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Submission of UnionsWA on the 2016 state wage order

Appl No. 1 of 2016 ON THE COMMISSION'S OWN MOTION

Western Australian Industrial Relations Commission

Contact Details

Phone: 08 9328 7877

Fax: 08 9328 8132

Street Address: *Level 4, 445 Hay St, Perth WA
6000*

Postal Address: *PO Box Z 5380 St Georges Tce,
PERTH WA 6831*

Email: Tim Dymond

TDymond@unionswa.com.au

1. Introduction

- 1.1. UnionsWA is the governing peak body of the trade union movement in Western Australia, and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). It represents 30 affiliated unions, who in turn represent approximately 140,000 Western Australian workers.
- 1.2. Section 50A(3) of the Industrial Relations Act 1979 (WA) (IR Act) states that in making an annual State Wage order the Western Australian Industrial Relations Commission (Commission) shall take into consideration, amongst other things,
 - (a) *the need to:*
 - (i) *ensure that Western Australians have a system of fair wages and conditions of employment; and*
 - (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*
 - (v) *protect employees who may be unable to reach an industrial agreement; and*
 - (vi) *encourage ongoing skills development; and*
 - (vii) *provide equal remuneration for men and women for work of equal or comparable value;*
 - (b) *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;*
 - (c) *to the extent that it is relevant, the state of the national economy;*
 - (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;*
 - (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;*
 - (f) *relevant decisions of other industrial courts and tribunals; and*
 - (g) *any other matters the Commission considers relevant.*

2. UnionsWA position on increasing Award and Minimum Wages

- 2.1. UnionsWA contends that the Commission should make a substantial real wage increase for award-reliant workers. This is essential to address the ever widening gap between low paid workers and the rest of the workforce in WA. Therefore UnionsWA is advocating that the Commission increase Award wages and the statutory minimum wage **by \$30 per week for lower award rates from C14 to C10, by 3.9% for higher rates.**
- 2.2. UnionsWA argues that the General Order to increase the state minimum wage should take effect from the end of June 2016, so that low wage workers get the full benefit for the maximum period of time. There are no exceptional circumstances that would warrant a delay in the Order's implementation. The full increase should be applied to apprentices and juniors.

3. UnionsWA Fair Pay Survey Results

- 3.1. In advance of the 2016 State Wage Case, UnionsWA has undertaken an indicative survey of working people in WA, many of whom appear to be covered under WA's industrial relations system. The Survey is included as an attachment.
- 3.2. The survey relies on self-reporting by employees and does not have a random sample as a base. However, access to good information on the wages, and the implications for the lives of low-paid workers in particular, is difficult to secure.
- 3.3. Certainly there is no equivalent at the state level to the Fair Work Ombudsman's audits of pay provided by employers covered under the federal system. This is unfortunate given that WA remains the only state in Australia that retains a state industrial relations system which includes the private and not-for-profit sectors.
- 3.4. UnionsWA believes that the results of this survey are useful for the WA Commission's wage case deliberations for two reasons, they:
 - provide direct comment on the experiences of those that are working (or have worked in the last 12 months) in a low-paid job;
 - find a large number of respondents reported being paid at unlawfully low wage, a cause for serious concern and action.
- 3.5. UnionsWA notes that the information provided in this survey, even with methodological qualifications, is consistent with other research on low-paid workers that we refer to under our considerations of 'the needs of the low paid'. This is in contrast to many employer group sponsored surveys about the situation of business – which often report findings that are starkly in opposition to bodies such as the ABS and other researchers.

4. Broad impact of minimum wages on employment

- 4.1. UnionsWA notes that the Productivity Commission (PC) in its *Inquiry into the Workplace Relations Framework* released in December 2015 considered the impact of minimum wages, including the WA minimum wage.
- 4.2. The PC's review of the literature on minimum wages and its own empirical analysis finds little or no evidence of negative employment effects from raising the minimum wage. It indicates that no prescription can be inferred as to the desired rates of increase of the minimum wage from the empirical analyses.¹
- 4.3. In previous submissions UnionsWA has called attention to the study of the impact of minimum wages and employment is by Hristos Doucouliagos and T.D. Stanley in their 2009 article '*Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis*'.
- 4.4. Doucouliagos and Stanley perform a meta-analysis of 64 studies of the minimum wage in the United States, including 1,424 estimates of the elasticity of employment with respect to the minimum wage. They have three key findings:
 - There is a publication selection bias in favour of studies with negative employment elasticities;
 - However even with this bias, the results are clustered around an elasticity of zero; and

¹ PC Inquiry Report (December 2015) Vol. 1, p.177 <http://www.pc.gov.au/inquiries/completed/workplace-relations/report>

- That when the results are adjusted to correct the bias, the modal result is a zero elasticity.
- 4.5. The authors conclude that two scenarios are consistent with this meta-analysis of the literature:
- [first] minimum wages may simply have no effect on employment...second, minimum-wage effects might exist, but they may be too difficult to detect and/or are very small... if there is some adverse employment effect from minimum-wage rises, it must be of a small and policy-irrelevant magnitude²*
- 4.6. In its 2015 Reasons for Decision, the Full Bench of the Commission stated that
- In the years since 2006, when this Commission was obliged by amendments to the Act to set a WA minimum wage in the absence of a national minimum wage, there is no evidence suggesting that the increases in the WA minimum wage since 2006 have materially affected the industry sectors most likely to be affected by it.³*
- 4.7. UnionsWA agrees with the Commission's assessment, and will present evidence that supports it.

5. Who is likely to be impacted by the state wage case?

- 5.1. As in previous submissions, UnionsWA is utilising the analysis of contained in the Western Australian state government initiated report *Review of the Western Australian Industrial Relations System* (or 'Amendola Report'). This is alongside ABS labour force data, and information from the Department of Commerce website.
- 5.2. The 'Amendola Report' argued that the 'type of legal organisation for which an employee works and the industry in which that employee works' could be used to determine the 'breakdown of the prevalence of unincorporated businesses across different industries in Western Australia'.
- 5.3. These businesses are judged as more likely to be in the Western Australia state industrial relations system, and thus more likely to have employees who will be more impacted by the state wage case.
- 5.4. The Department of Commerce's analysis of the number of workers in the state industrial relations (IR) system estimates that it could be between 21.7 per cent and 36.2 per cent of Western Australia employees.
- 5.5. According to the Department, in May 2010, unincorporated employers were more likely to be in the industries of:
- rental, hiring and real estate services (76.7 per cent unincorporated employers);
 - other services⁴ (55.1 per cent);
 - accommodation and food services (54.6 per cent);

² Doucouliagos, Hristos, Stanley, T.D., 'Publication Bias in Minimum Wage Research? A Met-Regression Analysis', Deakin School of Accounting, Economics and Finance *School Working Paper* (2008/14) (pp.20-22) http://www.deakin.edu.au/buslaw/aef/workingpapers/papers/2008_14eco.pdf

³ 2015 State Wage Order, *Reasons for Decision*, para 88.

⁴ According to the Australian Bureau of Statistics, 'The Other Services Division includes a broad range of personal services; religious, civic, professional and other interest group services; selected repair and maintenance activities; and private households employing staff.' *1292.0 - Australian and New Zealand Standard Industrial Classification (ANZSIC)* <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/14074305CC4FA750CA25711F00146E4A?open=document>

- administrative and support services (39.9 per cent); and
- retail trade (36.1 per cent)⁵

5.6. The 2009 *Australia at Work Report* by the Workplace Research Centre found that employees who were less likely to have the power to negotiate their pay and conditions were likely to be:

- a) aged less than 24 years;
- b) female; and
- c) in precarious employment arrangements.⁶

5.7. In Western Australia at the end of the February Quarter of 2016, those industries (as identified by the Department of Commerce) with unincorporated private sector businesses most likely to be in the state system had employees who were:

- a) 52.2 per cent female;
- b) 32.4 per cent aged 15-24 years; and
- c) 48.1 per cent working part time.

5.8. By contrast, for Western Australia employees as a whole:

- a) 44.5 per cent are women;
- b) 15.9 per cent are aged 15-24 years; and
- c) 30.8% are part time.⁷

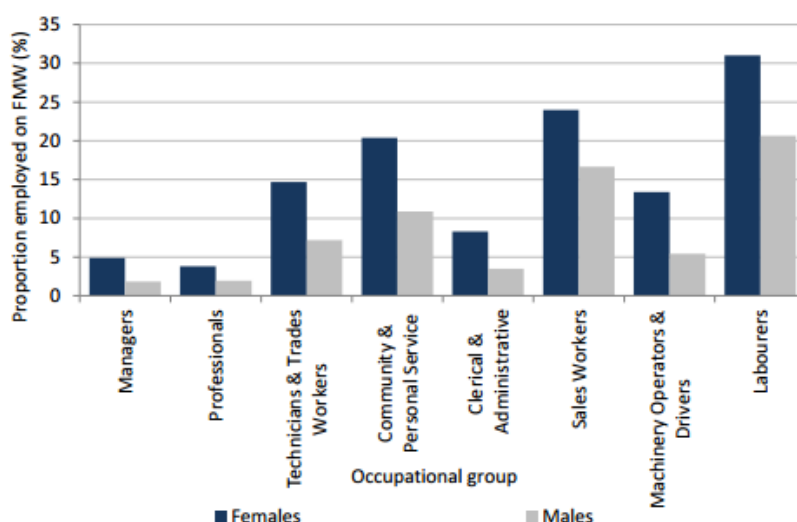
5.9. In his paper '*Reflections on the evolution of the minimum wage in Australia*', (submitted to the PC Inquiry) Rob Bray points out that while employed women across all occupations were 1.7 times more likely to be minimum wage employees than men, this rose to 2.7 times for those employed as a manager. Women employed as machinery operators and drivers were 2.5 times more likely than males in this grouping to be paid the minimum wage, with a similar rate, 2.4 times, for clerical and administrative staff. The lowest ratio was in sales workers – where 24.0 per cent of women were working for the minimum wage compared with 16.7 per cent of men – giving a ratio of 1.4.

⁵ Department of Commerce, Labour Relations,
http://www.commerce.wa.gov.au/LabourRelations/Content/Employers/About_IR_in_WA/Western_Australian_industrial_.html

⁶ van Wanrooy, B, Wright, S, Buchanan, J, Baldwin, S, Wilson, S, *Australia at Work in a Changing World*, Workplace Research Centre (2009), pp.69-72, <http://www.australiaatwork.org.au/temp-1913374402.php>

⁷ ABS 6291.0.55.003 - *Labour Force, Australia, Detailed, Quarterly*, Feb 2014,
<http://www.abs.gov.au/ausstats/abs@.nsf/PrimaryMainFeatures/6291.0.55.003?OpenDocument>

Figure 6. Broad industry sector, proportion of adult employees on minimum wage by gender, HILDA 2011



Source: HILDA – derived from Wave 11 „In Confidence“ release

5.10. Male minimum wage employees were more likely to be employed in agriculture (5.3 per cent of male minimum wage workers compared with 2.4 per cent of women), manufacturing (11.6 per cent compared to 3.2 per cent), construction (8.2 per cent compared with 0.9 per cent) and transport and storage (5.9 per cent compared to 1.5 per cent). In contrast while 21.5 per cent of women on the minimum wage were employed in health care and social assistance, only 6.2 per cent of male minimum wage workers were. This was also the case in retail trade (17.8 per cent compared with 12.0 per cent), education and training (9.0 per cent compared with 4.6 per cent) and to a much lesser degree accommodation and food services (15.8 per cent compared with 12.8 per cent).⁸

5.11. This data supports the contention that vulnerable groups of employees are over-represented within the private sector of the state industrial relations system.

