

UNIONSWA

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UnionsWA submission in reply on the 2016 state wage order

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

**Western Australian Industrial Relations
Commission**

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1. Submission in reply

- 1.1. The Western Australian Industrial Relations Commission (**Commission**) issued an application to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979* (WA) (**IR Act**) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* (WA) (**MCE Act**) and State awards.
- 1.2. On 10 May 2016 UnionsWA filed a submission requesting the Commission issue a general order pursuant to Section 50A of the Act to increase Award wages and the statutory minimum wage by **\$30 per week for lower award rates from C14 to C10, by 3.9% for the higher rates** (based on the pay scales of the WA Metal Trades (General) Award).
- 1.3. UnionsWA notes the following positions on quantum made by section 50 parties and other interested stakeholders:
 - Western Australian Government (**the Minister**)
 - Chamber of Commerce and Industry of WA (**CCIWA**)
 - WA Council of Social Service Inc (**WACOSS**)
 - Mr George Williams
- 1.4. The submission below is the UnionsWA response to issues raised in these submissions, as well as to relevant and significant developments since UnionsWA made its original submission.
- 1.5. In the 2015 State Wage Case UnionsWA made a submission that the state minimum wage needed a real increase to meet the needs of the low paid, improve or maintain living standards, protect employees unable to reach an industrial agreement and address the gender pay gap. The ongoing, and growing, disparity between minimum wage and Average Weekly Earnings also needed to be addressed in the Commission's decision.
- 1.6. In its 2014 decision para 61 the Commission stated that

The requirements imposed on the Commission by the Act to take into account the need to meet the needs of the low paid, and to contribute to improved living standards for employees, are requirements which make it difficult, in our view, for a submission that the WA minimum wage be allowed to stagnate, or reduce, because it is higher than the level of the national minimum wage, to be able to be validly considered.
- 1.7. In its 2015 decision paras 91-92 the Commission stated that

We have recognised that an increase to the WA minimum wage contributes to providing equal remuneration for men and women for work of equal or comparable value (s 50A(3)(a)(vii)) and have noted the distinction between this consideration and the gender pay gap. We have recognised that in the private sector in Australia, women are much more likely than men to be dependent on the award rate and dependent on annual increases to the minimum wage.

We therefore do not accept the submission that we should award no increase to the WA minimum wage.
- 1.8. UnionsWA submits that the Commission must provide for an increase to the state minimum wage, it must be a real increase that improves living standards of employees, and it must be an increase that addresses the growing disparity between minimum wage and Average Weekly Earnings in WA.

2. Submission by the Western Australian Government (the Minister)

- 2.1. The Minister for Commerce has submitted
... that it is appropriate to adjust the State minimum wage in line with the Department of Treasury's (Treasury) most recently published figure for growth in the Perth Consumer Price Index (CPI) for 2015-16
- 2.2. The Minister's submission cites the figure of 1.5 per cent 'as published in the Government Mid-Year Financial Projections Statement 2015-16'.
- 2.3. According to the latest WA state government budget papers, the latest Perth CPI estimates are¹

KEY BUDGET ASSUMPTIONS						
Western Australia						
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
		Estimated	Budget	Forward	Forward	Forward
	Actual	Actual	Estimate	Estimate	Estimate	Estimate
Perth Consumer Price Index growth (%)	1.8	1.25	1.75	2.25	2.5	2.5

- 2.4. UnionsWA submits that an increase of either 1.5 per cent, or 1.25 per cent, would not be adequate for award-reliant workers in WA. This is because the 'headline' CPI figures misses much of the impact of living cost rises on the low paid.
- 2.5. As the WA Council of Social Service (WACOSS) submission points out:
The Council's members bear professional witness to the plight of low-income individuals and households – in particular, those who have struggled to achieve and maintain an acceptable standard of living by Western Australian standards, while working full time. Our members in the emergency relief and financial counselling sector report an increase in demand from working households experiencing financial hardship.
- 2.6. UnionsWA argues that an increased determined solely by CPI outcomes goes against the previous statements by the Commission 'we do not, and cannot, set the WA minimum wage by preferring one or more considerations in it to the exclusion of the other considerations.'²
- 2.7. The Minister has also submitted that
State adult award wages should ... be increased by an equivalent flat dollar amount.
- 2.8. And elsewhere states that
The Minister acknowledges that a flat dollar increase will result in a slight decline in the real value of some award rates above the minimum.
- 2.9. UnionsWA submits that our formulation for a state minimum wage increase (\$30 per week for lower award rates from C14 to C10, by 3.9% for higher rates) would provide the benefits of a 'flat dollar' increase for those on the lowest award rates, while preserving the real value of award rates above the minimum.

