



**GOVERNMENT OF
WESTERN AUSTRALIA**

Industrial Relations Act 1979

**IN THE WESTERN AUSTRALIAN
INDUSTRIAL RELATIONS COMMISSION**

No. 1 of 2018

ON THE COMMISSION'S OWN MOTION

**SUBMISSION OF THE MINISTER FOR COMMERCE
AND INDUSTRIAL RELATIONS**

Re: 2018 STATE WAGE ORDER

Filed by:
Lorraine Field, Executive Director
Private Sector Labour Relations Division
Department of Mines, Industry Regulation and Safety
on behalf of the Minister for Commerce and Industrial Relations

Level 4, 140 William Street
Perth WA 6000

Lorraine.Field@dmirs.wa.gov.au

Ph: 6552 9322

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Introduction

1. In February 2018 the Western Australian Industrial Relations Commission (WAIRC) issued Application 1 of 2018 on its own motion. The application seeks to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979* (the IR Act) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* and State awards.
2. In making the State Wage Order, the WAIRC is required each year to consider various social, economic and labour market objectives prescribed in section 50A(3) of the IR Act. Factors to be considered are –
 - (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; and
 - (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; and
 - (c) to the extent that it is relevant, the state of the national economy; and
 - (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; and
 - (e) for the purposes of [Section 50A (1)(b) and (c)], the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment; and
 - (f) relevant decisions of other industrial courts and tribunals; and
 - (g) any other matters the Commission considers relevant.
3. This submission outlines the position of the Minister for Commerce and Industrial Relations (the Minister) on behalf of the Western Australian Government in regard to Application 1 of 2018.

Minister's position

4. The Minister welcomes the opportunity to make a submission to the 2018 State Wage Case proceedings on behalf of the Western Australian Government.
5. The Minister recognises the importance of maintaining a strong and sustainable safety net for those employees who remain in the State industrial relations jurisdiction. The annual review of State minimum and award wages plays a critical role in protecting the needs of the low paid, through the maintenance of a fair system of wages and conditions of employment for Western Australian workers.
6. The Minister supports the WAIRC taking a balanced and equitable approach to minimum and award wage setting, to protect the needs of the low paid while ensuring businesses remain competitive.
7. Section 50A of the IR Act requires the WAIRC to consider the need to contribute to improved living standards for those Western Australians reliant on the State minimum wage and State award rates of pay.
8. The Minister believes that granting a real wage increase to the low paid in this year's State Wage Order will improve their relative economic position in the community, enhance their standards of living and protect against the risk of falling into poverty.
9. The Minister submits that in this year's State Wage Order it is appropriate that the State minimum wage and adult award rates of pay be increased by a flat dollar amount of \$19.20 per week.
10. A \$19.20 per week adjustment would increase the State minimum wage by approximately 2.7 per cent, lifting it to \$728.10 per week. It represents a fair and sustainable quantum that would provide a meaningful increase to minimum and award wage earners, assisting them in meeting their everyday living costs.
11. A flat dollar adjustment to award wages would also ensure that the greatest benefit from the increase is received by the lowest paid.

The Western Australian economy and labour market

Economic outlook

12. The Department of Treasury (Treasury) has provided an economic outlook for the Western Australian economy, which is included at **Attachment A**. The economic outlook contains current forecasts for economic and labour market indicators, as well as an assessment of the current health of the State economy.
13. On 10 May 2018 the Western Australian Treasurer handed down the *2018-19 State Budget*. The State Budget contains the most recent forecasts for a range of major economic indicators, which are summarised in Table 1 below.

Table 1: Economic forecasts – major economic aggregates, WA¹

Indicator	2016-17 Actual	2017-18 Estimated Actual	2018-19 Budget Forecast	2019-20 Forward Estimate	2020-21 Forward Estimate
Gross State Product	-2.7%	2.5%	3.25%	3.75%	3.0%
State Final Demand	-7.2%	-0.25%	-0.25%	3.75%	3.75%
Employment Growth	-0.9%	2.25%	1.5%	2.0%	2.25%
Unemployment Rate	6.2%	5.75%	5.75%	5.5%	5.25%
Wage Price Index	1.4%	1.5%	1.75%	2.75%	3.0%
Consumer Price Index	0.6%	1.0%	1.5%	2.0%	2.5%

14. As detailed further in **Attachment A**, Western Australia's economic climate has improved in the last 12 months. A number of key indicators are projected to further strengthen across the forward estimates, in line with a recovery in the State's domestic economy.
15. State Final Demand is forecast to decline by 0.25 per cent in 2017-18 and 2018-19, before returning to positive growth of 3.75 per cent in 2019-20 and 2020-21.²
16. The contribution of net exports to the State's economy will continue to make a significant contribution to Gross State Product (GSP), with net exports forecast to increase by 10.0 per cent in 2017-18 and 12.5 per cent 2018-19. In turn, GSP is expected to return to positive growth, with Treasury predicting it to rise by 2.5 per cent in 2017-18 and 3.25 per cent in 2018-19.³
17. Treasury will supply a witness to provide further detail on the Western Australian economy as part of the State Wage Case proceedings. The Witness Statement for Mr David Christmas is at **Attachment B**.

¹ Department of Treasury (2018), *2018-19 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.13.

