lives with parents	\$146.35	\$122.50	\$0.00	\$388.00	165.1% \$241.65	31.6%

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NSA – Newstart Allowance  
YA – Youth Allowance  
PPP – Parenting Payment Partnered  
PPS – Parenting Payment Single  
FT – Full-time  
PT – Part-time  
NMW – National Minimum Wage



Annual Wage Review 2017

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income
	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	(% increase) (\$ pw)	(%)
<i>Couple – both unemployed, one finds a FT job at \$672.70 per week</i>						
No children - NSA	\$485.30	\$120.43	\$60.11	\$733.02	51.0% \$247.72	16.4%
With 1 child aged 3 years - ppp	\$651.75	\$311.26	\$53.75	\$930.20	42.7% \$278.45	33.5%
With 1 child aged 9 years – NSA	\$627.88	\$287.39	\$53.75	\$906.33	44.3% \$278.45	31.7%
With 2 children aged 3 and 9 years – PPP	\$758.85	\$418.36	\$52.76	\$1038.30	36.8% \$279.45	40.3%
<i>Couple – both unemployed, one finds a PT job at \$265.50 per week</i>						
No children - NSA	\$485.30	\$364.70	\$0.00	\$630.20	29.9% \$144.90	57.9%
With 1 child aged 3 years - ppp	\$651.75	\$531.15	\$0.00	\$796.65	22.2% \$144.90	66.7%
With 1 child aged 9 years – NSA	\$627.88	\$507.28	\$0.00	\$772.78	23.1% \$144.90	65.6%
With 2 children aged 3 and 9 years – PPP	\$758.85	\$638.25	\$0.00	\$903.75	19.1% \$144.90	70.6%

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Australian Government Submission

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No Child Care			With Child Care		
				Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvement in financial position
	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	(% increase) (\$ pw)	(%)	Amount (\$ pw)	Amount (\$ pw)	(% increase) (\$ pw)
<i>Lone parent – FT job at \$672.70 per week</i>									
With 1 child aged 3 years – PPS	\$573.58	\$342.22	\$74.66	\$940.26	63.9% \$366.68	36.4%	\$124.50	\$815.76	42.2% \$242.18
With 1 child aged 9 years – NSA	\$465.16	\$216.88	\$59.91	\$829.67	78.4% \$364.51	26.1%	\$25.62	\$804.05	72.9% \$338.89
With 2 children aged 3 and 9 years – PPS	\$680.68	\$454.24	\$76.95	\$1049.99	54.3% \$369.31	43.3%	\$144.14	\$905.85	33.1% \$225.17
<i>Lone parent – PT job at \$265.50 per week</i>									
With 1 child aged 3 years – PPS	\$573.58	\$505.10	\$0.00	\$770.60	34.3% \$197.02	65.5%	\$45.56	\$725.04	26.4% \$151.46
With 1 child aged 9 years – NSA	\$465.16	\$379.76	\$0.70	\$644.56	38.6% \$179.40	58.9%	\$10.25	\$634.31	36.4% \$169.15
With 2 children aged 3 and 9 years – PPS	\$680.68	\$617.12	\$0.00	\$882.62	29.7% \$201.94	69.9%	\$53.23	\$829.39	21.8% \$148.71

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Annual Wage Review 2017

Household Type	Income / payments before finding a job	Transfer payments after finding job	Tax & Medicare (deduction)	No Child Care			With Child Care		
	Amount (\$ pw)	Amount (\$ pw)	Amount (\$ pw)	Disposable income after finding job	Improvement in financial position	Transfer payments as a proportion of disposable income	Net child care costs	Disposable income after finding job	Improvement in financial position
Couple – one employed FT on the NMW, the other finds a FT job at \$672.70 per week									
No children - NSA	\$733.02	\$0.00	\$132.42	\$1212.98	65.5% \$479.96	0.0%	Not applicable		
With 1 child aged 3 years - PPP	\$930.20	\$43.96	\$132.42	\$1256.94	35.1% \$326.74	3.5%	\$153.81	\$1103.13	18.6% \$172.93
With 1 child aged 9 years – NSA	\$906.33	\$43.96	\$132.42	\$1256.94	38.7% \$350.61	3.5%	\$31.87	\$1225.07	35.2% \$318.74
With 2 children aged 3 and 9 years – PPP	\$1038.30	\$144.94	\$132.42	\$1357.92	30.8% \$319.62	10.7%	\$167.24	\$1190.68	14.7% \$152.38
Couple – one employed FT on the NMW, the other finds a PT job at \$265.50 per week									
No children - NSA	\$733.02	\$0.00	\$66.21	\$871.99	19.0% \$138.97	0.0%	Not applicable		
With 1 child aged 3 years - PPP	\$930.20	\$161.11	\$65.67	\$1033.63	11.1% \$103.43	15.6%	\$47.39	\$986.24	6.0% \$56.04
With 1 child aged 9 years – NSA	\$906.33	\$137.24	\$65.67	\$1009.76	11.4% \$103.43	13.6%	\$10.67	\$999.09	10.2% \$92.76
With 2 children aged 3 and 9 years – PPP	\$1038.30	\$268.21	\$59.32	\$1147.09	10.5% \$108.79	23.4%	\$54.92	\$1092.17	5.2% \$53.87