¹ 2016-17 Budget Paper No. 3, p.13 <http://static.ourstatebudget.wa.gov.au/16-17/2016-17-wa-state-budget-bp3.pdf?>

² Reasons for Decision 2015, para 84.

A fair system of wages and conditions in Western Australia

- 2.10. The Minister's submission argues that

State's WPI has slowed considerably in the last three years. Growth in WPI was lower than CPI between June 2014 and March 2015, indicating a decline in real wages, and has not grown significantly in excess of CPI since then.

Table 2: Wage Price Index, annual average increase by industry, December quarters 2014 and 2015, WA¹⁹

Industry	WPI Annual change to Dec Q 2014	WPI Annual change to Dec Q 2015
Administrative and support services	1.6%	0.3%
Construction	1.9%	0.9%
Professional, scientific and technical services	1.6%	1.4%
Accommodation and food services	3.0%	1.9%
Mining	2.0%	2.2%
Retail trade	2.8%	2.7%
Education and training	3.8%	2.8%
Manufacturing	3.2%	2.8%
Health care and social assistance	3.6%	3.0%
Public administration and safety	2.7%	3.3%
All industries	2.4%	2.0%

- 2.11. UnionsWA finds these total pay increases cited by the Minister to be extraordinarily low. It is not sufficient to point out the wage growth is declining, the as the considerations in the Act include 'improved living standards for employees'. We note that, even if the state minimum wage was lifted by an amount equivalent to the WPI annual change to the December Quarter 2015 (2 per cent), it would still be a larger increase than what the Minister, and the Chamber of Commerce and Industry (CCIWA) are proposing.
- 2.12. The Minister's proposed increase would therefore not '*ensure that Western Australians have a system of fair wages*' as set out by the Act.

The Needs of the Low Paid, Fair wage standards & improved living standards for employees

- 2.13. The Minister's position is that

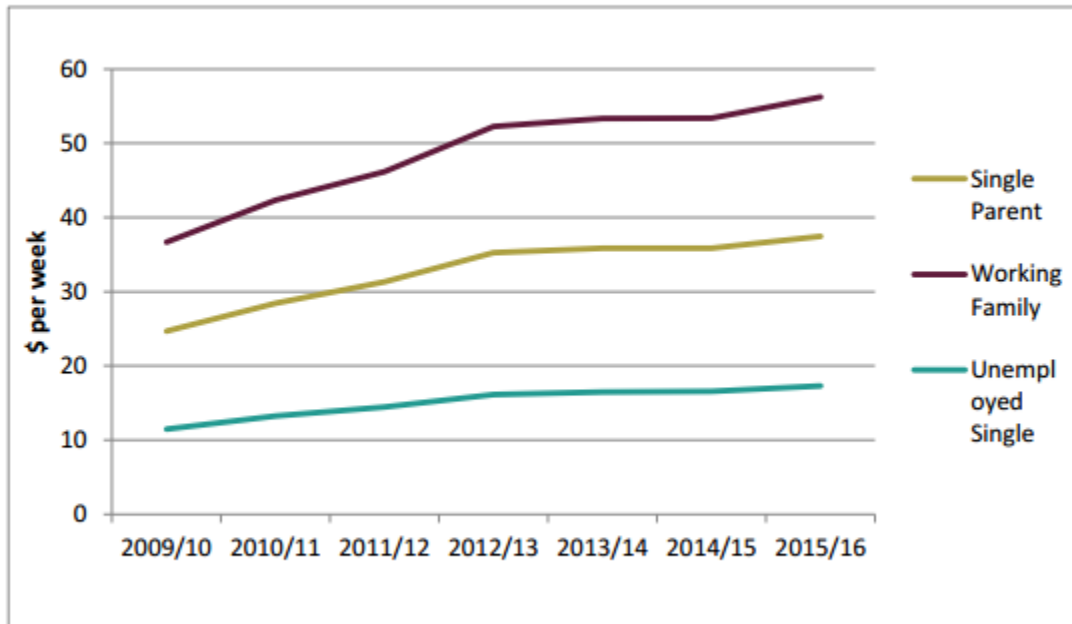
... CPI is the best indicator of the adjustment needed to maintain the real value of the minimum wage. The overall rate of CPI growth, weighted to reflect the purchasing patterns of a typical Perth household, is the most rigorous and accurate means available of tracking increases in the cost of living.

- 2.14. The WACOSS submission provides evidence showing that CPI is not '*the most rigorous and accurate means available*' to measure costs of living, as the costs of a '*typical Perth*

household' cannot be taken as the single metric for the needs of the low paid. As they point out in their submission

Modelling undertaken by the Council of the impact of WA's utility prices over time on three hypothetical households, demonstrates the increased burden that they are placing on low income earners. Drawing on the State Government estimates of average usage and prices obtained directly from the utility providers for Perth residential households, the following pattern of an increased utility cost burden can be observed.