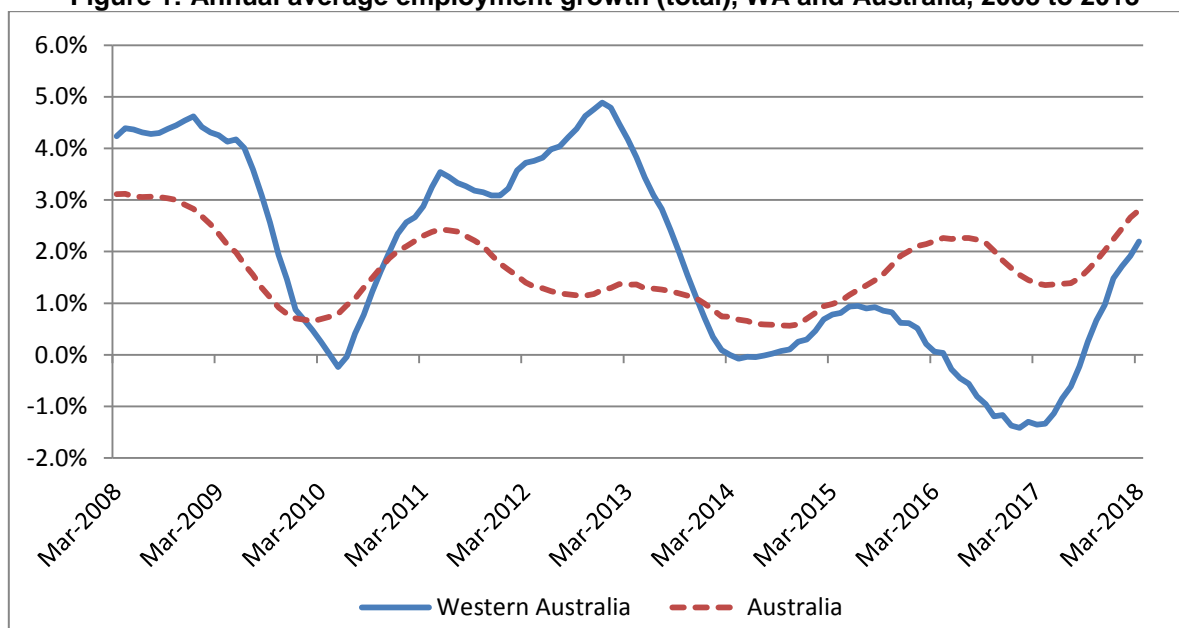
² Ibid.

³ Ibid.

Labour market conditions in Western Australia

18. As Figure 1 illustrates, total employment in Western Australia increased by a robust 2.2 per cent in annual average terms over the year to March 2018, following a fall of 1.4 per cent over the year to March 2017. This is the strongest rate of employment growth recorded in almost five years, and is consistent with improvements in key job vacancy indices in the past 12 months, including a 24.7 per cent increase in job vacancies measured by the Australian Bureau of Statistics (ABS)⁴ and a 16.6 per cent increase in the Internet Vacancy Index produced by the Commonwealth Department of Jobs and Small Business.⁵

Figure 1: Annual average employment growth (total), WA and Australia, 2008 to 2018⁶



19. As shown in Figure 2, full time employment in Western Australia has returned to positive growth, increasing by 2.8 per cent in annual average terms in the year to March 2018. Part time employment increased by 1.1 per cent over the same period.⁷ Solid growth in full time employment is a welcome sign, following a period of contraction between 2015 and 2017.

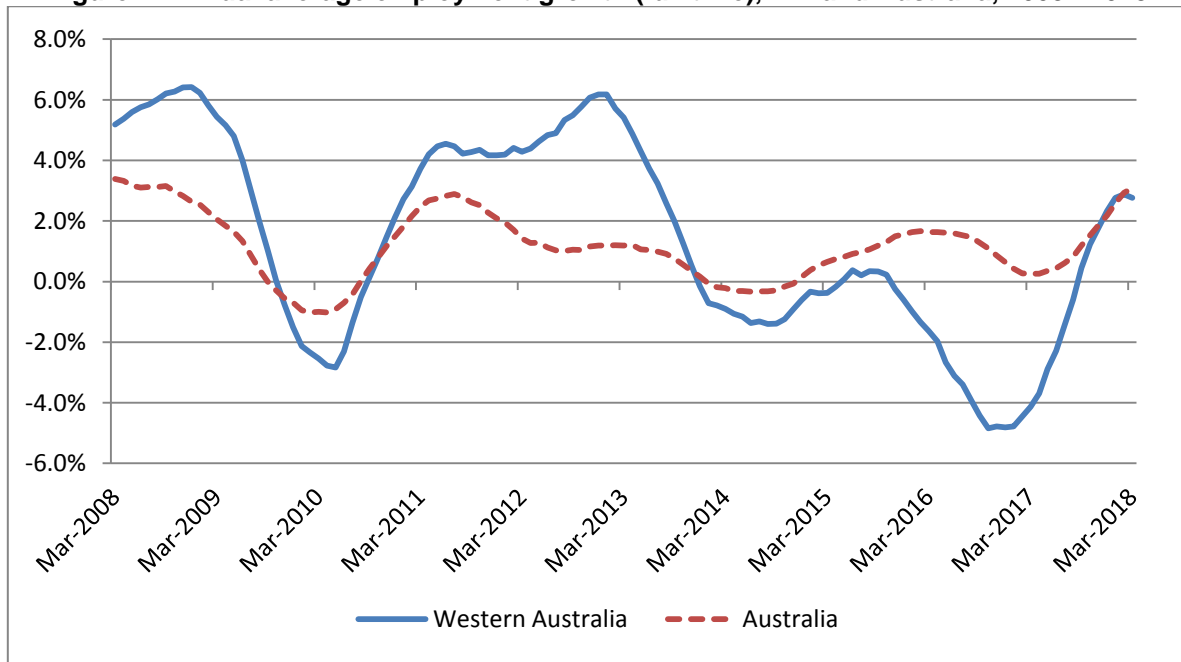
⁴ ABS (2018), *Job Vacancies, Australia, February 2018*, Catalogue 6354.0, Table 1.

⁵ Department of Jobs and Small Business (2018), *Internet Vacancy Index, March 2018*.

⁶ ABS (2018), *Labour Force, Australia, March 2018*, Catalogue 6202.0, Time series, Tables 1 & 8 (seasonally adjusted series).