5.12. Workers with this profile are less likely to negotiate their own Agreements, and more likely to be award reliant in the state industrial relations system. The outcome of the state wage case is important for ensuring those workers get decent pay outcomes.

5.13. In its submission to Fair Work Commission Annual Wage Review (National Wage Case), the Australian Council of Social Services (ACOSS) notes that

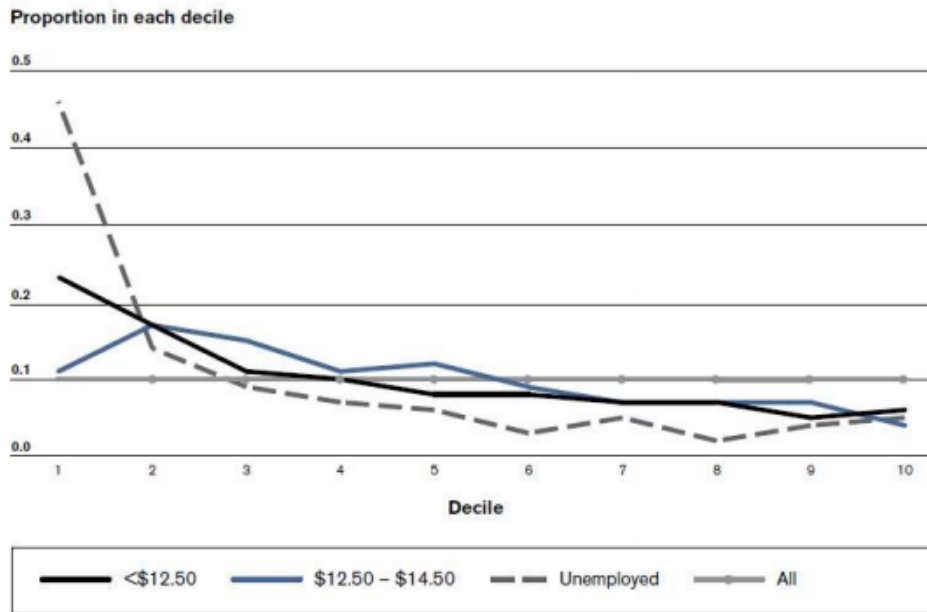
Since minimum wage earners are competing for jobs or promotions with the rest of the labour force, an appropriate comparison is that between the disposable incomes of minimum wage earning households and other households with members in the labour force (excluding, for example, retirees). Within this income distribution, households with a member earning the minimum wage or below in 2004 were located near the bottom, with 40% of such households located in the bottom quintile (20%). Just under 30% of households with workers on wages just above the minimum wage were also found in the bottom quintile.⁹

5.14. ACOSS refers to the following table from the 2006 study by Healy & Richardson of the minimum wage workforce in Australia.

⁸ Bray, Rob, ‘Reflections on the evolution of the minimum wage in Australia’ (October 2013) pp.27-28 http://www.pc.gov.au/_data/assets/pdf_file/0003/187428/sub0032-workplace-relations-attachment.pdf

⁹ ACOSS Minimum Wage Submission (2016) pp.14-15 <https://www.fwc.gov.au/documents/sites/wagereview2016/submissions/ACOSS-sub-awr1516.pdf>

Location of minimum wage earners in the distribution of households with members in the labour force (2004)



Source: Healy & Richardson 2006, *op cit*. Note: household income was equivalised.

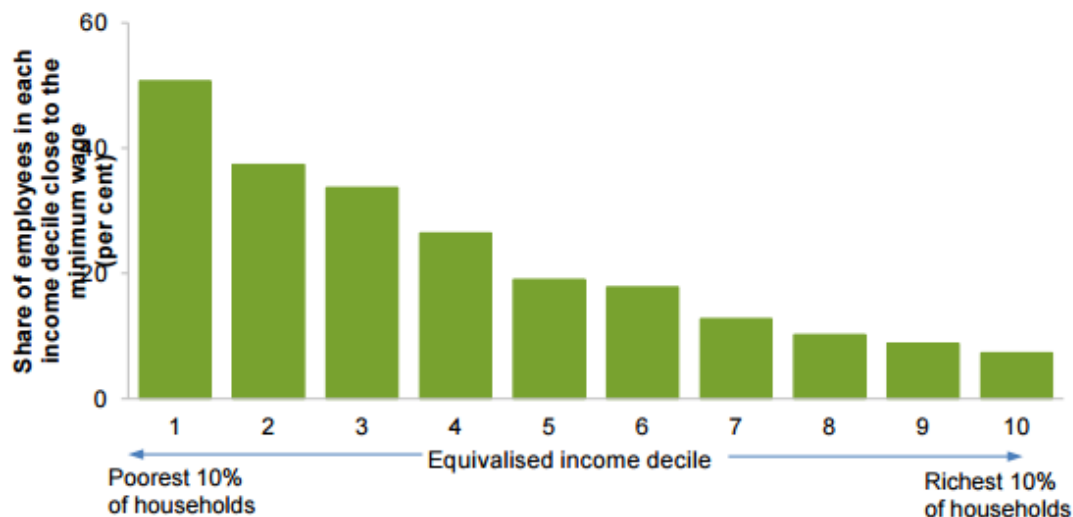
5.15. The PC Inquiry also noted that

Employees in the lowest income groups are more likely to be on the minimum wage than those in higher income groups (and by more than a fivefold factor) (figure 4.8). So, while most people in the lowest quintile are not in work (and therefore do not receive any wages), almost half of those who are in work are paid at a minimum rate.¹⁰

¹⁰ PC Inquiry Report, pp.208-10.

Figure 4.8 An employee in a low-income group is much more likely to be paid around the minimum wage rate

Minimum wage reliance among employees according to household equivalised^a income deciles, 2013-14



^a Equivalised household income controls for household size by dividing total household income by a weighted sum of persons in the household. The first adult is allocated a weight of 1, while additional adults are weighted at 0.5 and children weighted at 0.3.

Source: Productivity Commission estimates based on HILDA release 13.

5.16. UnionsWA argues that the presence of minimum wage workers in middle or higher income households should not be considered a reason to award a lower minimum wage increase. We refer to the witness statement last year from Mr Shane Dirou, Executive Officer of the WA No Interest loans Network, who pointed out that minimum wage increases relieve financial pressure on other household members. Using the example of younger workers who may be residing with their parents, Mr Dirou pointed out that

- Many parents themselves are not in a position to help their children out further than they already do with free or heavily subsidised rent and board.
- In many cases they are also feeling the pinch, especially households with parents on low incomes or welfare benefits. It's already a struggle in many households given the large increases in the cost of living and the increasing unemployment.¹¹

5.17. UnionsWA contends that an increase in the state minimum wage in WA is more likely to assist workers vulnerable groups of employees who are less likely to negotiate decent increases for themselves. An increase will also benefit lower income households in which people are working. The increase will also benefit households with mixture of lower and higher income earners, by providing more independence for the lower earners, and taking financial pressure off higher earners.

¹¹ Witness Statement of Mr Shane Dirou, paras 19-20 <http://www.wairc.wa.gov.au/index.php/en/submissions-2015/654-unionswa-witness-statement-of-shane-dirou/file>

6. A fair system of wages and conditions in Western Australia

- 6.1. UnionsWA is advocating a \$30 per week increase for Levels C14 to C10, and a 3.9% increase to levels thereafter, UnionsWA submits that continuing disparity between the minimum wage and Average Weekly Ordinary Time Earnings (AWOTE) at both the state and national level needs redress to ensure there is a fair system of Wages and Conditions in WA. An increase of \$30 per week is needed to help maintain that system.
- 6.2. We contend that minimum wages have fallen as a proportion (or 'bite') of average full-time earnings, as demonstrated by the table below. The WA fall has been sharper, and faster, than the national fall.

	WA Min Wage \$	WA full-time AWOTE (May each year) \$	% WA Min/AWOTE	Aus Min Wage \$	Aus full-time AWOTE (May each year) \$	% Aus Min/AWOTE
2006	504.4	1028.40	49.0%	511.86	1025.80	49.9%
2007	528.4	1118.60	47.2%	522.12	1076.80	48.5%
2008	557.4	1202.90	46.3%	543.78	1119.60	48.6%
2009	569.7	1287.00	44.3%	543.78	1187.80	45.8%
2010	587.2	1364.10	43.0%	569.9	1250.10	45.6%
2011	607.1	1474.10	41.2%	589.3	1304.70	45.2%
2012	627.7	1516.80	41.4%	606.4	1349.20	44.9%
2013	645.9	1644.80	39.3%	622.2	1420.90	43.8%
2014	665.9	1641.20	40.6%	640.9	1454.10	44.1%
2015	679.9	1691.20	40.2%	656.9	1483.10	44.3%

- 6.3. The increases awarded by the Commission since 2006, despite recording improvements in 2012 and 2014, have not been sufficient to reverse the decline in relative living standards. The gap between low paid workers' living standards and those of other workers is large and had been growing. Minimum wages are substantially lower than they would be if the minimum wage bite had been held constant, resulting in the living standards of low paid workers being too low relative to other workers.
- 6.4. During this period in which the minimum wage 'bite' has been falling in WA, we have seen measures of inequality such as the Gender Pay Gap for Average Weekly Ordinary Time Earnings,¹² and the Gini coefficient of Equivalised Disposable Household Income.¹³

Gender Pay Gap – WA & Australia

	WA Gap	Aus Gap
May-2006	24.4%	15.2%
May-2007	25.8%	16.1%

¹² 6302.0 - Average Weekly Earnings, Australia, Nov 2015,

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202015?OpenDocument>

¹³; 6523.0 - Household Income and Wealth, Australia, 2013-14

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02013-14?OpenDocument> the Gini Coefficient is a commonly agreed single statistic that summarises the distribution of income across the population. The ABS uses the Gini Coefficient in its Household Income and Income Distribution survey to indicate the degree of inequality between households across Australia. It lies between 0 and 1 with values closer to 0 representing a lesser degree of inequality, and values closer to 1 representing greater inequality.

	WA Gap	Aus Gap
May-2008	26.2%	15.8%
May-2009	24.2%	16.9%
May-2010	23.0%	17.2%
May-2011	28.2%	17.7%
May-2012	25.2%	17.6%
May-2013	26.6%	17.5%
May-2014	25.3%	18.3%
May-2015	26.1%	17.9%

Gini Co-efficient – WA & Australia

	WA	Aus
2005–06	0.307	0.314
2007–08	0.329	0.336
2009–10	0.368	0.329
2011–12	0.325	0.320
2013–14	0.371	0.333

6.5. As the United Voice union has submitted to the National Minimum Wage Case

Australia's relatively high minimum wage and our essentially unique system of awards arbitrated by workplace tribunals has been a key reason why our country has had a relatively low inequality in earnings.

However

... while the gap between minimum and average wages continues its growth trend ... then earnings inequality and prevalence of low pay are also likely to continue to rise. If this occurs, Australia will increasingly come to resemble other OECD countries with less egalitarian labour markets.¹⁴

- 6.6. It is with this situation in mind that UnionsWA has decided to make a claim for a \$30 per week increase to the WA minimum wage (or 79 cents per hour). Should this claim be granted by the Commission, and Average Weekly Earnings increase by an average amount (\$73.64), then the state minimum wage 'bite' in WA would be maintained at its 2015 level of 40.2%

Projection if UnionsWA Claim accepted

	WA Min Wage \$	WA full-time AWOTE (May each year) \$	% WA Min/AWOTE
2016	709.90	1764.8	40.2%

- 6.7. The UnionsWA claim is therefore quite modest, it is simply asking the Commission to arrest the decline of the minimum wage bite in WA rather than reverse it. However addressing the

¹⁴ United Voice Submission to FWC Wage Review, pp.9-12
<https://www.fwc.gov.au/documents/sites/wagereview2016/submissions/UV-sub-awr1516.PDF>

decline of the minimum wage ‘bite’ is vital for maintaining a fair system of wages and conditions in WA. 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.