Figure 4: Utility Charges



2.15. WACOSS points out that

As demonstrated above, 2015/16 has seen a significant increase in utility costs for low income earners. The 2015-16 WA Budget saw an increase of 4.5% for residential electricity tariffs and for the full range of services, such as water supply and wastewater, provided by the Water Corporation.

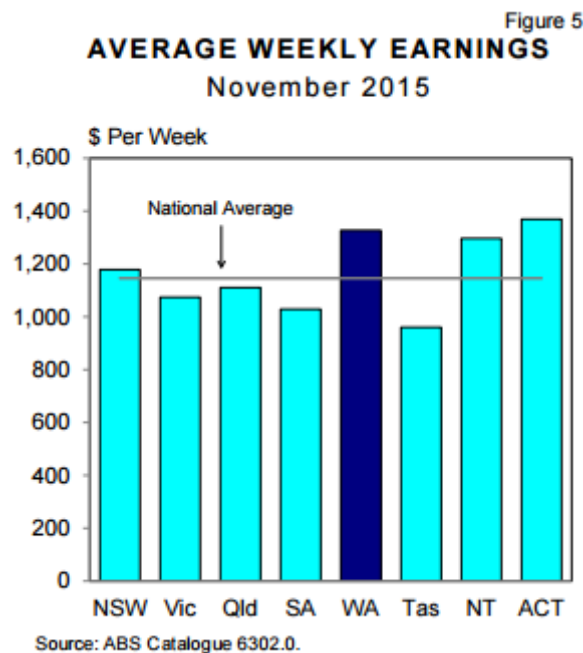
2.16. The most recent WA state Budget made the following increases in government tariffs, fees and charges³

WA State Charges	2016-17 WA Budget
Electricity	+3%
Water, Sewerage & Drainage	+4.5%
Transport	+1.53%
Motor Vehicle Registration	+2.45%
Total	+4.76%

2.17. UnionsWA also notes the following from the 2016-17 budget papers:

³ 2016-17 Budget Paper No. 3, p.284 <http://static.ourstatebudget.wa.gov.au/16-17/2016-17-wa-state-budget-bp3.pdf?>

While a period of softer wage growth is expected in the near-term, the level of wages remains high, reflecting the rapid wage growth experienced in recent years. For example, in November 2015, average weekly earnings in Western Australia (\$1,326.9) were the second highest of all jurisdictions, and significantly higher than the national average (\$1,145.7 ...)



- 2.18. Both UnionsWA and WACOSS have asked the Commission to consider the minimum wages have fallen as a proportion (or 'bite') of average full-time earnings. The WA fall has been sharper, and faster, than the national fall.
- 2.19. Given that Average Weekly Earnings in WA are '*significantly higher than the national average*', the increase proposed by the Minister will do nothing to address this continuing deteriorating situation.
- 2.20. UnionsWA submits that an increase as proposed by the Minister will not meet the needs of the low paid, maintain fair wage standards or improve living standards for employees.

Employees who may be unable to reach an industrial agreement

- 2.21. The Minister submits that
- The minimum safety net for low paid employees should allow scope for employers and employees to negotiate agreements which lead to productivity improvements. A CPI based adjustment should protect the needs of the low paid while not impacting on the willingness of employers and employees to undertake bargaining.*
- 2.22. UnionsWA pointed out in its initial that there is no evidence for the claim that a low to zero minimum wage increase 'allows scope' for employers and employees to negotiate agreements. Where studies have occurred, they have found it far more likely that there is '*a positive association between wage increases in enterprise agreements and minimum wage increases.*'⁴

