

UNIONSWA

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Additional Submission of UnionsWA on the 2017 state wage order

Appl No. 1 of 2017
ON THE COMMISSION'S OWN
MOTION

Western Australian Industrial Relations
Commission

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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. On 9 May 2017 UnionsWA filed a submission requesting the WA Industrial Relations Commission (the Commission) issue a general order pursuant to Section 50A of the Act to increase Award wages and the statutory minimum wage by **\$45 per week** for lower award rates from C14 to C10, by **5.7%** for higher rates. (based on the pay scales of the WA Metal Trades (General) Award).
- 1.3. UnionsWA acknowledges and thanks the Commission for providing the parties with an additional opportunity to respond to various new items of information relevant to the proceedings of the state wage case – specifically
 - The latest ABS Labour Force Data (released 18 May 2017)
 - Updated submissions from the WA Council of Social Service (WACOSS) (provided on 18 May 2017)
 - Information provided by the Minister on Statutory Minimum Rates of Pay for Apprentices and Trainees (as at 19 May 2017)
- 1.4. This submission is the UnionsWA response to issues raised by the above.
- 1.5. UnionsWA again submits that the Commission must not only provide for an increase to the state minimum wage, it must also provide for a real increase that
 - improves living standards of employees,
 - addresses the growing disparity between minimum wage and Average Weekly Earnings in WA
 - takes the lead in increasing aggregate demand in the WA state economy, and arresting the drag on growth inequality is now causing our state.

2. Labour Force, Australia, Apr 2017

- 2.1 UnionsWA notes that, on 18 May 2017, the Australian Bureau of Statistics (ABS) released its Labour Force Data for April 2017. This release showed that Western Australia's employment figures have had a positive start to the year.
- 2.2 In seasonally adjusted terms WA unemployment is 5.9 per cent, the first time it has been below 6 per cent since June 2016. The reduction from 6.5 per cent in March was the biggest improvement of all the states and territories.

	Trend		Seasonally Adjusted	
	March	April	March	April
	%	%	%	%
New South Wales	5.0	5.0	5.0	4.7
Victoria	6.1	6.1	6.1	6.1
Queensland	6.4	6.4	6.3	6.3
South Australia	6.9	7.0	7.0	7.3
<i>Western Australia</i>	<i>6.2</i>	<i>6.1</i>	<i>6.5</i>	<i>5.9</i>
Tasmania	5.8	5.8	6.0	5.9
Northern Territory	3.5	3.5	np	np
Australian Capital Territory	3.7	3.6	np	np
Australia	5.8	5.8	5.9	5.7

2.3 In trend terms WA unemployment is 6.1 per cent, and has been steadily decreasing since December 2016 when it was 6.5 per cent.¹

2.4 Shane Wright, the Economics Editor of the West Australian, points out that²

The number of West Australians with a full-time job improved another 5000 last month. Since the start of the year the State has added more than 23,000 full-time workers, the best opening to a year since 2012 when the jobless rate was just 3.7 per cent.

So far this year WA has accounted for almost two-in-five of all full-time jobs that have been created [in the national jobs market].

2.5 While these improvements to the WA's employment are welcome, it is worth noting that they reflect national trend of increases in proportions of part-time jobs in the overall employment picture. Between March and April 2017, full-time and part-time employment numbers grew 'neck and neck'.

	WA Employed full-time Persons (original data) '000	WA Employed part-time Persons (original data) '000
Mar-2017	927.0	421.6
Apr-2017	932.5	427.2
Change '000	5.5	5.6

2.6 It is also worth noting that, in the ABS Wage Price Index data (released May 2017); WA recorded the lowest wages growth of any state in the year to March 2017 at 1.2 per cent compared to 1.9 per cent nationally.³

2.7 The WA can be seen to be recovering; however there is still scope for it to benefit from an increase in demand created by the stimulus of a substantial increase to the minimum wage.

3. Updated submissions from the WA Council of Social Service (WACOSS)

3.1 UnionsWA broadly supports the additional submissions made by WACOSS; however we would like to highlight a couple of points arising from them.

3.2 On pages 41-42 of their additional submissions, WACOSS makes the point that 'Western Australia has the highest rate of income inequality in Australia', and that

Those on and around the minimum wage can be found predominantly within the 2nd and 3rd income quintiles. The 4th and 5th quintiles hold 83.4 per cent of household net wealth in Western Australia.

3.3 In its initial submission, UnionsWA has provided data to the Commission showing the decline of the minimum wage 'bite' of Average weekly ordinary time earnings (AWOTE) over the last decade.