⁷ *Ibid*, Time Series, Table 8 (seasonally adjusted series).

Figure 2: Annual average employment growth (full time), WA and Australia, 2008 - 2018⁸



20. Treasury is forecasting total employment to increase by 2.25 per cent in 2017-18, after falling by 0.9 per cent 2016-17. Employment is then forecast to grow by 1.5 per cent in 2018-19, and by a further 2.0 per cent in 2019-20.⁹
21. Data regarding employment within Western Australia reveals variations in growth between industries. While some industries that are known to be award-reliant (including Accommodation and food services; and Health care and social assistance) experienced increases in total employment in the year to February 2018, other award-reliant industries (including Retail trade; and Administrative and support services) experienced declines.

⁸ Ibid, Time Series, Tables 1 & 8 (seasonally adjusted series).

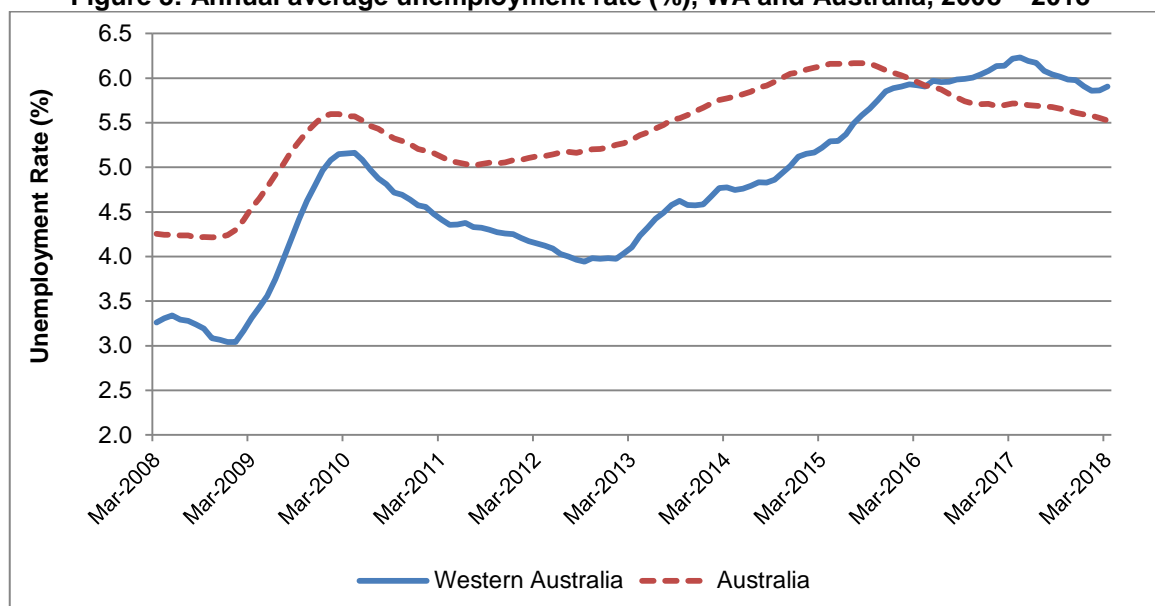
⁹ Department of Treasury (2018), *2018-19 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.13.

Table 2 - Employment by industry in WA (000s), February 2017 – February 2018¹⁰

TOTAL EMPLOYED ('000)	Feb-17	Feb-18	Change
Agriculture, forestry and fishing	34.7	41.7	7.0
Mining	95.8	94.7	-1.1
Manufacturing	77.2	85.0	7.8
Electricity, gas, water and waste services	17.8	21.2	3.3
Construction	131.3	138.6	7.2
Wholesale trade	38.9	34.1	-4.7
Retail trade	133.2	117.4	-15.8
Accommodation and food services	91.9	93.1	1.2
Transport, postal and warehousing	65.9	63.1	-2.8
Information media and telecommunications	13.2	13.8	0.6
Financial and insurance services	36.5	31.7	-4.8
Rental, hiring and real estate services	24.1	16.3	-7.7
Professional, scientific and technical services	84.8	92.6	7.8
Administrative and support services	50.8	42.7	-8.1
Public administration and safety	83.5	79.0	-4.6
Education and training	101.8	116.1	14.3
Health care and social assistance	147.5	170.9	23.4
Arts and recreation services	25.2	35.3	10.0
Other services	56.6	51.3	-5.3
Total	1310.8	1338.6	27.8

22. The State's annual average unemployment rate has edged downward over the past year, falling to 5.9 per cent in the year to March 2018, from 6.2 per cent in the year to March 2017.¹¹