6.8. UnionsWA refers again to the work of ANU researcher Professor Peter Whiteford who has found that the Australian system of relatively high minimum wages and targeted family benefits is both generous to families and makes work pay.¹⁵

6.9. However the both the state and the national minimum wage will cease to fulfil this role if the disparity between the minimum wage and Average Weekly Earnings continues to get bigger. This is why a \$30 per week increase is necessary at the C14 level.

7. The Needs of the Low Paid, Fair wage standards & Improved living standards for employees

7.1. 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 last WA state budget, an increase to the minimum above CPI inflation is required.¹⁶

WA State Charges	2015-16 WA Budget
Electricity	+4.5%
Water	+4.5%
Transport	+2.6%
Motor Vehicle Registration	+2.6%
Total	+3.81%

7.2. UnionsWA contends that CPI inflation is an incomplete measure for the financial needs of workers on low pay and their families. A study by Helen Masterman-Smith, Robyn May and Barbara Pocock of Child care workers and cleaners found that

These experiences reveal that low pay costs them a great deal: in gnawing worry, persistent anxiety about bills, ill-health, concern for their children and denial of participation in the kinds of activities that many Australians take for granted: sport, visiting friends, training, job search, the prospect of secure housing and hope for retirement without poverty.

For these workers, low pay narrows and constricts their social circles, restricts travel, and affects children’s access to school excursions and basic health - including dental - services. Working poverty is associated with the deferral of family formation and relationship tensions around money in some households. Easy assumptions about shared household earnings protecting against individual poverty are not supported in many examples. Some low paid workers live with other low paid workers, or live in households with others where income is not shared.¹⁷

¹⁵ Whiteford, Peter, *Family Joblessness in Australia*, January 2009 (pp.51-52) http://www.socialinclusion.gov.au/sites/www.socialinclusion.gov.au/files/publications/pdf/family_joblessness_Jan2009.pdf

¹⁶ WA Budget 2015-16 Economic and Fiscal Outlook, p.301 http://static.ourstatebudget.wa.gov.au/15-16/2015-16-wa-state-budget_bp3.pdf

¹⁷ Masterman-Smith, Helen, May, Robyn, and Pocock, Barbara ‘Living Low Paid: Some Experiences of Australian Childcare Workers and Cleaners’ (2006) pp.17-18 <http://w3.unisa.edu.au/hawkeinstitute/cwl/documents/Living-low-paid-DP.pdf>

- 7.3. These findings are consistent with comments on low pay made by respondents to the Fair Pay Survey, such as

It means that as a family we do not go out much to movies or restaurants etc. Co- workers tend to work unpaid time so that they can show how dedicated they are and not risk losing hours of pay or their jobs.

John - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

And

I had to work weekends to earn enough to meet family commitments thereby missing out on attending weekend events

Albert - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

- 7.4. The difficulties identified for low wage workers illustrate the importance of a substantial minimum wage increase to enable those on low incomes to maintain living standards comparable to those in the rest of the community. Below is a selection of recent WA expenditure group CPI increases for the 12 months to March 2016. It can be seen that 'headline' CPI figures do not capture the full impact of cost increases for low paid workers.¹⁸

Expenditure Group	WA CPI % Change March 2015-16
Child care	+9.6%
Medical and hospital services	+5.2%
Electricity	+6.1%
Medical, dental and hospital services	+4.5%
Secondary education	+3.8%
Health	+4%
Property rates and charges	+4.8%
Preschool and primary education	+4.2%
Insurance	+6%
Utilities	+4.4%
Water and sewerage	+4%

¹⁸ 6401.0 - Consumer Price Index, Australia, Mar 2016,
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/6401.0>

Expenditure Group	WA CPI % Change March 2015-16
Urban transport fares	+2%

7.5. Considering this range of increases, an increase of \$30 per week, or 4.4%, at the C14 level would be equivalent to a median increase (4.45%).

7.6. As another of the respondents to the Fair Pay Survey explained, low pay is a

Constant source of stress - you're always calculating whether you have to choose between paying the power bill this pay or the phone and heaven help you if the bloody car breaks down or one of us loses their job.

Nicole - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

And

Barely enough money to exist. Certainly no money for entertainment or gifts etc. Every day a struggle, dreading the power, water or rates bills coming in. Having to be forced to seek assistance from family does nothing to boost a man's pride.

Michael - Between \$12 and up to \$17 per hour (or between \$450 and \$700 per week full time)

7.7. The Child Care expenditure group increase is of particular importance given the Federal government's recent budget decision to delay the implementation of Child Care subsidies until the middle of 2018. Child care groups say families will lose \$30 a week as a result of the Federal Government's decision.

John Cherry from the country's largest child care provider, Goodstart Early Learning, said the decision would hurt families.

"We're extremely disappointed that our families will need to wait another year for the Government to deliver on its promise to make child care more affordable," Mr Cherry said. ... Mr Cherry said the affordability of child care was a critical issue for families.¹⁹

7.8. Another important expenditure item for the low paid is health and medical treatment. The Federal budget has also not reversed \$650 million of cuts to bulk-billing incentives for diagnostic and pathology services announced in last December's MYEFO. This will also mean increased fees for patients. There will be higher out of pocket costs from such cuts to services – as people will be shelling out up to \$101 for an X-ray, \$206 for an ultrasound and \$532 for an MRI.

7.9. The 2016 *Rental Affordability Snapshot* by Anglicare Australia has found that many low income earners are unable to afford to rent privately, and even more Australians are being pushed out of the housing market, this is despite notional headline increases in affordability. While classes of minimum wage earning households are better off than those on transfer payments alone, this is only what should be expected under a minimum wage that makes

¹⁹ <http://www.abc.net.au/news/2016-05-04/child-care-groups-extremely-disappointed-by-budget-delay/7382974>

work pay. However it should be noted that there is regional variability in the findings of 'Affordable & Appropriate' Rental Accommodation.

7.10. E.g. for a couple with two children, on the Minimum Wage + FTB A, living in the North West of WA, there is a smaller proportion of affordable and appropriate accommodation available than in the South West, or in the National Regional Aggregate. Similarly for the Greater Perth Metropolitan area there **are fewer affordable and appropriate accommodation options** for a single person on the minimum wage than there are nationally.²⁰

Metropolitan Areas % affordable and appropriate

Household Type	Payment Type	National	WA
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	20%	38.5%
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B (both adults)	0.9%	0.6%
Single	Minimum Wage	3.8%	0.5%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	3.4%	5.2%

Regions % affordable and appropriate

Household Type	Payment Type	National Regional aggregate	South West and Great Southern Regions of WA	Northwest WA
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A (both adults)	45.7%	63.5%	28.6%

²⁰ Anglicare Rental Affordability Snapshot 2016 <http://www.anglicare.asn.au/docs/default-source/default-document-library/rental-affordability-snapshot-2016.pdf?sfvrsn=7>

Household Type	Payment Type	National Regional aggregate	South West and Great Southern Regions of WA	Northwest WA
than 10)				
Single, two children (one aged less than 5, one aged less than 10)	Minimum Wage + FTB A & B (both adults)	16.7%	8.6%	4.1%
Single	Minimum Wage	10%	1.8%	1.8%
Couple, two children (one aged less than 5, one aged less than 10)	Minimum Wage + Parenting payment (partnered) + FTB A & B	26.3%	20.7%	11.0%

7.11. As another of our Fair Pay Survey respondents noted – low pay in a regional area raises other issues, such as

I am the sole employee at the site in a regional area, I work many hours overtime unpaid to meet my Manager's expectations.

Barbara - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

7.12. A claim of \$30 per week (4.4% at C14) for lower rates, plus 3.9% for the higher rates, delivers a real wage increase of around 2.4% for the lowest paid (based on Mid Year Financial Projections Statement CPI projections from WA Treasury of a 2% increase in 2015-16). Given the far larger increases in key expenditure items for low wage workers, the need to maintain fair wage standards to WA to make work pay, and the need to improve living standards for employees, this is a reasonable increase to the state minimum wage.

8. Employees who may be unable to reach an industrial agreement

8.1. In previous submissions UnionsWA has referred to the report by the Workplace Research Centre *Minimum wages and their role in the process and incentive to bargain* which shows that minimum wage increases are more likely to encourage rather than discourage bargaining. Workers in the state system who will be most impacted by the minimum wage increase are also in those categories of worker that are less likely to be able to negotiate their own pay and conditions.

8.2. For this Report the Workplace Research Centre was asked by the FWC Minimum Wages Panel to look into the following question

- How do minimum wage increases impact on the incentive to bargain?
- 8.3. The report contains results from both quantitative and qualitative studies of bargaining and agreement outcomes at the national level. Examining unpublished data from the Workplace Agreements Database (WAD) of the Commonwealth Department of Employment, the Report found that, for sectors with Agreements contained lower average annualised wage increases (AAWIs) *‘there may be a positive association between wage increases in enterprise agreements and minimum wage increases.’*
- 8.4. The Report’s Qualitative and case study findings revealed that increases in the minimum wage were less significant for employers in their willingness to bargain than
- product and labour market shifts that impact on revenue and costs;
 - the operation of performance management systems;
 - workplace level restructuring or changes to job roles;
 - directives with immediate impacts for costs or pricing structures; and
 - cyclical or timetabled reviews to negotiate.
- 8.5. Employee’s incentives to bargain were largely determined by factors such as
- workplace level restructuring or changes to job roles;
 - perceptions of value to the employer;
 - culture of bargaining; and
 - desire/requirement to fit work in around other roles in life.
- 8.6. The results of this study suggest that Increases to the minimum wage are more likely to encourage bargaining in lower wage sectors, and at any rate do not constitute the principle ‘incentive’ to embark upon bargaining in individual workplaces. The report’s quantitative analysis of enterprise agreements in the national system found that
- there may be a positive association between wage increases in enterprise agreements and AWR [Annual Wage Review] increases. This was particularly the case for industries with higher proportions of enterprise agreements with AAWIs [Average Annualised Wage Increases] of less than 4.1 per cent and a large number of employees with wages set solely with reference to awards.*²¹
- 8.7. The industries included in these finding include Retail Trade and Accommodation and Food Services – industries more likely to be in the private sector state industrial relations system in WA.
- 8.8. UnionsWA also refers to the testimony provided to the Commission in 2013 by Professor Rowena Barrett (then Head of School of the School of Management at Edith Cowan University) concerning the reaction of small firms to changes such as minimum wage increases. In her witness statement Professor Barrett stated that
- Small firms accommodate regulatory changes that affect the employment relationship through informality and an informal renegotiation of the employment contract.*

²¹ FWC Report 7/2013 *Minimum wages and their role in the process and incentives to bargain* (pp.vii-viii)
<https://www.fwc.gov.au/documents/sites/wagereview2014/research/report7.pdf>

8.9. Such informal negotiations do constitute a form of agreement making even if it takes place ‘informally’. Changes such as reductions of hours should not be automatically assumed to be ‘bad’ for employees – as those employees may choose to take advantage of higher hourly in order to work fewer hours.