¹ 6202.0 - Labour Force, Australia, Apr 2017 (Table 8. Labour force status by Sex, Western Australia - Trend, Seasonally adjusted and Original)

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Apr%202017?OpenDocument>

² 'Jobs growth a lift to economy' The West Australian (19 May 2017) <https://thewest.com.au/news/wa/jobs-growth-a-lift-to-economy-ng-b88479585z>

³ 6345.0 - Wage Price Index, Australia, Mar 2017, (Table 2b. Total Hourly Rates of Pay Excluding Bonuses: All Sectors by State, Original (Quarterly Index Numbers))

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6345.0Mar%202017?OpenDocument>

	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	1028.4	49.00%	511.86	1025.8	49.90%
2016	692.9	1698.6	40.79%	672.7	1516	44.37%

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

3.5 WACOSS also points out that

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

3.6 In section 3 of its initial submission, UnionsWA provides estimates of the demand impacts of the claim to increase Award wages and the statutory minimum wage by \$45 per week for lower award rates from C14 to C10, and by 5.7% for higher rates. We make use of the multiplier estimates utilised by the Commonwealth Treasury in the Federal Budget papers 2009-10.

3.7 The WACOSS additional submissions corroborate the claim that the marginal propensity to consume out of income is higher for lower income households than high income households. Therefore a lower income household will spend a higher proportion on any extra dollar they receive than a higher income household - because people on low incomes have many goods and/or services they need to buy.

3.8 Therefore, should the Commission accept the claim that the WA minimum wage should be increased by \$45 per week for lower award rates from C14 to C10, and by 5.7% for higher rates, it can be confident that it is contributing to restoring and improving the growth of the WA economy.

3.9 On page 51 of their additional submissions, WACOSS references the report *Energy Poverty in Australia*, by Bankwest Curtin Economics Centre, which found that those on low incomes:

were often forced to buy cheap, older, higher fuel consumption cars and might drive rather than walk in order to take advantage of lower priced food, for example, even when a closer (but more expensive option) existed.

3.10 UnionsWA made the point in its initial submission (para 7.5) that the Consumer Price Index (CPI) Expenditure Group ‘Automotive fuel’ has increased by 16.6 per cent in WA in the year to March 2017. As WACOSS observes, the cost of transport fuel impacts low-income earner’s job search and employment decisions, ‘with nearly one quarter of respondents in the lowest income bracket indicating that concerns over the cost of getting to an interview had affected their decision whether or not to attend.’

3.11 In its initial submission UnionsWA made reference in its para 5.2 to the costs of ‘labour market frictions’ when employees face high costs from changing jobs, or from needing to travel long distances to take up alternative employment. In such a labour market a strong minimum wage increase is necessary to counterbalance the power of employers, particularly for those workers who may be unable to reach an industrial agreement themselves.

- 3.12 On page 54 of their additional submissions, WACOSS provides further details for an analysis of the increase in the UK minimum wage relative to CPI and AWE (Average Weekly Earnings). This was in response to the Commission's questions about the impact on employment levels or hours from various quanta of minimum wage increases. The information they cite make the point that:

Looking across its lifetime, the first nine years of the adult rate of the NMW were characterised by significant rises in its real value (in 2016 prices), reaching a peak value in 2007 adjusted for CPI (£6.72), and 2009 adjusted for RPI (£7.02). Over the same period, there was a gradual increase in its relative value, as its level rose faster than that of median earnings

- 3.13 This reinforces the point made by UnionsWA in its initial submission (para 5.5) that while the WA Commission has been warned year after year about the potentially dangerous impacts on employment of raising the state minimum wage by 'too much', there is no real evidence that such impacts have ever come to pass.

4. Information provided by the Minister on Statutory Minimum Rates of Pay for Apprentices and Trainees

- 4.1 On 19 May 2017, the Minister provided information comparing the Statutory Minimum Rates of Pay for Apprentices and Trainees in both the Western Australian jurisdiction and the National jurisdiction (*Fair Work Act 2009*).
- 4.2 This information demonstrates that it is far from obvious that workers whose wages are set through the WA award system are necessarily 'better off' than those in the national system – just because the C14 rate is higher in WA awards than national awards.
- 4.3 Therefore the Commission should place no weight on arguments that the minimum wage in WA must be brought into line with the national minimum wage on the grounds that WA award worker are somehow at an advantage, or their employers at a disadvantage, compared to their national counterparts.

5. Conclusion

- 5.1 UnionsWA is advocating that the Commission increase Award wages a \$45 per week increase for Levels C14 to C10, and a 5.7% increase for higher levels. This would be an increase that
- improves living standards of employees,
 - addresses the growing disparity between minimum wage and Average Weekly Earnings in WA
 - takes the lead in increasing aggregate demand in the WA state economy, and arresting the drag on growth inequality is now causing our state.
- 5.2 UnionsWA acknowledges and thanks the Commission for providing the parties with an additional opportunity to respond to various new items of information relevant to the proceedings of the state wage case.