⁴ 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>

Encouraging Ongoing Skills Development

- 2.23. The Minister submits that
- The State level decreases in the numbers in training appear to be significantly lower than those experienced nationally. While not directly comparable to the DTWD data for the year to December 2015, data compiled by the National Centre for Vocational Education Research indicates that as at 30 September 2015, the total number of apprentices and trainees in training across Australia had decreased by 13.7 per cent compared to the same time the previous year. In the 12 months ending 30 September 2015, commencements nationally decreased by 19.3 per cent compared with the 12 months ending 30 September 2014*
- 2.24. And urges the Commission to
- ... consider the potential impact of any minimum wage increase on the willingness of employers to engage staff in training arrangements.*
- 2.25. In its initial submission, UnionsWA pointed out that the NCVER has also found that the ‘main cost to employers to be in the supervision of the apprentice’ rather than the wage costs.
- 2.26. UnionsWA has previously pointed out the 22 August 2013, Full Bench decision of the Fair Work Commission issued a decision on Apprentices, Trainees and Juniors which noted that
- ...current wage structures were set when most apprentices were 14, 15 or 16 years of age on commencement. Many are now 17 or older and have completed Year 12 schooling, and are already undertaking part-time or casual work with higher wages than they receive under an apprenticeship. ... [I]ncreased rates may assist to improve the attractiveness of apprenticeships compared to other training or employment options for young people. Only about half of all apprentices complete their apprenticeship and increased wage rates may also assist in improving completion rates.⁵*
- 2.27. UnionsWA argues that, whatever the reasons for the decline in training numbers – there is no reason to blame minimum wage rates, or limit potential increases.

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

- 2.28. The Minister states that
- ... the gender pay gap in WA decreased from 25.6 per cent in November 2014 to 24.7 per cent in November 2015. Nationally, the gap decreased from 18.8 per cent to 17.4 per cent over the same period. In both cases, the narrowing of the gap reflects female average earnings having increased at a faster rate than earnings for males.*
- 2.29. A 2008 research report entitled ‘Gender Pay Differentials in Low-Paid Employment’ found that minimum wages decisions are an important determinant of women’s involvement in paid work i.e. their participation in the labour market. They go onto argue that

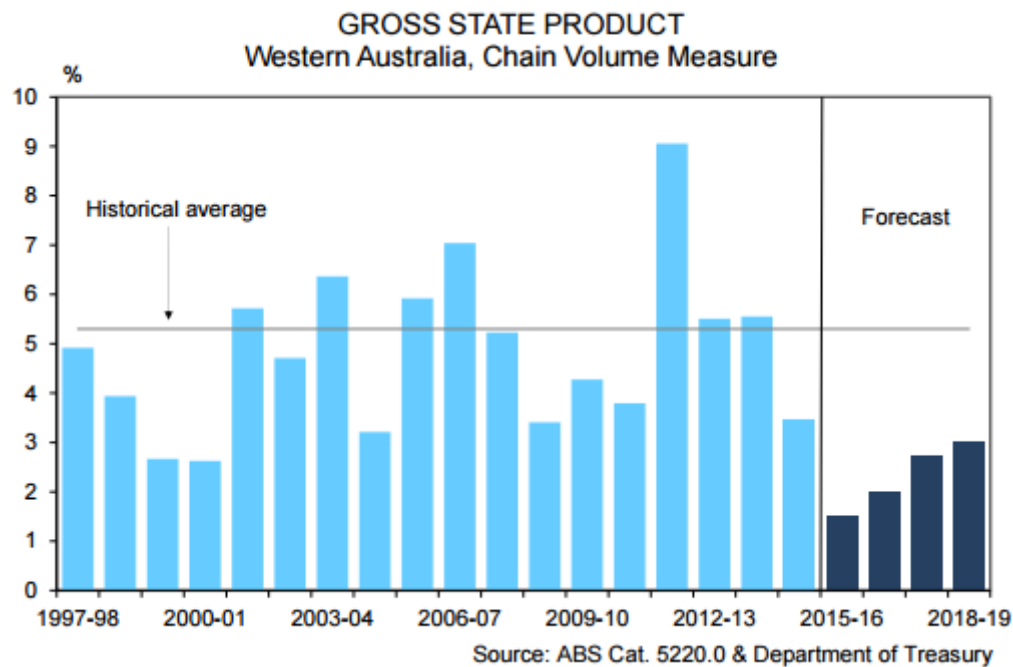
⁵ Summary of Decision: Transitional Review of Modern Awards —Apprentices, Trainees and Juniors: Common Claims(para 9) https://www.fwc.gov.au/documents/documents/summaries/2013fwcfb5411_summary.htm

It is reasonable to conjecture that, in the absence of adjustments of minimum wage rates over recent years, wage outcomes for low wage workers would be worse than they currently are and wage inequality would be greater. Given that women are over-represented in low-paid jobs, this implies that the gender pay gap would be greater than it currently is if the minimum wage adjustments had not occurred.⁶

- 2.30. UnionsWA contends that it is not enough to address the gender pay gap by waiting for male average weekly earnings growth to slow down compared to female average weekly earnings growth. Positive growth in the minimum wage is an essential component in addressing the gap.