8.10. Professor Barrett also noted that

*For employees who the owner-manager considered were not covered by the award, pay was set through individual negotiations. Here the minimum wage had an important signalling impact about acceptable wages in such negotiations. Such a signal was important for ensuring that gender earnings differences were less likely to open up at an early stage, as female employees were likely to ask for less money in the first instance.*²²

8.11. The ‘signalling effect’ of the minimum wage is particularly important when considering the findings of our Fair Pay Survey, that a large number of respondents reported being paid at unlawfully low wages. Without necessarily attributing outright dishonesty to employers (who may not know the correct rate themselves), it is the case that workers who are desperate to find employment may well be taking ‘any port in a storm’ – without having a sense of the legal minimum of what needs to be paid.

8.12. The magnitude of the reporting of unlawful underpayment of wages is cause for serious concern and action by government. In these situations a strong minimum wage, accompanied by a policy of low wage audits by the state governments, would be an encouragement for bargaining at the workplace level.

8.13. UnionsWA contends that the Commission should not succumb to the simplistic assumption that ‘increases to the minimum wage = no need to bargain’. There is no evidence that workers and employers are so lazy that they cannot bargain over other matters in workplaces. The 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.

9. Encouraging Ongoing Skills Development

9.1. UnionsWA contends that apprenticeship and trainee wages in the state system need a substantial increase in order to encourage increased participation in skills development. This is particularly important given recent increases to course fees by State Training Providers. Accordingly we would ask for the increase to the state minimum wage to flow onto apprentice and trainee rates.

9.2. UnionsWA has in previous submissions cited a study by the National Council for Vocational and Educational Research (NCVER) on ‘The Cost of Training Apprentices’ found that the ‘main cost to employers to be in the supervision of the apprentice’ rather than the wage costs.

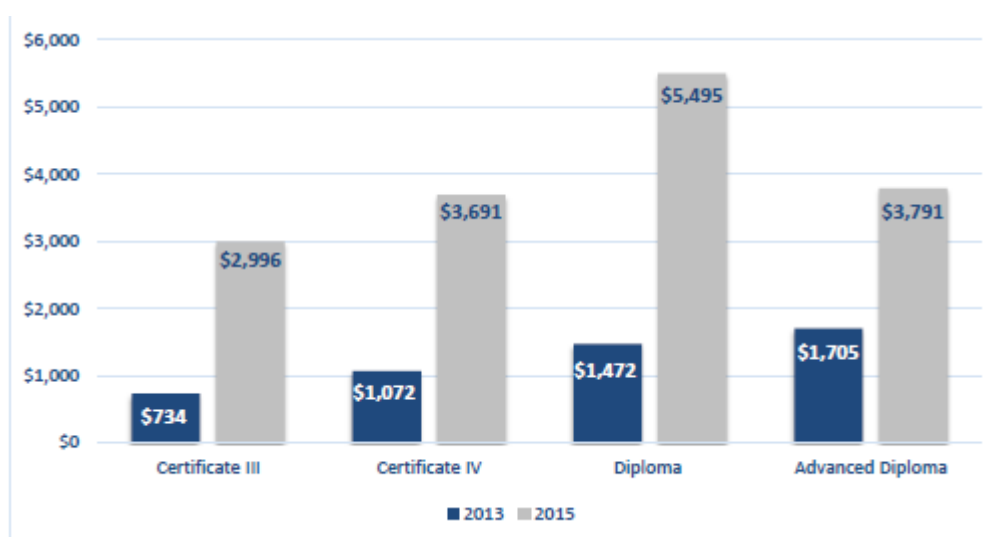
*When apprentice productivity is measured against the wage paid to the apprentice, the relationship is shown to be very close. This results in employers’ costs for wages effectively being neutralised by apprentice productivity.*²³

²² Witness Statement Prof Rowena Barrett, para 5.3.

²³ NCVER *The cost of training apprentices* (p.25) <http://www.ncver.edu.au/wps/wcm/connect/9df71864-bfd5-4480-9b91-76b2a6211550/cp05070.pdf?MOD=AJPERES&CACHEID=9df71864-bfd5-4480-9b91-76b2a6211550>

- 9.3. For the apprentice however there is an opportunity cost involved in the time spent as an apprentice. Unless regular and generous increases in apprenticeship wages flow on from decisions such as those from the minimum wage, apprenticeships will become increasingly unattractive
- 9.4. 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.
- 9.5. UnionsWA notes that the WA Government has cut more than \$200 million from our schools, which has seen many programs cancelled or rolled back. Cuts to TAFE and training have seen some course fees increase by more than 500 per cent. An increase to the state minimum wage, especially for younger workers, should address this.
- 9.6. The tables below present a summary of average fee costs by level of study and area of study at for Perth TAFE Institutes between 2013 and 2015.²⁴ These are:
- Central Institute of Technology – campuses across inner-Perth;
 - Challenger Institute – campuses in the south and west of Perth.
- 9.7. It can be seen that TAFE training course fees have increased greatly in just the past few years.

Average fees by qualification level, Central Institute of Technology, 2013 & 2015



Average fees and percentage increases by study area, Central Institute, 2013 & 2015

²⁴ WA Jobs and Skills Report (2015) pp.10-14 http://www.saveourservices.com.au/wa_regional_reports

Study Area	2013	2015	% increase
Administrative & Support Services	\$1,017	\$3,930	386%
Arts & Recreation	\$772	\$3,277	425%
Construction	\$1,241	\$5,335	430%
Education & Training	\$621	\$2,900	467%
Health & Social Services	\$899	\$3,463	385%
Information, Media & Telecommunications	\$1,579	\$4,432	281%
Mining	\$1,241	\$5,058	408%
Professional, Scientific & Technical Services	\$1,287	\$3,784	294%
Retail Trade	\$931	\$4,169	448%

Average fees by qualification level, Challenger Institute, 2013 & 2015



Average fees and percentage increases by study area, Challenger TAFE 2015

	2013	2015	% increase
Accommodation & Food Services	\$1,134	\$5,716	504%
Administrative & Support Services	\$957	\$2,902	303%
Agriculture, Forestry & Fishing	\$1,141	\$3,101	272%
Arts & Recreation	\$1,344	\$3,145	234%
Construction	\$972	\$3,006	309%
Education & Training	\$962	\$5,220	542%
Health & Social Services	\$1,212	\$4,682	386%
Professional, Scientific & Technical Services	\$846	\$3,907	462%
Retail Trade	\$843	\$3,210	381%
Transport, Postal & Warehousing	\$2,534	\$5,519	218%

9.8. At the same time as course fees have increased, the Federal Government has introduced a system of loans called VET FEE HELP. These loans attract interest meaning the total cost of study will be higher if such a loan is taken.

9.9. TAFE fee increases have also taken place as TAFE Institutes have had their funding cut by the WA Government. E.g. in 2014

- Central Institute of Technology had its funding cut by \$4.8 million
- Challenger Institute had its funding cut by \$3.05 million

9.10. In addition, other TAFEs such as West Coast Institute lost \$1.3 million and Polytechnic West Institute had its funding cut by \$5.4 million.

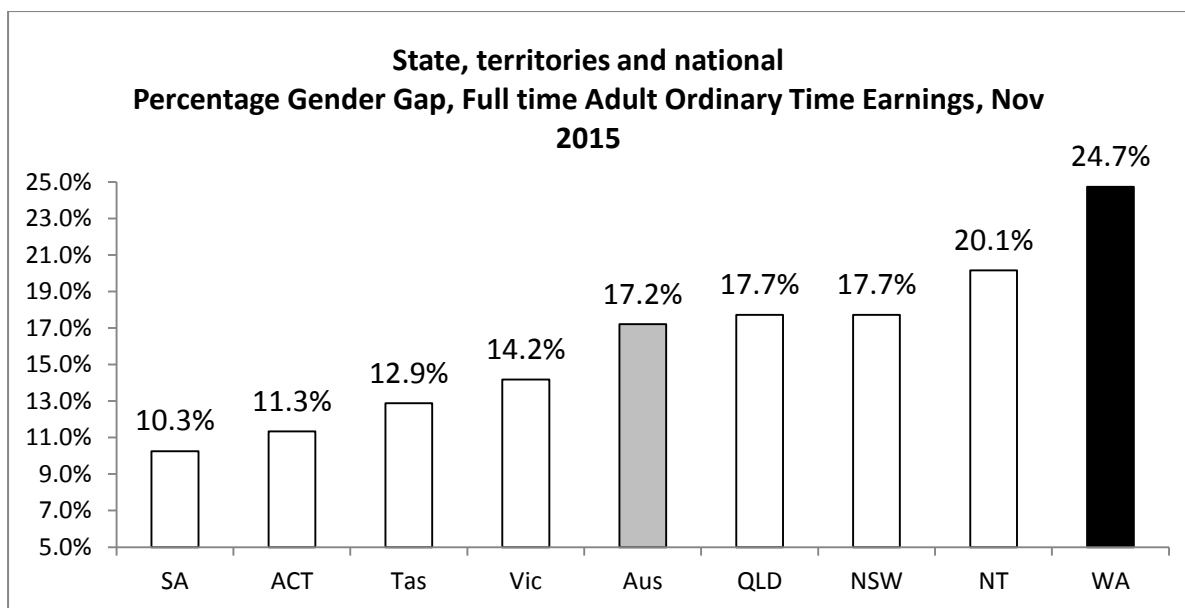
9.11. Given this discouraging cost environment for 'ongoing skills development' a substantial increase to the state minimum wage and award rates of pay is necessary.

10. Providing Equal Remuneration for Men and Women for Work of Equal or Comparable Value

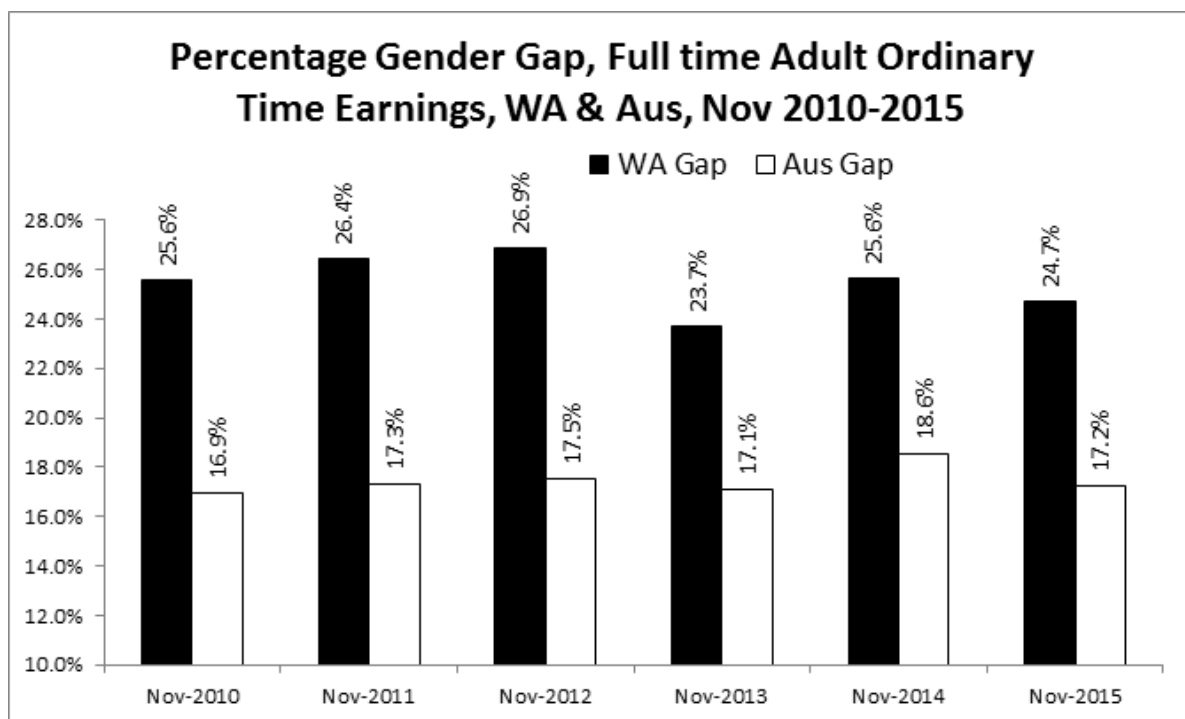
10.1. As previously mentioned, in our submission WA has the largest gender pay gap of any Australian state. An increase to the minimum wage at, or below, CPI inflation will make this situation worse rather than contribute to its improvement.

