



WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

DELIVERED : WEDNESDAY, 13 JUNE 2018
FILE NO. : APPL 1 OF 2018
PARTIES : COMMISSION'S OWN MOTION

**STATE WAGE DECISION 2018
STATEMENT**

- 1 Each year by 1 July, the Commission is required to review the minimum weekly rates of pay for adults and apprentices under the *Minimum Conditions of Employment Act 1993* and the minimum rates of wages paid under awards.
- 2 While it is difficult to estimate how many employees and employers are formally covered by this decision, approximately 27,000 employers and over 300,000 employees are likely to be directly or indirectly affected by rises in the minimum wage and minimum award wages.
- 3 In making this decision, the Commission is required by the *Industrial Relations Act 1979* (WA) to consider a broad range of factors. Those factors include the economy of Western Australia, the needs of the low-paid and the capacity of employers generally to bear the increase. The Commission is required to consider issues of fairness in the award system and generally. Fairness requires consideration of the interests of employees, employers and the community generally.
- 4 We are also required to consider the state of the national economy and where it is relevant, the decision of the Fair Work Commission in its Annual Wage Review. We have taken account of all of those issues and sought to balance the relevant and competing considerations and interests.
- 5 Western Australia is likely to have reached the bottom of the economic cycle of the last few years which has seen a reversal of the fortunes that were experienced by the state during the resources and infrastructure investment boom.

- 6 The Western Australian economy is in the process of improving from that trough and there are signs for growth in the future. Western Australia's economy compares unfavourably with the rest of the national economy. The difference in some areas is stark.
- 7 Some sectors of the Western Australian economy show real improvement in terms of profitability and employment growth. However, other sectors, particularly those where employees are reliant on award increases and the low paid generally are employed, have yet to see improvements in their profitability or employment growth. We recognise, however, that we are required to look at the state of the economy and the capacity of employers as a whole to bear the increase in labour costs rather than the capacity of any particular industry, sector or business.
- 8 We also note that:
 - (1) there is spare capacity in the economy in terms of numbers of employees employed, hours worked and other measures;
 - (2) the cost of living measured by the Perth Consumer Price Index has increased only marginally, and is the lowest increase of all capital cities;
 - (3) wage movements measured by the Wage Price Index are the lowest of all states and territories; and
 - (4) income inequality has remained relatively stable over at least the last four years.
- 9 There is a need to ensure that employees' employment and their hours of work are not jeopardised by an increase that may be beyond the capacity of employers as a whole to bear. We observe that research indicates that moderate increases in the minimum wage have not had adverse effects on employment. None of those who made submissions to us suggest that there is evidence that past increases to the minimum and award wages in this State have been other than moderate, or that they have adversely affected employment.
- 10 We recognise the need for caution and for a moderate response in these circumstances.
- 11 Taking account of all of the issues we are required to consider, we have decided that a flat increase of \$18 per week is appropriate to the State Minimum Wage and award wages. This will take the State Minimum Wage to \$726.90 per week.
- 12 As a consequence, the difference between the State Minimum Wage and the National Minimum Wage, will be reduced to \$7.70 per week.

- 13 We note that a flat increase to award rates of pay has the effect of a slight compression of relativities and of the margin for skill. However, we are of the view that the focus ought to be on the low-paid receiving the greatest benefit. We recognise the lack of enterprise bargaining in respect of employees covered by State awards and note that there have been no applications to amend those awards to overcome any significant compression of relativities.
- 14 The increase is to be absorbed into any over-award payment and applies to those employees who are paid the minimum wage or award wages. Any wage paid above the award wage may be used to offset the increase. Percentage increases are to be applied to junior rates, once again to maintain the attractiveness of juniors, apprentices and trainees to employers and also to encourage skills development.
- 15 We invited those making submissions to address us on the Statement of Principles which set out the circumstances and criteria for amendments to awards. We have noted those submissions. As a consequence, the Commission intends to initiate separate processes for the development of a principle for consideration of claims for equal remuneration for men and women for work of equal or comparable value; to address discrepancies where some awards still contain a 40 hour week and how the hourly rate for employees under those awards is calculated; and for the possible extension of the scope of existing awards to cover a range of employees who currently have no award coverage.
- 16 We thank those who have made submissions for the significant effort and research they have undertaken. This includes the considerable benefit we received from the evidence of Mr Christmas of the Department of Treasury. We also record our thanks to the staff of the Commission for their assistance.
- 17 We now publish our Reasons for Decision. A minute of proposed General Order now issues. The Commission should be advised by 12 noon on Friday, 15 June 2018 whether or not a speaking to the minutes is required. If a speaking to the minutes is required, it will be dealt with on the papers and written submissions should be received by 4.00 pm on Monday, 18 June 2018.