The State of the Economy of Western Australia, and Australia

- 2.31. The economic outlook provided by state Treasury for the state wage case says that *... household consumption grew by only 1.1% in 2014-15, the weakest rate of growth since 2008-09. Consumer spending growth is expected to remain below its long-run average across the forecast period, constrained by subdued wages growth and more moderate increases in the State's population.*



- 2.32. Treasury goes onto point out that *Growth is forecast to increase modestly in the remaining years of the forecast period as the rate of decline in business investment eases*
- 2.33. Given the importance of consumer spending and household consumption in the maintaining the forecast growth in the WA GSP (see below). Now is not the time for low wage workers, who are more likely to spend any extra income, to be given a zero real wage increase (simply equivalent to CPI).

⁶ Austin S, Jefferson, T, Preston, A, Seymour, R 'Gender Pay Differentials in Low Paid Employment', Research Report No.3/09, 2008, AFPC.

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

2.34. The Minister's submission includes the following table:

Table 4: Gross operating surplus (GOS) and gross mixed income (GMI) by industry, current prices, 2014 and 2015²⁶

Industry	GOS + GMI June 2014 (\$m)	GOS + GMI June 2015 (\$m)	Annual Increase (\$m)	Annual Increase (%)
Administrative and support services	347	404	57	16.4%
Arts and recreation services	474	528	54	11.4%
Other services	826	920	94	11.4%
Accommodation and food services	1,119	1,218	99	8.8%
Health care and social assistance	1,398	1,496	98	7.0%
Public administration and safety	1,176	1,235	59	5.0%
Electricity, gas, water and waste services	3,503	3,594	91	2.6%
Education and training	824	842	18	2.2%
Transport, postal and warehousing	5,363	5,404	41	0.8%
Manufacturing	4,617	4,607	-10	-0.2%
Financial and insurance services	6,061	5,972	-89	-1.5%
Information media and telecommunications	1,865	1,815	-50	-2.7%
Agriculture, forestry and fishing	4,911	4,626	-285	-5.8%
Wholesale trade	2,845	2,631	-214	-7.5%
Retail trade	3,180	2,938	-242	-7.6%
Construction	15,655	13,921	-1,734	-11.1%
Rental, hiring and real estate services	2,318	1,989	-329	-14.2%
Mining	67,769	49,978	-17,791	-26.3%
Professional, scientific and technical services	2,751	1,968	-783	-28.5%
Total all industries	143,566	123,714	-19,852	-13.8%

2.35. UnionsWA notes that three industries out of the five usually associated with being more likely in the state system actually showed an increase in their Gross Operating Surplus and Gross Mixed Incomes between June 2014 and June 2015.

- Accommodation and food services (+8.8%)
- Administrative and support services (+16.4%)
- Other services (+11.4%)
- Rental, hiring and real estate services (-14.2%)
- Retail trade (-7.6%)

2.36. These results suggest that there has been no uniform deterioration in the capacity of business to pay for a minimum wage increase.

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

- 2.37. The Minister acknowledges
... that a flat dollar increase will result in a slight decline in the real value of some award rates above the minimum. However, this is not inconsistent with wage trends in the broader labour market, whereby employees in some industries have received increases below CPI.
- 2.38. UnionsWA argues that the Commission Act requires it to take seriously any decline in the real value of award rates – and consider it in its decision. The Commission should consider the UnionsWA formulation of a flat increase plus a percentage increase as way to address this admitted decline.

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

- 3.1. The Chamber of Commerce and Industry of WA (CCIWA) has submitted that
... there is no longer any justification for maintaining a higher SMW given the substantial decline in the State's fortunes from leading the national economy, to now falling below the national average in key areas.
- CCI is therefore advocating for a substantial reduction in the gap between the State and the Federal minimum wage.*
- We believe that this is best achieved through maintenance of the SMW and corresponding award rates of pay at their current levels.*
- 3.2. Last year the Commission said that it could not
... accept the submission that we should award no increase to the WA minimum wage.
- 3.3. It also said that it cannot '*set the WA minimum wage by preferring one or more considerations in it to the exclusion of the other considerations*'.
- 3.4. While the gap between the state and the national minimum wage is, as the Commission says '*not an irrelevant consideration*' – it should not also be a consideration that excludes the others in the Act.

A fair system of wages and conditions in Western Australia

- 3.5. The CCIWA argues that
Australia has the highest minimum wage compared to any other Organisation for Economic Co-operation and Development (OECD) member country.
- 3.6. They also cite research which says that
For the unemployed, paid employment at the minimum wage provides greater financial benefit than social security payments.
- 3.7. CCIWA argues later in their submission that '*significant consideration needs to be given to the role the tax transfer system plays*' in compensating low income earners.
- 3.8. In its initial submission, UnionsWA cited the work of Professor Peter Whiteford of the Social Policy Research Centre. He argues that Australia has the lowest level of 'in-work

poverty' among families with children in the OECD precisely because we have been willing to pay relatively high minimum wages.⁷

- 3.9. Minimum wage rates complement, rather than compete with, the tax-transfer system. The Commission should not award a lower increase based on the notion that the tax-transfer system is a substitute for the minimum wage.