10.2. As can be seen in the chart below – the WA gender pay gap in terms of Full time adult Ordinary Time Earnings is 7.5% higher than the national gender pay gap.²⁵

²⁵ 6302.0 - Average Weekly Earnings, Australia, Nov 2015
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Nov%202015?OpenDocument>



10.3. In previous wage cases, the higher gender pay gap in WA has been attributed to the ‘mining boom’ impact on resource industry wages. However the chart below shows that, even in the aftermath of the construction phase of the boom, the reduction the WA gender pay gap has been marginal at best.



10.4. The Bankwest Curtin Economics Centre and the Workplace Gender Equality Agency recently released the report *Gender Equity Insights 2016*. It found that, while men working full-time in any organisation (whether dominated by women, men or more evenly distributed) will on average, earn more than a woman working full-time, male-dominated organisations have the lowest gender pay gap when assessing base salaries. This finding casts

serious doubt on the assumption that high wages in a male dominated industry such as mining are to ‘blame’ for the gender pay gap.²⁶

TABLE 12

Gender segregation within organisations and the gender pay gap – all employees

Gender Dominance	Average Base Salary		Average Total Remuneration		Gender Pay Gap	
	Women	Men	Women	Men	Base	Total
	\$	\$	\$	\$	%	%
Full-time						
Female-dominated	67,808	82,181	77,734	95,871	17.5%	18.9%
Male-dominated	76,702	91,774	92,317	116,802	16.4%	21.0%
Mixed	73,445	88,094	86,509	107,494	16.6%	19.5%
All	73,251	90,473	86,512	113,739	19.0%	23.9%
Part-time						
Female-dominated	53,320	55,751	61,405	64,536	4.4%	4.9%
Male-dominated	66,784	59,166	78,305	68,232	-12.9%	-14.8%
Mixed	52,248	46,101	60,784	53,938	-13.3%	-12.7%
All	54,720	52,397	63,386	60,837	-4.4%	-4.2%
Casual						
Female-dominated	51,386	54,388	57,620	60,735	5.5%	5.1%
Male-dominated	52,634	67,100	59,185	77,478	21.6%	23.6%
Mixed	54,217	56,140	60,806	62,838	3.4%	3.2%
All	52,268	57,934	58,625	65,335	9.8%	10.3%

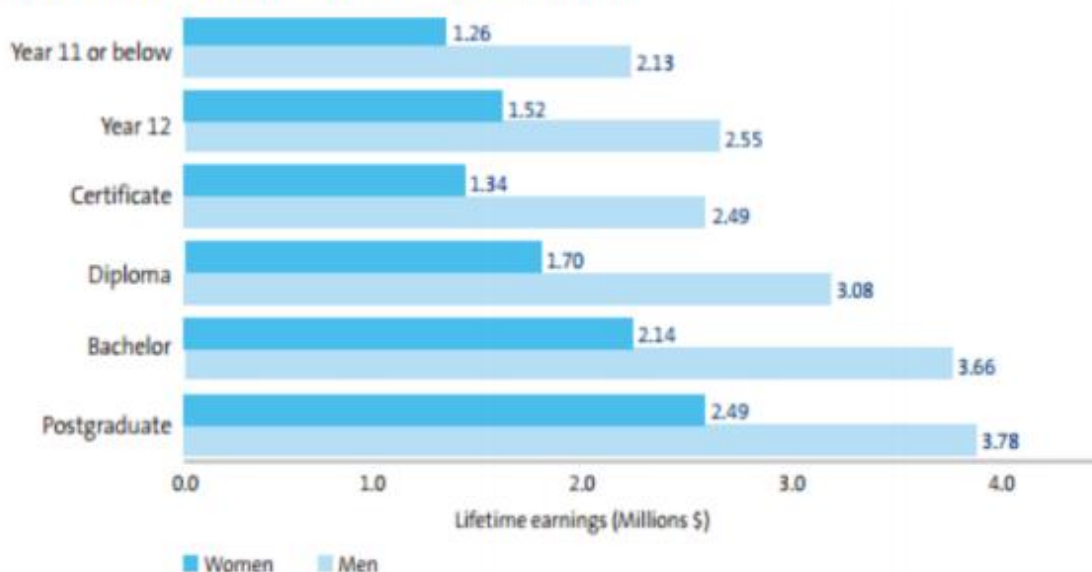
Source: Authors' calculations based on WGEA Gender Equality data, 2014-15.

10.5. UnionsWA also contends that, when considering the impact of the gender pay gaps, the Commission should bear in mind that they also represent a career long penalty for women which is reflected in prospective lifetime earnings. This has been laid out in the recent Senate Economics References Committee Report '*A husband is not a retirement plan*': *Achieving economic security for women in retirement*.

10.6. The chart below, provided to the Committee by the Bankwest Curtin Economics Centre shows the gender gap in prospective lifetime earnings across education groups.

²⁶ BCEC & WGEA Gender Equity Insights (2016) pp.25-6
https://www.wgea.gov.au/sites/default/files/BCEC_WGEA_Gender_Pay_Equity_Insights_2016_Report.pdf

Gender gap in lifetime earnings, million dollars¹⁵



Notes: Values are in 2011–12 dollars. Lifetime earnings estimates are derived from all employees, including those working part-time. Some fields of study have not been shown due to small sample sizes.

Source: Cassells et al. 2012

10.7. The Committee Report goes onto say that

It cannot be assumed that women will be able to rely on a male partner's savings for financial support in retirement, as one third of women are not in relationships by retirement age, and 40 per cent of couples will not have sufficient savings to cover the gap in women's superannuation As one submission observed, 'a husband isn't a superannuation plan'.²⁷

10.8. The Report also states that

... addressing gender pay equity is a necessary part of closing the pay gap. The historical undervaluing of 'women's work' in female dominated industries and sectors will not be rectified without intervention.

10.9. In her testimony to the Committee Associate Professor Siobhan Austen expressed her concern that shifting from the 'Age Pension pillar' of the retirement income system to the 'superannuation pillar' would generally exacerbate gendered financial inequality within households

In most households, there is going to be an increase in concentration of the household resources in the hands of the male partner. Some people come back at us and say that is okay for their wives—their wives will be able to benefit from those large superannuation accounts. I am sure that will happen in many households, but there are no guarantees and there are no real safeguards in our system.²⁸

10.10. As UnionsWA has argued elsewhere in this submission, the presence of lower income earners in households with higher income earners is not a valid basis on which to limit the increase in the minimum wage. Just as a 'husband is not a retirement plan', a husband (or any

²⁷ 'A husband is not a retirement plan' p.14

http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_security_for_women_in_retirement/Report

²⁸ *ibid.*, p.110.

spouse or partner) is not an income support plan. Gendered financial inequality within households is an issue for both current and future remuneration for women. The minimum wage should play its part in addressing that issue though an increase which ensures it does not slip further behind average weekly earnings.

11. The State of the Economy of Western Australia, and Australia

- 11.1. According to the Western Australian Government's Submission to Fair Work Commission Annual Wage Review 2015-16

The latest estimate of GSP [Gross State Product] (released by the Australian Bureau of Statistics (ABS) in November 2015) shows that Western Australia's economy grew by 3.5% in 2014-15, moderating from average growth of 6.7% per annum over the previous three years. Despite this, growth remained stronger than national Gross Domestic Product (2.3%).

For the second consecutive year, growth was underpinned by exports while business investment detracted from growth. This composition of growth illustrates the economy's transition from investment-led to export-driven growth, which is expected to continue as the State's large resource projects reach completion and progressively enter the production phase.²⁹

- 11.2. In its most recent 'State of the States' Report (April 2016), CommSec points out that GSP would be usually regarded as the better measure for broad economic growth, however

... the data isn't available quarterly. And up to the September quarter we used state final demand (household and business spending) and exports less imports to act as a proxy for GSP. But the Bureau of Statistics has ceased calculation of state trade data in real terms. So now we will use state final demand to assess "economic growth" – certainly not an optimal situation.

- 11.3. So while the performance of the WA economy is no longer leading the country in terms of state final demand, CommSec argues that *'if exports and imports were considered, Western Australia would have been amongst the strongest growing economies rather than in fifth place.'*

- 11.4. CommSec also notes that *retails spending in Western Australia was up 12.8 per cent on its decade average', and that unemployment rates in Victoria, Western Australia, and the ACT have all eased in trend terms in the past three months.³⁰*

- 11.5. The WA Government's Submission to Fair Work Commission also notes that household consumption expenditure is a positive contributor to domestic demand, albeit at a lower rate than the national growth contribution.

²⁹ WA Government Submission <https://www.fwc.gov.au/documents/sites/wagereview2016/submissions/wagov-sub-awr1516.pdf>

³⁰ CommSec "State of the States' 2016 https://www.commsec.com.au/content/dam/EN/ResearchNews/CommSec_State_of_the_States_April2016.pdf

COMPONENTS OF ECONOMIC GROWTH		
Seasonally Adjusted, Annual Average Growth, 2015		
	Western Australia (%)	Australia (%)
Household consumption expenditure	1.5	2.8
Business investment	-14.3	-8.8
Dwelling investment	9.1	9.5
General government consumption expenditure	2.6	2.8
Public investment	-10.9	-3.4
State / Domestic Final Demand	-3.4	1.0
International exports of merchandise ^(a)	6.1	6.1
International imports of merchandise ^(a)	n.a. ^(b)	1.0

(a) Figures for Australia are for trade in both merchandise and services

(b) Imports data was suppressed by the ABS to protect commercial confidentiality.

11.6. UnionsWA points out that the Federal Treasury has identified low wage growth as a both a drag on taxation receipts, and on demand generally within the Australian economy. Federal Treasury secretary John Fraser said in February 2016: 'Income tax receipts are being weighed down by lower than expected working-age population growth and weaker wages growth'.³¹

11.7. Given the current economic climate in which there is pressure pushing against wages growth, there is a clear economic case for raising minimum wages as a tool for economic growth. One report from the Economic Policy Institute in the USA finds that 'the immediate benefits of a minimum-wage increase are in the boosted earnings of the lowest-paid workers, but its positive effects would far exceed this extra income'.

Recent research reveals that, despite skeptics' claims, raising the minimum wage does not cause job loss.⁴ In fact, throughout the nation, minimum-wage increases would create jobs. ... Economists generally recognize that low-wage workers are more likely than any other income group to spend any extra earnings immediately on previously unaffordable basic needs or services.³²

11.8. It is sometimes argued that low wage growth has maintained employment at a higher level than it would have been otherwise. UnionsWA points out that ongoing low wage growth is not a sustainable strategy to maintain employment into the future. The Reserve Bank of Australia's May 2016 *Statement on Monetary Policy* points out that

While the protracted period of low wage growth has allowed for more employment than otherwise, it has also constrained growth in nominal household income in recent years.³³

11.9. Constrained household income growth makes the role of the minimum wage, and award rates generally, particularly important in ensuring that pressure for wages growth stays in the WA and the national economy.