Figure 3: Annual average unemployment rate (%), WA and Australia, 2008 – 2018¹²



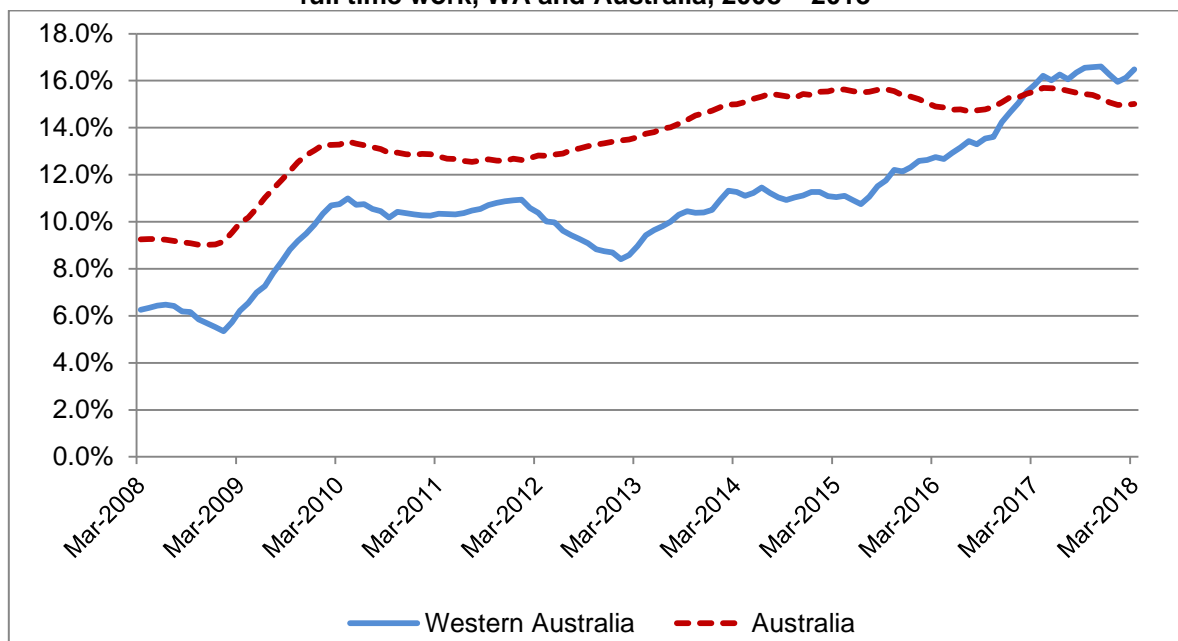
¹⁰ ABS (2018), *Labour Force, Australia, Detailed, Quarterly, February 2018*, Catalogue 6291.0.55.003, Table 5 (seasonally adjusted series). Figures are subject to rounding.

¹¹ ABS (2018), *Labour Force, Australia, March 2018*, Catalogue 6202.0, Time Series, Table 8 (seasonally adjusted series).

¹² Ibid, Time Series, Table 1 & 8 (seasonally adjusted series).

23. Treasury is forecasting Western Australia's annual average unemployment rate to be 5.75 per cent in 2017-18 and 2018-19.¹³
24. While the seasonally adjusted unemployment rate in Western Australia increased in the month of March 2018 from 6.1 per cent to 6.9 per cent, this needs to be viewed in context. The increase in the headline unemployment rate was accompanied by a large increase in the participation rate, which rose from 68.1 per cent to 68.7 per cent.¹⁴ This represents nearly 13,000 additional people entering the Western Australian labour market in March 2018.
25. Had the participation rate remained constant in March 2018, the unemployment rate in Western Australia would be substantially lower. The State's seasonally adjusted monthly participation rate has risen from 66.4 per cent in September 2016 to 68.7 per cent in March 2018, which equates to an additional 62,700 people entering the Western Australian labour market in the last 18 months. Rising labour force participation is often a growing sign of confidence in the labour market.
26. While the average unemployment rate in Western Australia has lowered over the past 12 months, for certain sectors of the labour market, unemployment persists at higher rates than the State average. Figure 4 shows that the youth unemployment rate in WA has increased in recent years.

Figure 4: Annual average unemployment rate (%), 15 to 24 year olds looking for full time work, WA and Australia, 2008 – 2018¹⁵



¹³ Department of Treasury (2018), *2018-19 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.13.

¹⁴ This is by far the highest participation rate of all the States.

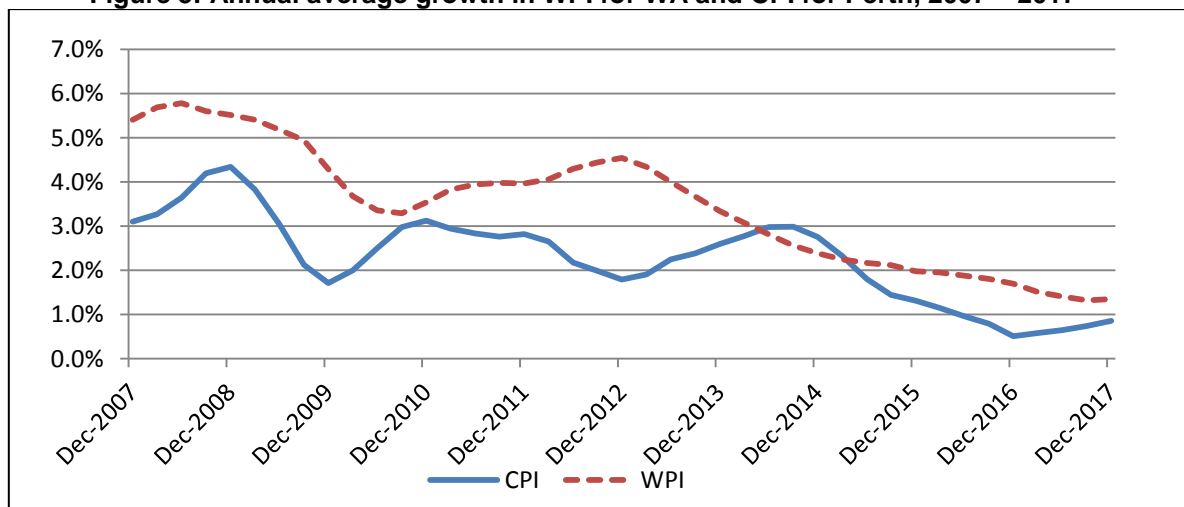
¹⁵ ABS (2018), *Labour Force, Australia, Detailed – Electronic Delivery, March 2018*, Catalogue 6291.0.55.001, Time Series, Datacube LM1 (seasonally adjusted series).