The Needs of the Low Paid, Fair wage standards & improved living standards for employees

- 3.10. CCIWA makes the claim that

There is now a significant body of research that suggests that the low paid frequently do not work in low income households.

also

... in middle and high income households, increases to the minimum wage are unlikely to have a significant impact upon the employee's standard of living.

- 3.11. As UnionsWA pointed out in its initial submission, the presence of low and high income earners in the same households should not be treated as a reason to limit increases to the minimum wage. Wages are paid to individuals, therefore implications that spouses or parents can simply subsidise the low paid are not a valid consideration for the Commission. The assumption that parents and spouses constitute income support plans for low wage workers ignore the issues of income inequality over a life cycle. An example is: whether children will be able to move out of their parent's homes to live independently.

- 3.12. CCIWA also argues that

Increases will naturally have a greater impact on the standard of living of minimum wage earners living in low income households, but so too will any negative employment effects.

- 3.13. In its 2015 decision to Commission noted that '*Minimum wage increases have had only minor effects on employment*'. In its initial submission UnionsWA referred to the Doucouliagos and Stanley meta-analysis of studies of the minimum wage – which showed the minimum wage rises have little to no effect on employment.⁸

- 3.14. Given these findings – the Commission should disregard assertions about 'negative employment effects' of the minimum wage.

Encouraging Ongoing Skills Development

- 3.15. The CCIWA cites research that claims

⁷ Whiteford, Peter, 'Transfer Issues and Directions for Reform: Australian Transfer Policy in Comparative Perspective', *Melbourne Institute – Australia's Future Tax and Transfer Policy Conference* (June 2009) (p.57) http://taxreview.treasury.gov.au/content/html/conference/downloads/conference_report/03_afts_tax_and_transfer_policy_conference_chap_3.pdf

⁸ 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

Minimum wages, while acting as a safety net, also have the negative impact of “suppressing employer-provided training opportunities for low paid workers when such training could be provided by the employee receiving wages below the value of their marginal productivity”

- 3.16. Once again UnionsWA refers to the NCVER research cited in its initial submission which found that the ‘main cost to employers to be in the supervision of the apprentice’ rather than the wage costs.
- 3.17. However UnionsWA also points out that there is an income opportunity cost involved in the time a worker spends 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
- 3.18. It is the practice for increases to the state minimum wage to flow onto apprentice and trainee rates. 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.

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

- 3.19. The CCIWA cites the Productivity Commission claim that
“some economists have further suggested that, contrary to popular perceptions, increases in the minimum wage in fact have the potential to detract from equity.”
- 3.20. One of the most comprehensive studies of the gender pay gap in recent history was the inquiry into *Pay Equity And Associated Issues Related To Increasing Female Participation In The Workforce* by the House of Representatives Standing Committee on Employment and Workplace Relations. It reported in 2009 that ‘*Women are more likely than men to be reliant on the minimum wage*’.
- 3.21. The inquiry received numerous submissions attesting to this including from:
 - The WA, South Australian, and NSW governments
 - The Australian Catholic Bishop’s Conference
 - Working Women’s Centres
 - The National Pay Equity Coalition and Women’s Electoral Lobby
- 3.22. The Committee’s report *Making it Fair*, includes the following quote from the Working Women’s Centre’s submission:
*As 60.3 percent of award dependent workers are women, changes to minimum wage setting and awards will disproportionately affect them.*⁹
- 3.23. The Commission should be confident that it will be positively addressing the gender pay gap by increasing the minimum wage.

The State of the Economy of Western Australia, and Australia

- 3.24. The CCIWA argues that

⁹ House of Representatives Standing Committee on Employment and Workplace Relations, *Making it Fair* (November 2009), pp.160-2, <http://www.aph.gov.au/house/committee/ewr/payequity/report/fullreport.pdf>

Over 2014-15 the value of business investment in WA decreased by 12.3 per cent, with CCI forecasting business investment to continue to decline by 10.9 per cent over 2015-16 and 7 per cent in 2016-17

- 3.25. UnionsWA points out the economic growth forecasts in the latest WA State Budget, namely that

Economic growth is expected to gradually recover to reach 3% by 2019-20, underpinned by a pick-up in consumer spending and an eventual return to modest growth in business investment, as well as the continued expansion of LNG exports over the forecast period.