³¹ <http://www.theage.com.au/federal-politics/political-news/treasury-secretary-john-fraser-australia-has-a-spending-and-a-revenue-problem-20160128-gmgj11.html>

³² EPI 'How raising the federal minimum wage would help working families and give the economy a boost' <http://www.epi.org/publication/ib341-raising-federal-minimum-wage/>

³³ RBA Statement on Monetary Policy (May 2016) p.27 <http://www.rba.gov.au/publications/smp/2016/may/pdf/domestic-economic-conditions.pdf>

- 11.10. UnionsWA submits that those industries which we have previously identified as are more likely to be in the state industrial relations system does not appear to have suffered in terms of business counts while having a higher state minimum wage. This is particularly the case if we examine smaller employing businesses (1-19 employees). According to information contained in the ABS Counts of Australian businesses survey, the number of such businesses operating in each of the industry's most likely to be impacted by a state minimum wage increase has grown by 4.3%, between the financial year ending 2013 and the financial year ending 2015.

WA Businesses Operating at the end of each Financial Year – 2013-2015 with 1-19 Employees

	Operating at end of financial year (1-19) employees			
	2013	2014	2015	% Change 2013-15
Rental, Hiring and Real Estate Services	3213	3270	3336	3.8%
Other Services	4778	4952	5123	7.2%
Accommodation and Food Services	4626	4888	5115	10.6%
Administrative and Support Services	3011	3074	3138	4.2%
Retail Trade	7006	7044	6887	-1.7%
Total Selected	22634	23228	23599	4.3%

- 11.11. According to information provided by the Australian Financial Security Authority, the number of bankrupts with a business related bankruptcy in WA for the last two financial years fell -1.7%, while nationally they fell -12.6%.

Number of bankrupts with a business related bankruptcy		
Year to	WA	Australia
Jun-14	421	4,391
Jun-15	414	3,838
% Change	-1.7%	-12.6%

- 11.12. While the relevant figures for June 2016 are not yet available, the most figures for the December 2015 to March 2016 period show a fall in WA bankruptcies of -17.1% and a fall in Australian bankruptcies of -7.3%.

- 11.13. UnionsWA contends that a real increase in the state minimum wage is appropriate to ensure that low wage workers are able to contribute to maintaining levels of consumption expenditure in order to maintain household incomes, in order to assist the growth of the WA economy.

12. The Capacity of Employers as a Whole to Bear Costs of Increased Wages

- 12.1. In the Most recent Federal Budget the Commonwealth government announced a number of measures aimed at assisting small business. These included what the CCI-WA called the 'biggest win for Australian business': lowering the small business tax rate to 27.5 per cent from 1 July.³⁴

³⁴ <http://cciwa.com/federal-budget-2016/small-business>

12.2. According to the Chamber, approximately 87,000 WA businesses will benefit from these changes. Other measures to assist small business include.

- Businesses with a turnover of less than \$10 million being able to access instant tax write-offs for equipment purchases of up to \$20,000 until 30 June 2017.
- The tax discount for unincorporated small businesses will be increased to 8%, while the turnover threshold for unincorporated small businesses will increase from \$2 million to less than \$5 million.

12.3. As the businesses most likely to be covered by the state industrial relations system have been established as more likely to be unincorporated – this latter Budget measure represents an opportunity for those businesses to invest in higher pay for their staff.

12.4. Premier Colin Barnett also commented that ‘one of the best features of this federal budget is the tax concessions for small- to medium-sized businesses, something that is particularly important for Western Australia’.³⁵

12.5. In July 2015, the Bankwest Curtin Economics Centre published a Report entitled *The Cost of Doing Business in Western Australia*.

12.6. On the question of labour costs, the report found that wages grew substantially faster in WA compared with Australia over the course of the resources boom, with annual wage inflation of 3% in 2003 rising to 6.3% by 2008. However it also notes that

*It is entirely possible to see relatively high labour costs per employee in an industry, but a low labour cost per dollar of income earned, in sectors that generates high revenues and profits. It is important then for us to judge the costs per worker against the company income earned by that labour.*³⁶

12.7. Looking specifically at the those industries we have identified as more likely to be in the WA state system, it can be seen that, not only have costs per dollar of company revenue fallen in these industries between 2007-8 and 2013-14, in the case of retail trade they have fallen by slightly more than the national figures.

Labour costs per \$ (in 2015 cents) of company revenue

Selected Industries	WA				Australia			
	2007-8	2013-14	Diff	% Diff	2007-8	2013-14	Diff	% Diff
Retail Trade	12.2	10.2	-2.0	-16.4%	12.4	10.4	-2.0	-15.8%
Rental, Hiring & Real Estate	18.6	15.1	-3.5	-18.9%	16.6	13.0	-3.6	-22.0%
Accommodation & Food services	31.5	27.3	-4.2	-13.5%	28.9	24.5	-4.4	-15.3%
Administrative and Support Services	65.9	57.5	-8.4	-12.7%	59.2	50.5	-8.7	-14.7%

³⁵ <http://www.abc.net.au/news/2016-05-03/small-business-concessions-good-for-wa-barnett-says/7381392>

³⁶ BCEC, ‘Costs of Doing Business in WA’ Report (2015) pp.25-33 <http://business.curtin.edu.au/wp-content/uploads/sites/5/2015/10/bcec-the-costs-of-doing-business-in-wa-report.pdf>

12.8. Notably this report does not identify the state minimum wage as being a significant cost on doing business in WA. Notwithstanding that the state wage has been higher than the national minimum wage during this period.

12.9. UnionsWA notes that the Commission is often asked to consider ‘Business Confidence Surveys’ when it is considering matters around the capacity of employers as a whole to consider increased costs.

12.10. UnionsWA submits that the value of such surveys to the Commission’s decision is limited and should not take precedence over the data from sources such as the ABS – from which the above Bankwest Curtin data is drawn.

12.11. The Fair Work Commission has considered the value of such surveys in the national wage case and has found them wanting. In its 2013 Decision it said

A valuable step in assessing the representativeness of the respondents is to check the answers against other data that is known to be reliable, such as those from the ABS, where possible.³⁷

12.12. UnionsWA contends that such surveys should be given little weight in the WA Commission’s deliberations. As the Commission itself stated in last year’s Reasons for Decision, ‘there is no evidence suggesting that the increases to the WA minimum wage since 2006 have materially affected the industry sectors most likely to be affected by it.’

12.13. UnionsWA contends that there is no reason to assume that its proposed increase for this year (\$30 per week at C14, less than \$1 per hour) is outside of employer’s capacity to pay.

13. the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment

13.1. UnionsWA is advocating that the Commission increase Award wages and the statutory minimum wage by \$30 per week for lower award rates from C14 to C10, by 3.9% for the higher rates. The table below shows how this would work using pay rates in the *WA Metal Trades (General) Award*. Such an increase would ensure relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.

	<i>Current</i>		<i>Proposed</i>				
Classification	Weekly	Hourly	Weekly	Hourly	% Change	\$ Weekly Change	\$ Hourly Change
<i>C14</i>	<i>\$679.90</i>	<i>\$17.89</i>	<i>\$709.90</i>	<i>\$18.68</i>	<i>4.4%</i>	<i>\$30.00</i>	<i>\$0.79</i>
C13	\$697.50	\$18.36	\$727.50	\$19.15	4.3%	\$30.00	\$0.79
C12	\$721.30	\$18.98	\$751.30	\$19.77	4.2%	\$30.00	\$0.79
C11	\$743.40	\$19.56	\$773.40	\$20.35	4.0%	\$30.00	\$0.79

³⁷ FWC Decision Annual Wage Review 2012–13 (para 441-2)
<https://www.fwc.gov.au/documents/sites/wagereview2013/decisions/2013fwcfb4000.pdf>

	<i>Current</i>		<i>Proposed</i>				
C10	\$778.90	\$20.50	\$808.90	\$21.29	3.9%	\$30.00	\$0.79
C9	\$801.00	\$21.08	\$832.24	\$21.90	3.9%	\$31.24	\$0.82
C8	\$822.90	\$21.66	\$854.99	\$22.50	3.9%	\$32.09	\$0.84
C7	\$842.90	\$22.18	\$875.77	\$23.05	3.9%	\$32.87	\$0.87
C6	\$886.90	\$23.34	\$921.49	\$24.25	3.9%	\$34.59	\$0.91
C5	\$909.00	\$23.92	\$944.45	\$24.85	3.9%	\$35.45	\$0.93

13.2. In its Reasons for Decision last year, the Commission noted that *'on this occasion, UnionsWA has demonstrated the level of compression at higher wages levels in the Metal Trades (General) Award'*.

13.3. Last year UnionsWA used the following table to demonstrate the decline in Award relativities

Metal Trades (General) Award	2010	% of C14	2014	% of C14	<i>Change in relativity 2010-14</i>
C14	587.20	100.0%	665.90	100.0%	0.0%
C13	603.90	97.2%	683.20	97.5%	0.2%
C12	626.40	93.7%	706.50	94.3%	0.5%
C11	647.30	90.7%	728.10	91.5%	0.7%
C10	681	86.2%	762.90	87.3%	1.1%
C9	701.90	83.7%	784.50	84.9%	1.2%
C8	722.70	81.3%	806.00	82.6%	1.4%
C7	741.60	79.2%	825.60	80.7%	1.5%
C6	783.30	75.0%	868.70	76.7%	1.7%
C5	804.20	73.0%	890.30	74.8%	1.8%

13.4. The data showed that there had been a small but noticeable compression of wage rates between 2010 and 2014. E.g. the state minimum wage made up 97.2% of the C13 rate in 2010, which increased to 97.5% in 2014. Between the C13 and C11 rates the increased 'bite' of the minimum wage was under 1%. However from the C10 to C5 rate the increased bite was between 1.1% and 1.8%. Compression had therefore been more pronounced at the higher rates than the lower rates.

13.5. For this year's state wage case, UnionsWA revisited this calculation and examined the shifts in relativities in the *Metal Trades (General) Award* pay rates between 2014 and 2015.

	2014	% of C14	2015	% of C14	
C14	665.90	100.0%	679.90	100.0%	0.0%
C13	683.20	97.5%	697.50	97.5%	0.0%
C12	706.50	94.3%	721.30	94.3%	0.0%
C11	728.10	91.5%	743.40	91.5%	0.0%
C10	762.90	87.3%	778.90	87.3%	0.0%
C9	784.50	84.9%	801.00	84.9%	0.0%
C8	806.00	82.6%	822.90	82.6%	0.0%
C7	825.60	80.7%	842.90	80.7%	0.0%
C6	868.70	76.7%	886.90	76.7%	0.0%
C5	890.30	74.8%	909.00	74.8%	0.0%

13.6. While it is probably too early to draw firm conclusions about the direction of relativities, these results appear to indicate that last year's decision has at least 'held the line' on award rates. We would ask the Commission to consider these results. A \$30 per week increase for Levels C14 to C10, and a 3.9% increase thereafter, 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.

13.7. As with last year, we ask that the Commission pay due attention to the reasoning on award relativities in the recent decision *The Australian Rail, Tram and Bus Industry Union of Employees, West Australian Branch vs Public Transport Authority of Western Australia* [2015] WAIRC 00378 at [83].

14. Conclusion

14.1. UnionsWA is advocating that the Commission increase Award wages a \$30 per week increase for Levels C14 to C10, and a 3.9% increase for higher levels. The state minimum wage increase should be higher than the all groups CPI increase for Perth, because costs that fall disproportionately upon low income and award reliant workers, such as rents, have been increasing faster than the minimum wage for many years.