27. Reflecting the degree of spare capacity in the labour market, underemployment in Western Australia has also increased in recent years, although it has fallen in the past 12 months.¹⁶
28. The rate of underemployment in Western Australia has declined from 10.6 per cent in February 2017 to 8.8 per cent in February 2018 (seasonally adjusted).¹⁷
29. The total rate of underutilisation has similarly declined in line with a reduction in the underemployment rate, falling from 16.4 per cent in February 2017 to 14.6 per cent in February 2018 (seasonally adjusted).¹⁸

Trends in wages

30. Wages growth has slowed significantly in recently years, both in Western Australia and across the country.
31. Annual average growth in the State's Wage Price Index (WPI) in the December Quarter 2017 was 1.4 per cent, a marginal increase from growth of 1.3 per cent in the September Quarter 2017. In year-ended terms, the State's WPI increased by 1.5 per cent in calendar 2017.¹⁹
32. As shown in the chart below, growth in the State's WPI has slowed considerably in the last five years, coinciding with the end of the mining-led investment boom.

Figure 5: Annual average growth in WPI for WA and CPI for Perth, 2007 – 2017²⁰



33. As Table 3 demonstrates, wages growth has slowed over the last year in a majority of industries for which data is available.

¹⁶ ABS (2018), *Labour Force, Australia, February 2018*, Catalogue 6202.0, Time Series, Table 23 (seasonally adjusted series). The underemployment rate measures the number of underemployed workers (those who are employed but would like more hours of work) expressed as a percentage of the civilian labour force.

¹⁷ Ibid.

¹⁸ Ibid. The underutilisation rate measures the sum of the number of unemployed workers plus the number of underemployed workers, expressed as a percentage of the civilian labour force.

¹⁹ ABS (2018), *Wage Price Index, Australia, December 2017*, Catalogue 6345.0, Time Series, Table 2b.

²⁰ ABS (2018), *Wage Price Index, Australia, December 2017*, Catalogue 6345.0, Time Series, Table 2b; and *Consumer Price Index, December 2017*, Catalogue 6401.0, Time Series, Table 1.

Table 3: Wage Price Index by industry, December quarters 2016 and 2017, WA²¹

Industry	WPI Annual change to Dec Q 2016	WPI Annual change to Dec Q 2017
Professional, scientific and technical services	0.4%	0.1%
Administrative and support services	0.5%	1.3%
Construction	1.2%	1.1%
Mining	1.3%	1.1%
Manufacturing	1.9%	1.4%
Accommodation and food services	2.1%	1.6%
Retail trade	2.4%	1.6%
Health care and social assistance	2.4%	1.7%
Public administration and safety	2.6%	1.7%
Education and training	2.8%	2.1%
All industries	1.7%	1.4%

34. Treasury projects wages growth in Western Australia to remain subdued in the near term, with the WPI forecast to grow at an annual average rate of 1.5 per cent in 2017-18 and 1.75 per cent in 2018-19. However, growth is forecast to gradually pick up in the out years, increasing to 3.0 per cent by 2020-21.²²
35. Growth in the WPI at the national level has also been subdued in recent years, increasing by just 2.0 per cent in annual average terms in calendar 2017.²³
36. The WPI measures the change in wages and salaries by controlling the quantity and quality of jobs without including compositional factors, such as the growth in part time work. Due to the control for changes in labour market composition, the WPI is the preferred measure for wages growth.
37. While the WPI is generally considered to be the most useful indicator of wage inflation, the ABS Average Weekly Earnings series is used to provide an indication of earnings in dollar amounts.
38. The latest figures indicate that full time Average Weekly Ordinary Time Earnings (AWOTE) in Western Australia rose by 2.3 per cent in the year to November 2017, from \$1,703.20 to 1,742.80.²⁴
39. Across the whole workforce, average weekly total earnings (AWE) in Western Australia rose only modestly, increasing from \$1,327.60 to \$1,332.50 in the year to November 2017.²⁵
40. Further information regarding the phenomenon of low wages growth in Australia is discussed later in this submission.

²¹ ABS (2018), *Wage Price Index, Australia, December 2017*, Catalogue 6345.0, unpublished data available on request. Figures are expressed in annual average terms. Data for some industries was not available for publication. These industries have been excluded from the table, but relevant data is included in the total where applicable.

²² Department of Treasury (2018), *2018-19 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.13.

²³ ABS (2018), *Wage Price Index, Australia, December 2017*, Catalogue 6345.0, Time Series, Table 2b (original data).

²⁴ ABS (2018), *Average Weekly Earnings, Australia, November 2017*, Catalogue 6302.0, Time Series, Table 12E (seasonally adjusted data).

²⁵ Ibid.

Equal remuneration for work of equal or comparable value

41. Another key consideration in minimum and award wage determinations is the principle of equal remuneration for work of equal or comparable value.
42. The most recent AWOTE data shows a reduction in the gap between male and female earnings at both the State and national levels.
43. As indicated in Table 4 below, the gender pay gap in Western Australia declined from 23.9 per cent in November 2016 to 22.5 per cent in November 2017. Nationally, the gap reduced from 16.1 per cent to 15.4 per cent over the same period. In both cases the narrowing of the gap reflects the fact that female earnings have grown at a faster rate than male earnings.

Table 4: Average weekly ordinary time earnings and the gender pay gap (GPG), WA and Australia, November 2016 and November 2017²⁶

		Nov 2016	Nov 2017	Change over year
WA	Persons	\$1,703.20	\$1,742.80	2.3
	Males	\$1,855.40	\$1,883.00	1.5
	Females	\$1,411.70	\$1,458.50	3.3
	GPG	23.9	22.5	- 1.4 percentage points
Australia	Persons	\$1,533.40	\$1,569.60	2.4
	Males	\$1,631.90	\$1,665.00	2.0
	Females	\$1,368.80	\$1,409.40	3.0
	GPG	16.1	15.4	- 0.7 percentage points

44. As can be seen from the table below, Western Australia still has the largest gender pay gap in Australia, as measured by AWOTE.