- 3.26. The latest Federal Budget also points out that¹⁰

The Australian economy continues its transition to broader-based growth. In 2011-12 mining investment contributed 2.8 percentage points to GDP growth. In 2015-16 it is expected to detract 1½ percentage points from growth. Household consumption, dwelling investment and exports are supporting near-term economic activity, and there has been strong employment growth, particularly in the service sectors.

- 3.27. Neither the WA nor the Federal Budgets point to the minimum wage as a cause of economic distress or a threat to economic progress. Both however point out that consumption spending has played an important role in maintaining economic activity during a transition period out of the mining boom. Neither the national, nor state Treasuries are predicting a recession during this transition.

- 3.28. UnionsWA argues that a real minimum wage increase will be important for maintains levels consumption spending during this period at the both the state and national levels.

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

- 3.29. The CCIWA submission includes copies of its most recent *Survey of Business Expectations* – which argues that ‘*Businesses remain uncertain about the medium term Western Australian economic outlook*’.

- 3.30. However the most recent release of the Australian Chamber of Commerce and Industry *Small Business Survey* (March Quarter 2016) has found that small business has

... improving conditions and confidence, with measures of small business investment pulling ahead of the overall readings for all businesses¹¹

- 3.31. The Chamber describes this result as a sign that small business is

... making the most of the instant asset write off and other tax incentives, with investment in plant and equipment recording its best result in more than six years.

- 3.32. UnionsWA argues that there is no uniform conclusion that can be drawn about the capacity of businesses to bear the costs of increased wages. The results from the Australian Chamber

¹⁰ Budget 2016-17 - Budget Paper No. 1 - Statement 2: Economic Outlook p.2-15 http://budget.gov.au/2016-17/content/bp1/download/bp1_bs2.pdf

¹¹ AusChamber *Small Business Survey* (March Quarter 2016) p.2 https://www.acci.asn.au/sites/default/files/uploaded-content/field_f_content_file/auschamber_smallbusinesssurvey_marchqtr_a4forweb.pdf

survey suggest that businesses can invest despite reporting that '*pressures on wage and non-wage labour costs continue to rise alongside business conditions*'.¹²

- 3.33. UnionsWA urges that the Commission should have confidence that increasing the minimum wage will not be detrimental to employer as a whole.

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

- 4.1. UnionsWA has cited the WACOSS submission elsewhere in this submission, and agrees with its position that

... an increase of \$30 per week in the State Minimum Wage rate (and in the minimum award rates for junior employees, apprentices and trainees) is consistent with the need to maintain a fair system of wages and conditions in the current Western Australian context; and (b) a very reasonable increase which takes into account current economic conditions.

A fair system of wages and conditions in Western Australia

- 4.2. WACOSS emphasises the importance of the

... growing gap between average weekly earnings in Western Australia and the State Minimum wage rate will have a profoundly negative impact on the Western Australian community and will harm the financial resilience of low income household in the state

- 4.3. It points out that

Lower levels of inequality have consistently been shown to deliver better economic and social outcomes, while at the same time enabling faster and more sustainable economic growth.

- 4.4. In particular WACOSS cites research from the IMF which says that

(I)nequality continues to be a robust and powerful determinant both of the pace of medium-term growth and of the duration of growth spells, even controlling for the size of redistributive transfers... It would still be a mistake to focus on growth and let inequality take care of itself, not only because inequality may be ethically undesirable but also because the resulting growth may be low and unsustainable

- 4.5. UnionsWA emphasises the need to address the shrinking minimum wage 'bite' for similar reasons. The minimum wage is not the only way to address inequality, but no other policies will work effectively without a strong minimum wage. Therefore a fair system of wages and conditions in WA requires a substantial minimum wage increase.

The Needs of the Low Paid, Fair wage standards & improved living standards for employees

- 4.6. WACOSS argues that

¹² 'Small business making the most of budget support' <https://www.acci.asn.au/news/small-business-making-most-budget-support>

While minimum wage increases in recent years have been welcomed by the Council and low wage workers in the community, the Council contends that it has been many years since a minimum wage decision has delivered demonstrable improvement to living standards for low wage employees

- 4.7. They cite their experience as a peak body which is that
As a result of the economic situation, increasing tightening of welfare access and conditionality (including non-payment periods, asset tests and movements onto lower payments) and the changing nature of work within our community ... individuals and families appear to be less financially resilience and more susceptible to financial crisis. Within this context the adequacy of the minimum wage relative to living costs is critical to their capacity to manage sufficient savings to provide a buffer against unexpected costs, personal or family crises, accidents and ill-health.
- 4.8. The WACOSS submission demonstrates that an increase in the minimum wage which only reflects headline CPI inflation, will miss much of the detail of how low wage worker are impacted by increases in the costs of living.