14.2. 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 submits that continuing disparity between minimum wage and Average Weekly Earnings at both the state and national level needs redress to ensure there is a fair system of Wages and Conditions in WA. An increase of \$30 per week is needed to help maintain that system.

(ii) meet the needs of the low paid;

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, an increase to the minimum well above CPI inflation is required.

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

The difficulties identified for minimum wage workers illustrate the importance of a substantial minimum wage increase to enable those on low incomes to maintain living standards comparable to those in the rest of the community.

(iv) contribute to improved living standards for employees;

A claim of \$30 per week (4.4% at C14) for lower rates, plus 3.9% for the higher rates, acknowledges the more subdued performance of the WA economy, but still delivers a real wage increase of around 2.4% for the lowest paid (based on current CPI projections).

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

UnionsWA submits that the report by the Workplace Research Centre *Minimum wages and their role in the process and incentive to bargain* shows that minimum wage increases are more likely to encourage rather than discourage bargaining. Workers in the state system who will be most impacted by the minimum wage increase are also in those categories of worker that are less likely to be able to negotiate their own pay and conditions.

(vi) encourage ongoing skills development; and

UnionsWA contends that apprenticeship and trainee wages in the state system need a substantial increase in order to encourage increased participation in skills development. This is particularly important given recent increases to course fees by State Training Providers.

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

As previously mentioned, WA has the largest gender pay gap of any Australian state. An increase to the minimum wage at, or below, CPI inflation will make this situation worse rather than contribute to its improvement

(b) 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;

UnionsWA has submitted that those industries which are more likely to be in the state industrial relations system appear more likely to have had better or at least comparable employment growth than that of the state as a whole. There is no evidence that previous minimum wage increases, or having a minimum wage higher than the national wage, have adversely impacted the WA economy in these areas.

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

UnionsWA argues that both the Reserve Bank of Australia, and Federal Treasury have identified low wage growth as a drag on taxation receipts, and demand generally within the Australian economy.

Federal Treasury secretary John Fraser said in February 2016: ‘Income tax receipts are being weighed down by lower than expected working-age population growth and weaker wages growth’.

(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;

The recent Federal Budget’s measures to, assist small business, in addition to the absence of any evidence as to the negative effect of the state minimum wage on business performance, indicate that there is no reason to doubt capacity to pay a minimum wage increase on the part of WA business.

(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;

\$30 per week increase for Levels C14 to C10, and a 3.9% increase to Level C5, ensures relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.

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

As with last last year, we ask that the Commission pay due attention to the reasoning on award relativities in the recent decision *The Australian Rail, Tram and Bus Industry Union of Employees, West Australian Branch vs Public Transport Authority of Western Australia* [2015] WAIRC 00378 at [83]

(g) any other matters the Commission considers relevant.

UnionsWA asks that the Commission consider WA’s recent status as the most unequal state in the Commonwealth in terms of income distribution. The fact is relevant when considering the size of the increase to the WA state minimum wage. It is particularly the case when considering the size of the minimum wage ‘bite’ for average weekly earnings in WA.



Fair Pay Survey Results

May 2016

Introduction

In advance of the 2016 State Wage Case, UnionsWA has undertaken an indicative survey of working people in WA, many of whom appear to be covered under WA's industrial relations system.

The survey relies on self-reporting by employees and does not have a random sample as a base. However, access to good information on the wages, and the implications for the lives of low-paid workers in particular, is difficult to secure.

Certainly there is no equivalent at the state level to the Fair Work Ombudsman's audits of pay provided by employers covered under the federal system. This is unfortunate given that WA remains the only state in Australia that retains a state industrial relations system which includes the private and not-for-profit sectors.

UnionsWA believes that the results of this survey are useful for the WA Commission's wage case deliberations for two reasons, they:

- provide direct comment on the experiences of those that are working (or have worked in the last 12 months) in a low-paid job;
- find a large number of respondents reported being paid at unlawfully low wage, a cause for serious concern and action.

UnionsWA notes that the information provided in this survey, even with methodological qualifications, is consistent with other research on low-paid workers that we refer to under our considerations of 'the needs of the low-paid'. This is in contrast to many employer group sponsored surveys about the situation of business – which often report findings that are starkly in opposition to bodies such as the ABS and other researchers.

Methods

A total of 244 surveys were completed, most, 238 (95%), were completed online with another 12 (5%) completed in-person. The online survey instrument is available here:

http://www.unionswa.com.au/fair_pay_survey

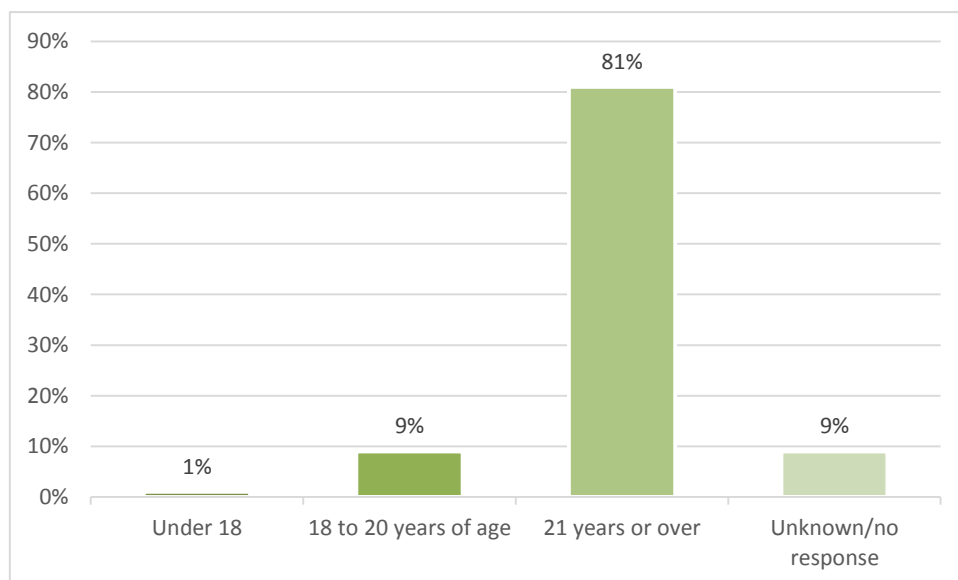
From survey responses, some were removed from this report in order to provide relevance to the WA State Wage Case 2016. Respondents that reported having worked in a low-paid job more than a year ago and “Others” that did not provide sufficient evidence to ascertain the recent relevance of reported employment experience have been excluded. As the primary group of interest here is very low, low-paid and typical or about average paid employees, those that reported high wages of \$40 per hour or more were excluded. In total, these exclusions number 119.

Of the 125 responses that are reported on here, about half (51%) are from those that are currently in low-paid work or had been so within the previous year. Forty-nine percent of respondents are a family member or friend of someone in a low-paid job.

Key Respondent Characteristics

As wages set by the WA Industrial Relations Commission fix adult and youth rates, respondents were asked their age with related categories. One respondent was aged under 18 years, 11 were aged 18 to 20 years and a 101 were adults aged 21 years or over. Twelve people did not provide a response to this question. Diagram 1 presents the proportion of survey respondents by each wage-related age category.

Diagram 1: Proportion (%) of respondents by wage-related age categories



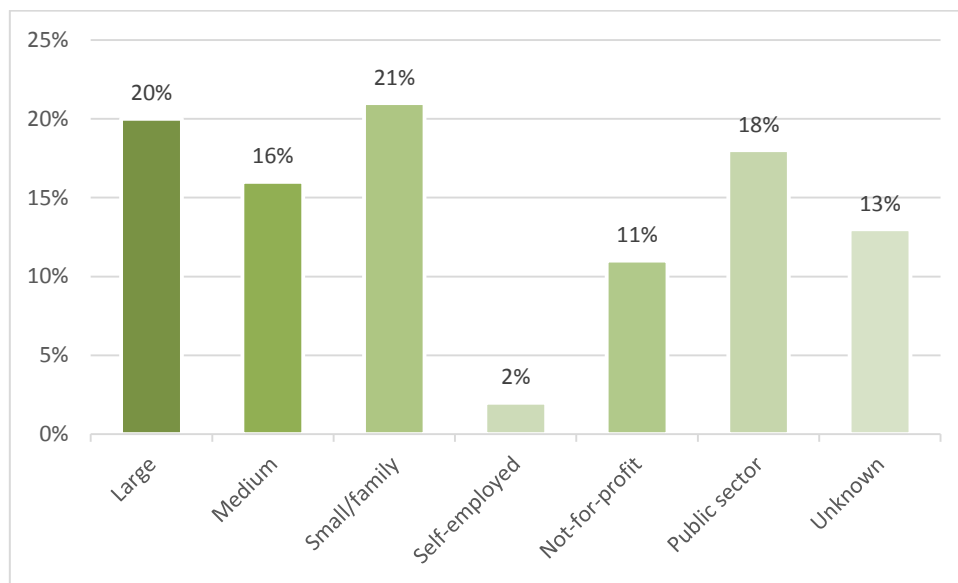
N=125

Reflecting the nature of the workforce, the vast majority of respondents are adults.

Respondents were asked about their employer with responses sought within one of a number of categories. Diagram 2 presents the proportion of respondents by the characteristics of their employer.

As can be seen from Diagram 2, respondents reported on work undertaken with a diversity of employers. Of some relevance to the WA Industrial Relations Commission are the high proportion in total of those employed in small/family business, not-for-profit entities or the public sector, which are often directly affected by decisions by the Commission.

Diagram 2: Proportion (%) of responses for key employer categories

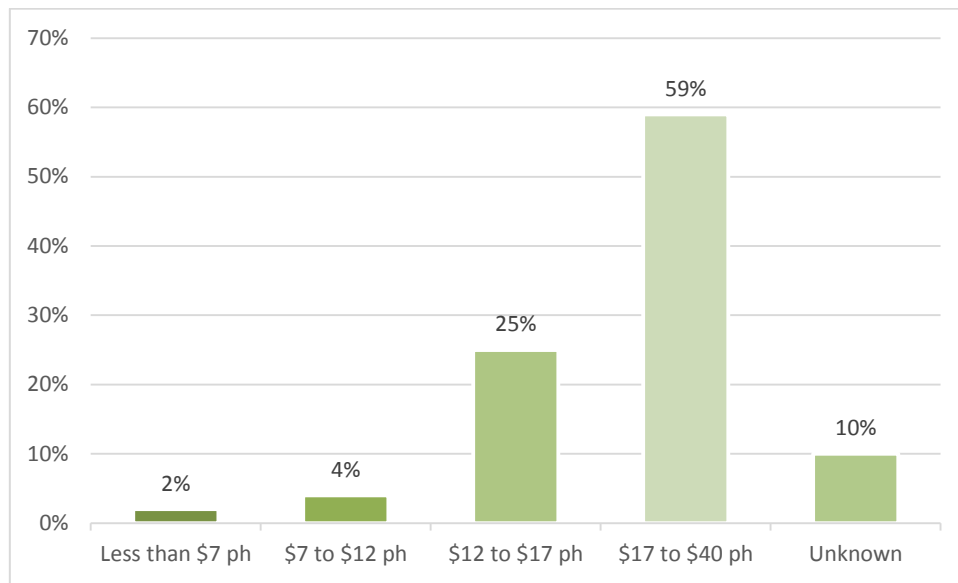


N=125

Wages

Diagram 3 presents the proportion of respondents by wages ranges. These ranges were selected based on the youth and adult hourly rates of pay that apply following the 2015 WA State Wage Case. The upper level of \$40 per hour was set as representing an about average or typical wage level.