Table 5: Gender Pay Gap – by State / Territory – November Quarter 2017²⁷

State / Territory	Male AWOTE	Female AWOTE	Gender Pay Gap
NSW	\$1,682.20	\$1,441.80	14.3%
VIC	\$1,586.90	\$1,394.80	12.1%
QLD	\$1,639.80	\$1,337.90	18.4%
SA	\$1,494.40	\$1,336.90	10.5%
WA	\$1,883.00	\$1,458.50	22.5%
TAS	\$1,405.30	\$1,254.80	10.7%
NT	\$1,802.10	\$1,436.30	20.3%
ACT	\$1,904.90	\$1,664.70	12.6%
AUS	\$1,665.00	\$1,409.40	15.4%

45. Women are traditionally more reliant on award rates of pay than men, and a higher proportion of female employees are currently being paid in accordance with an award.

²⁶ ABS (2018), *Average Weekly Earnings, Australia, November 2017*, Catalogue 6302.0, Time Series, Table 2 and 12E (seasonally adjusted data).

²⁷ *Ibid*, Tables 12A-12H.

46. The causes of the gender pay gap are complex and varied. The Workplace Gender Equality Agency (WGEA) suggests the existence of a gender pay gap “reflects a range of complex, inter-related factors including the concentration of women in low paying roles and industries and the concentration of men in the highest paying roles and industries”.²⁸ While it suggests that gender segregation (of both an industrial and occupational nature) is one of the factors contributing to the gender pay gap, this is not the only reason, with a number of other factors also contributing to this phenomenon, including:
- a) a number of interrelated work, family and societal factors, including stereotypes about the work women and men ‘should’ do, and the way women and men ‘should’ engage in the workforce;
 - b) a lack of women in senior positions, and a lack of part-time or flexible senior roles. Women are more likely than men to work part-time or flexibly because they still undertake most of society’s unpaid caring work and may find it difficult to access senior roles;
 - c) women’s more precarious attachment to the workforce (largely due to their unpaid caring responsibilities);
 - d) differences in education, work experience and seniority;
 - e) discrimination, both direct and indirect.²⁹
47. In May 2016, 28.9 per cent of female non-managerial employees in Australia were paid in accordance with an award, compared to 19.6 per cent of male non-managerial employees.³⁰
48. While the causes of the gender pay gap are complex, regular increases in minimum and award wages can nonetheless play an important role in helping to reduce gender pay inequality, particularly given the State Wage Order directly affects a larger proportion of female employees than male employees. The Minister’s proposal for a \$19.20 dollar per week increase to minimum and award wages can provide a direct benefit to lower paid female workers in this regard.

²⁸ Workplace Gender Equality Agency (2016), *Australia’s Gender Equality Scorecard*, p.5.

²⁹ Workplace General Equality Agency (2016), *International gender equality statistics*, p.2.

³⁰ ABS (2017), *Employee Earnings and Hours, Australia, May 2016*, Catalogue 6306.0, Datacube 5, Table 2. This data is not available at the State level.

Operating conditions for Western Australian businesses

49. The criteria specified in section 50A(3) of the IR Act requires the WAIRC to consider the capacity of employers as a whole to bear the cost of increased wages and the likely effect of its decision on the economy and employment levels.
50. While there is limited specific data available to assess the health of those businesses likely to be affected by the State Wage Order, some sectors of the Western Australian economy have performed better than others in recent years.
51. The Gross Operating Surplus (GOS) plus Gross Mixed Income (GMI) measure produced by the ABS suggests certain industries are facing a more challenging trading environment than others. While it is important to note this data reveals little about the profitability or otherwise of individual businesses, the measure provides some insight into local conditions at the aggregate industry level.
52. As illustrated in Table 6, while some industries recorded an improvement in GOS plus GMI in 2016-17, declines were recorded in a number of industries. Across all industries GOS plus GMI increased by 8.2 per cent in 2016-17, led by a strong increase in the Mining industry. This followed an overall decline of 6.3 per cent in GOS plus GMI in 2015-16.³¹

³¹ ABS (2017), *Australian National Accounts: State Accounts, 2016-17*, Catalogue 5220.0, Time Series, Table 6 (original data). The GOS+GMI measure is used as a proxy for profitability data at the State level. GOS is defined as the operating surplus accruing to all enterprises, except unincorporated enterprises, from their operations in Australia. It is the excess of gross output over the sum of intermediate consumption, compensation of employees, and taxes less subsidies on production and imports. It is calculated before deduction of consumption of fixed capital, dividends, interest, royalties and land rent, and direct taxes payable, but after deducting the inventory valuation adjustment. GMI is the surplus or deficit accruing from production by unincorporated enterprises. It includes elements of both compensation of employees (returns on labour inputs) and operating surplus (returns on capital inputs).

Table 6: Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) by industry, current prices, 2016 and 2017³²

Industry	GOS + GMI June 2016 (\$m)	GOS + GMI June 2017 (\$m)	Annual Increase (\$m)	Annual Increase (%)
Mining	41,596	57,321	15,725	37.8
Agriculture, forestry and fishing	4,558	5,887	1,329	29.2
Administrative and support services	903	932	29	3.2
Retail trade	2,872	2,905	33	1.1
Health care and social assistance	1,567	1,585	18	1.1
Wholesale trade	2,491	2,495	4	0.2
Financial and insurance services	7,337	7,261	-76	-1.0
Professional, scientific and technical services	3,193	3,097	-96	-3.0
Education and training	823	797	-26	-3.2
Arts and recreation services	567	522	-45	-7.9
Electricity, gas, water and waste services	3,807	3,475	-332	-8.7
Manufacturing	4,449	4,052	-397	-8.9
Rental, hiring and real estate services	2,668	2,425	-243	-9.1
Transport, postal and warehousing	6,457	5,756	-701	-10.9
Information media and telecommunications	2,080	1,768	-312	-15.0
Public administration and safety	1,374	1,113	-261	-19.0
Other services	721	572	-149	-20.7
Accommodation and food services	1,044	810	-234	-22.4
Construction	11,500	7,551	-3,949	-34.3
Total all industries	116,280	125,802	9,522	8.2

³² Ibid.