Employees who may be unable to reach an industrial agreement

- 4.9. WACOSS points out that
Community sector service providers also play an important role in supporting vulnerable members of the WA community, including many who struggle to survive on low wages due to rising costs of living. The community sector's capacity to provide quality services to support vulnerable members of the community depends on the availability of suitably skilled employees, many of whom rely on award systems for their wages.
- 4.10. They cite the following workers as examples
... social and community workers in Aboriginal organisations operating under the Aboriginal Communities and Organisations Award, and some disability sector workers either on the minimum conditions or covered by a United Voice Award.
- 4.11. Given the presence of workers in the community services sector who have limited capacity to bargain - the state minimum wage needs to be increased regularly, and substantially.

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

- 4.12. WACOSS cites the 2012 *Independent Inquiry into Insecure Work in Australia final report* which found that
- *Women are disproportionately represented in casual work, with 28% of all female employees working in casual employment, compared to 20% of male employees; and over half (56%) of casual employees are women; 36*
 - *Single parents (of whom the majority are also women) also tend to be highly dependent on casual and part-time work, and face significant challenges with insecure working hours and childcare arrangements — as well as unpredictable wages and social security reporting requirements; and*

- *There is a high level of ‘churn’ in and out of employment by a sub-section of the workforce, typified by low-skilled occupations dependent on the minimum wage.*

The high level of churn within the population of workers reliant on the minimum wage means they lack financial resilience and are at high risk of experiencing financial crisis. This increases pressure on the welfare system, and increases stress for the newly-unemployed as they attempt to navigate their way through a plethora of criteria and requirements to be considered eligible to receive unemployment benefits.

- 4.13. The WACOSS point about financial resilience of individuals is important to consider in discussions about the presence of lower income workers in higher income households. The financial capacity to be independent, should a life condition change, is an important consideration for maintaining a high minimum wage for individuals.

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

- 4.14. WACOSS points out that it *supported the applications in both federal and state jurisdictions by unions (including the Australian Services Union) for an equal remuneration order.* It goes onto argue that

With specific relevance to the State Wage Case — it is important for community sector workers to receive the full benefit of a strong minimum wage increase. The Equal Remuneration Order has been essential for enabling fair and just wages for community sector workers. Due to the aforementioned connection between the ERO and the minimum wage, as well as the rising AWOTE, in the event of a weak minimum wage increase community sector workers will effectively be losing some of the pay equity remedy they have been awarded in recent years.

- 4.15. Pay equity in the Community Sector is not simply a cost, but also an investment its ability to attract and retain skilled staff. In light of this the state minimum wage needs an increase that works with, not against, equal remuneration, which is supported by employers in the sector.

5. Submission of Mr George Williams

- 5.1. UnionsWA is supportive Mr Williams concerns that

Anybody wondering why so few young people want to become apprentices in any trade should consider the starting wage ...

My grandson Jack was a schoolboy working part-time at Hungry Jacks Hamburgers and paid \$18 per hour.

...

At 17 he left school and became an apprentice plumber and was paid \$8.94 an hour.

... It's easy to imagine the effect if he goes back to his old school and tells the current year 12s about his experience.

Don't imagine any of them would be rushing to become an apprentice in any trade.

Apprentices often have to do hard, dirty, noxious work for very low pay.

...

In his case the work as a plumber started with a summer spent mostly digging trenches for pipes to be laid to new houses.

Later he got to clear blocked sewer pipes. Obviously a smelly and dirty job that few people would want to do no matter how high the pay rate.

- 5.2. Mr William's concerns for his grandson should be considered as part of the Commission's requirement under the ACT to *encourage ongoing skills development.*

6. Trainees under State awards which reference the National Training Wage Award

- 6.1. The Minister for Commerce has submitted that

... the provisions in the State Wage Order regarding the pay rates applicable to trainees be amended in the 2016 Order. The Minister submits that the Commission should modify paragraph 6 of the 2015 Order to take account of an issue regarding trainees covered by State awards which reference the obsolete National Training Wage Award (NTWA).

- 6.2. UnionsWA has no objections.

7. Conclusion

- 7.1. 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.
- 7.2. 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 neither the Minister's nor the CCIWA's claims will address this consideration – as they will result in a continuing deterioration of the minimum wage 'bite' of average weekly earnings.

(ii) meet the needs of the low paid;

UnionsWA submits that a CPI only increase will not address the increases in living costs that impact disproportionately on low wage workers.

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

Neither the Minister's nor the CCIWA's proposed increases will 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 for low wage workers.

(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. In this regard the submission by Mr George Williams is a practical example of why an increase is necessary. Neither the Minister's nor the CCIWA's proposed increases will be adequate.

(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.