Diagram 3: Proportion (%) of responses by selected hour pay rates

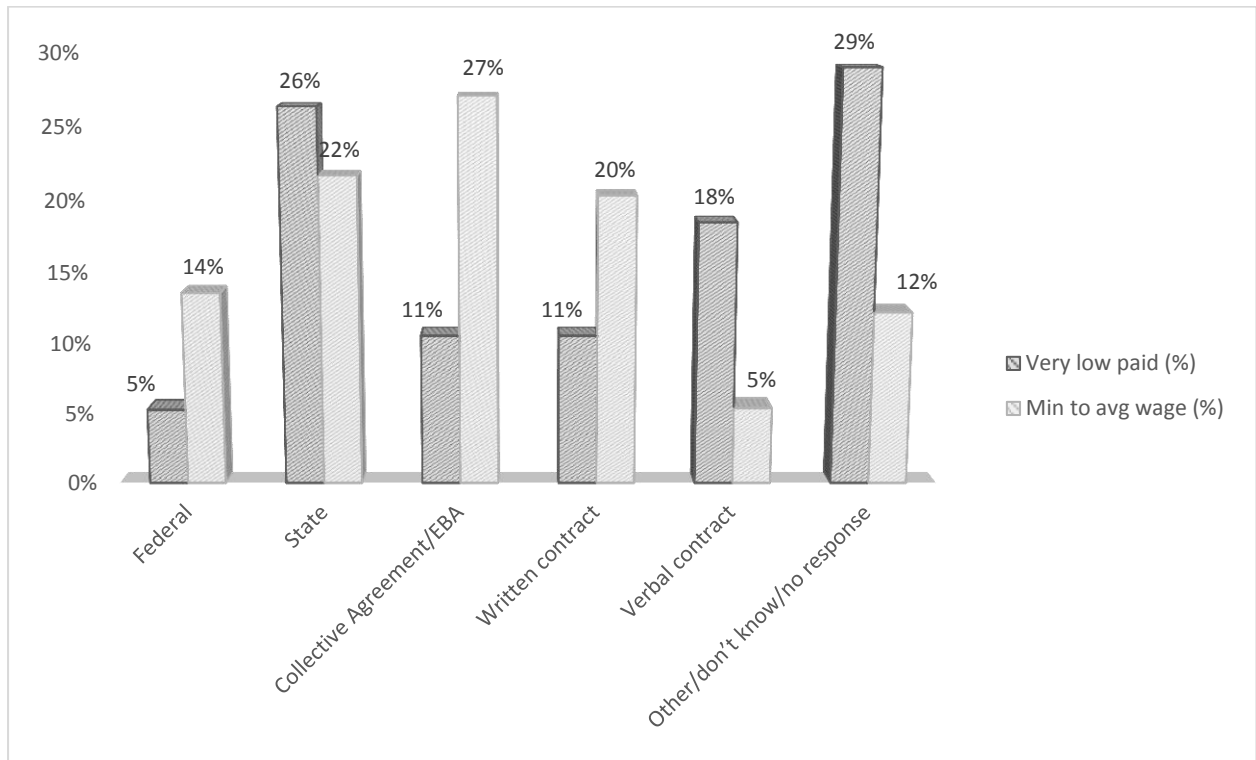


N=125

For comparison purposes, the wage rate categories discussed hereafter are grouped into those with a very low wage (n= 38) defined as below the \$17 per hour WA State Minimum wage and those on the Minimum wage rate up to \$40 per hour (n=74). Omitting those that were unknown or did not respond to related questions the pool of responses drops to 112.

Respondents were asked if they knew how their wages and conditions were set. The proportion of responses are presented in Diagram 4 below.

Diagram 4: Proportion (%) of very low-paid and minimum to typical pay responses by how wages set



N=112

There are a few findings of note. Compared to those on wages between the Adult Minimum to average/typical waged working people, very low-paid workers are:

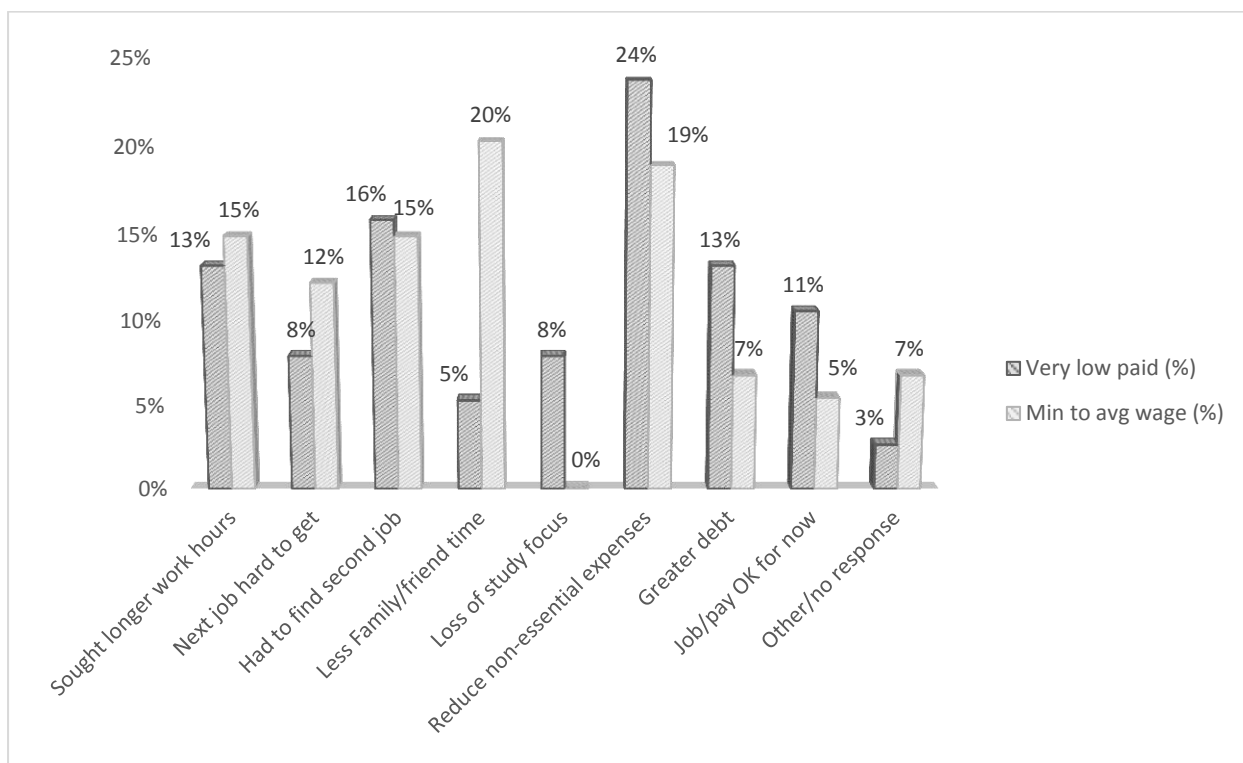
- very much more likely to not know or not respond to this question;
- much more likely to report being employed on the basis of a verbal contract, and;
- somewhat more likely to report being covered under a State Award.

Compared with those on very low wages, those on wages between the Adult Minimum to typical/average waged working people are:

- Much more likely to be employed under a Collective Agreement/EBA;
- Much more likely to be employed through a written contract;
- Much more likely to be employed under the federal industrial relations system.

Respondents were asked how their pay impacted on their work a life generally and asked to nominate one impact that most affected them. Responses by the two key wage groups, are presented in Diagram 5 below.

Diagram 5: Proportion (%) of very low-paid and minimum to typical pay responses by reported impact of pay on work and life



N=112

Not surprisingly, those on very low wages are much more likely to report that they:

- experience greater debt;
- have to reduce non-essential expenditures, and;
- experience a loss of focus on their studies or education.

Appended to this report are selected quotes from a range of low-paid respondents.

Unlawful underpayment of wages

The WA minimum hourly aged rate is \$17.89 and the federal minimum wage the rate is \$17.29. Using this and youth pay rate benchmarks (which bottom out at \$7 per hour), it is possible to identify respondents that are being unlawfully under-paid.

The survey found 28 respondents reported being paid at unlawfully low wages³⁸.

Of these, 26 were adults that reported their hourly rate of pay at below \$17. One adult reported a pay rate at below \$7. Further one teenager reported an hourly rate of below \$7.

It is relevant to note that while the question on wages asked respondents to estimate an hourly rate of pay “before paying tax”, some respondents may have responded providing a take-home pay. Thus an unknown number may be being paid at lawful rates. Nevertheless, the magnitude of the reporting of unlawful underpayment of wages is cause for serious concern and action by government.

³⁸ Of the full survey (including those on high wages over \$40 per hour) and that provide an indication of age, there were 212 viable responses. Thus the 28 reporting unlawfully low pay account for 13% of total survey responses.

Selected Quotes from Survey Respondents

Hard to make ends meet and pay bills let alone the basic cost of living. Was not able to pay for larger purchases such as a new fridge etc without taking out hire purchase loans and often had to go without.

Erica - Less than \$7 per hour

It means that as a family we do not go out much to movies or restaurants etc. Co- workers tend to work unpaid time so that they can show how dedicated they are and not risk losing hours of pay or their jobs.

John - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

Constant source of stress - you're always calculating whether you have to choose between paying the power bill this pay or the phone and heaven help you if the bloody car breaks down or one of us loses their job.

Nicole - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

barely enough money to exist. Certainly no money for entertainment or gifts etc. Every day a struggle, dreading the power, water or rates bills coming in. Having to be forced to seek assistance from family does nothing to boost a mans pride.

Michael - Between \$12 and up to \$17 per hour (or between \$450 and \$700 per week full time)

i had to work weekends to earn enough to meet family commitments thereby missing out on attending weekend events

Albert - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

I used to earn \$200 to 250 thousand dollars per annum as an Electronic Engineer offshore. The person I know, struggles from week to week, with rates, electric, food and essentials. She is a care giver and does not earn that much. She is in a constant state of worry

Alen - Between \$12 and up to \$17 per hour (or between \$450 and \$700 per week full time)

I am the sole employee at the site in a regional area, I work many hours overtime unpaid to meet my Manager's expectations.

Barbara - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

Working as a chef (after years of overseas experience) I found out that my job had been reduced to 2nd rate work for 2nd class citizens earning 3rd world wages in 3rd world conditions. This resulted in my becoming depressed as I was part of a dumbed down, de skilled, de motivated and demoralised underclass and I had worked hard (all over the world) to become a professional chef and work in the tourism industry which has now been overtaken by backpackers, boatpeople, blow ins and 457 visa holders prepared to work in the above mentioned conditions.

Bill - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

I work in aged care. My employer constantly hire's new staff. My employer get's a government subsidy for it's new staff for approx 6 to 12 months. Old staff have their work hour's cut down so the new staff get lot's of work and will want to stay. Sometime's your work is cut to less than 2 hour's a day, and they will also spread your work out so that if there is more than 1 hour between job's, this mean's that you will not get any milage paid. and yes you use your own car and mobile phone, with no remuneration. If job's are cancelled you will not get paid but the employer still get's paid in full for that service.

Michelle - Between \$12 and up to \$17 per hour (or between \$450 and \$700 per week full time)

We can't afford to take holidays, and have limited affordable choices of things to do in our down time.

Colleen - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)

Difficult to do things that others, in better paying employment, are able to do. Was not able to afford a holiday. Was not able to participate in activities that I would've liked. Hated living pay check to pay check and not being able to accumulate a savings.

Rob - Between \$17 and \$40 per hour (or between \$650 and \$1,500 per week full time)