Impact of the State Wage Order

Coverage of the Western Australian jurisdiction

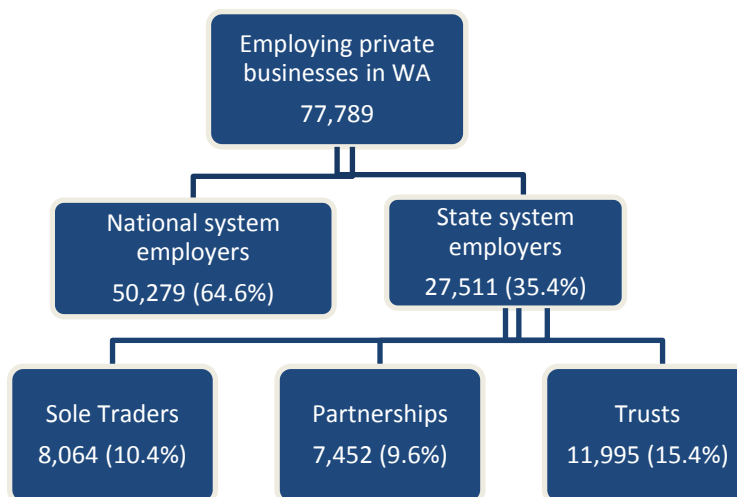
53. There is no definitive data on how many Western Australian employees rely directly on the State Wage Case determinations. The Department of Mines, Industry Regulation and Safety (DMIRS) has previously estimated that between 22 and 36 per cent of WA employees are covered by the State industrial relations system.³³
54. While no new data is available on the proportion of *employees* covered by the State industrial relations system, new unpublished administrative data from the Australian Taxation Office (ATO) has been obtained to estimate the proportion and number of **employers** (excluding public sector and local government authorities) that are potentially covered by the State system.³⁴
55. The ATO manages administrative data for all businesses that are registered for pay as you go (PAYG) withholding tax and for GST registration receipts. Based on this data, it is estimated that a maximum of 35.4 per cent of private sector employers in Western Australia are covered by the State industrial relations system. This analysis is based on business entity types which can be used to identify unincorporated businesses, and contains the following assumptions:
- a) All sole traders (individuals) are considered unincorporated.
 - b) The majority of employing and non-employing partnership businesses (86.8 per cent) consist of partnerships between individuals, rather than between incorporated businesses. Accordingly, 86.8 per cent of employing partnerships are assumed to be unincorporated.³⁵
 - c) Based on all trust business data that employ and do not employ from the Australian Business Register (ABR), 54.4 per cent of trust businesses have an individual as a trustee. The analysis therefore assumes that 54.4 per cent of employing trust businesses are unincorporated.
56. The graphic below illustrates by entity type the proportion and number of employers covered by the State industrial relations system.

³³ Department of Commerce (2013), *State Industrial Relations Coverage in WA: How many employees are covered?*

³⁴ ATO (2017), unpublished administrative data available upon request, May 2017. Trust and partnership business data from the ABR was accessed 5 January 2018. The data is for active ABN businesses only but does not identify whether they employ or not.

³⁵ The data was revised to exclude potential incorporated businesses from the partnership data.

Figure 6 - Proportion and number of private sector employers, Western Australia³⁶



Award coverage in Western Australia

57. The most recent 'Employee Earnings and Hours' (EEH) data from 2016 indicates that 16.4 per cent of non-managerial employees in Western Australia are paid entirely in accordance with a State or national award.³⁷
58. While award reliance in the State is lower than the national average, it has increased in recent years, in line with growing award reliance throughout the country. In Western Australia, award reliance increased from 14.6 per cent of all non-managerial employees in 2014, to 16.4 per cent in 2016. Nationally, award reliance rose from 20.4 per cent in 2014, to 24.5 per cent in 2016.³⁸
59. Table 8 illustrates proportions of employment by industry in both Western Australia and Australia, and shows that those industries known to have a high degree of award reliance in the private sector (such as Accommodation and food services; Retail trade; and Health and community services) make up an appreciable portion of the State's workforce.

³⁶ ATO (2017), unpublished administrative data available upon request, May 2017.

³⁷ ABS (2017), *Employee Earnings and Hours, Australia, May 2016*, Datacube 5, Table 5.

³⁸ ABS (2015), *Employee Earnings and Hours, Australia, May 2014*, Catalogue 6306.0, Datacube 5, Table 5; and ABS (2017) *Employee Earnings and Hours, Australia, May 2016*, Catalogue 6306.0, Datacube 5, Table 5.

Table 7: Employment and award reliance by industry, WA and Australia, February 2018

Industry	WA: Proportion of Workforce ³⁹	Australia: Proportion of Workforce ³⁹	Australia: Proportion of employees paid by award ⁴⁰
Accommodation and food services	7.0%	7.0%	42.7%
Administrative and support services	3.2%	3.4%	42.1%
Retail trade	8.8%	10.6%	34.5%
Other services	3.8%	3.9%	34.3%
Health care and social assistance	12.8%	13.5%	28.8%
Rental, hiring and real estate services	1.2%	1.7%	27.2%
Arts and recreation services	2.6%	2.1%	26.2%
Education and training	8.7%	8.1%	26.0%
Construction	10.4%	9.6%	19.7%
Public administration and safety	5.9%	5.6%	18.1%
Manufacturing	6.4%	7.4%	17.7%
Wholesale trade	2.5%	2.9%	16.8%
Transport, postal and warehousing	4.7%	5.3%	13.4%
Professional, scientific and technical Services	6.9%	8.2%	9.3%
Electricity, gas, water and waste services	1.6%	1.3%	6.5%
Information, media and telecommunications	1.0%	1.7%	5.5%
Financial and insurance services	2.4%	3.5%	N/A
Mining	7.1%	1.8%	N/A
Agriculture, forestry and fishing	3.1%	2.7%	N/A
All industries	100.0%	100.0%	24.5%

60. DMIRS has analysed the top five mostly commonly accessed private sector award summaries on its website, which are outlined in Table 8 below.

Table 8 – Top 5 most commonly accessed award summaries prepared by Wageline⁴¹

	Award
1	Restaurant, Tearoom and Catering Workers' Award
2	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
3	Building Trades (Construction) Award 1987
4	Metal Trades (General) Award
5	Clerks (Commercial, Social and Professional Services) Award

61. Table 9 outlines the top five private sector awards that are discussed with employers and employees when contacting Wageline.

³⁹ ABS (2018) *Labour Force, Australia, Detailed Quarterly, February 2018*, Catalogue 6291.0.55.003, Time Series, Table 5 (original data).

⁴⁰ ABS (2017) *Employee Earnings and Hours, Australia, May 2016*, Catalogue 6306.0, Datacube 5, Table 4 (industry).

⁴¹ Refers to the five award summaries produced by Wageline that were the most downloaded between 1 July 2017 and 22 April 2018.

Table 9 – Top 5 most commonly discussed awards in calls to Wageline⁴²

Rank	Award
1	Building Trades (Construction) Award 1987
2	Hairdressers Award 1989
3	Restaurant, Tearoom and Catering Worker's Award
4	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
5	Metal Trades (General) Award

62. The above tables suggest that awards in the hospitality, retail, construction, hairdressing, clerical and metal trades sectors are amongst the most widely utilised within the State industrial relations system.

Award Updating

63. As part of this year's State Wage Case proceedings the WAIRC has indicated it would like to receive submissions from key stakeholders on award updating, including how, and to what extent, awards could be further updated.

64. The Minister notes the Ministerial Review of the State Industrial Relations System is currently considering the issue of award updating pursuant to Term of Reference 6:

Devise a process for the updating of State awards for private sector employers and employees, with the objectives of:

- a) ensuring the scope of awards provide comprehensive coverage to employees;*
- b) ensuring awards reflect contemporary workplaces and industry, without reducing existing employee entitlements;*
- c) ensuring awards are written in plain English and are user friendly for both employers and employees; and*
- d) ensuring that any award updating process is driven by the Western Australian Industrial Relations Commission, with appropriate input from the award parties and other relevant stakeholders.*

65. The Minister submits that the powers available under section 40B are not time restricted or limited to being used only once in relation to any award. As such, there is no legislative impediment to the WAIRC re-commencing an award updating process under section 40B, should it deem it appropriate.

66. Similarly, award parties themselves are currently able to apply under section 40 of the IR Act to update State awards, to ensure they remain contemporary and meet the needs of employers and employees.

⁴² Refers to the top five awards that Wageline advised on between 1 July 2017 and 31 March 2018.

Fairness, living standards and the needs of the low paid

67. The Minister recognises the vital role the minimum and award wage framework plays in protecting the needs of the low paid and ensuring their living standards are maintained in line with those in the broader community.
68. The Minister submits that in meeting the objectives of the IR Act, the WAIRC should take a holistic approach to its statutory functions, so that economic and social factors are given appropriate consideration and Western Australian workers are protected by a fair system of wages that enables them to fully participate in community life.
69. A flat dollar adjustment to minimum and award wages would ensure that the greatest benefit of this year's State Wage Order is directed to the lowest paid. In this regard, the Minister notes that the WAIRC has itself targeted those employees on the minimum wage or slightly above it in previous State Wage Case decisions.⁴³
70. The most recent EEH data from 2016 indicates that while overall, Western Australian employees continue to receive higher average earnings than in other States, award-reliant employees in Western Australia have the third lowest hourly earnings in the country.⁴⁴
71. The State Wage Order can play an integral role in not only maintaining a safety net for award-reliant employees in Western Australia, but in improving their living standards.
72. Many low paid workers are dependent on increases determined in the State Wage Case to meet changes in their everyday living costs. This includes those employees who are not presently covered by an award, and are solely reliant on the statutory minimum rates of pay derived from the *Minimum Conditions of Employment Act 1993* (MCE Act).
73. The Minister notes that there are sections of the workforce that are currently award free in the State jurisdiction, including workers engaged in occupations that would traditionally be considered award type work. This is due to a variety of factors, including historic anomalies in award creation, significant changes in the constitutional coverage of the State jurisdiction in recent years, and the development of new industries and occupations over time.
74. Employees who are award free have significantly fewer protections than those who are covered by an award, and many award free employees are reliant on the minimum rates of pay determined under the MCE Act. Employees receiving the State minimum wage are unquestionably low paid, and by granting the Minister's proposed increase the WAIRC can help to alleviate any financial disadvantage these workers face.

⁴³ WAIRC (2014) *State Wage Order Decision* (2014 WAIRC 00471) at paragraph 103; and (2013) *State Wage Order Decision* (2013 WAIRC 00347) at paragraph 74.

⁴⁴ ABS (2017) *Employee Earnings and Hours, Australia, May 2016*, Catalogue. No. 6306.0, Datacube 5, Table 5.

Protecting employees who are unable to bargain

75. Section 50A of the IR Act requires that, when making the State Wage Order, the WAIRC considers the need to protect employees who may be unable to reach an industrial agreement.
76. The Minister's submission to last year's State Wage Case included an analysis of the industrial agreements registered in recent years pursuant to section 41 of the IR Act. The analysis revealed that almost all agreements are concentrated in the following sectors:
 - WA public sector;
 - independent schools;
 - community, health and disability support organisations;
 - regional local government authorities;
 - registered political parties; and
 - union / labour organisations.
77. It was noted that the sectors outlined above exclude several industries known to have high levels of award reliance - in particular Accommodation and food services; and Retail trade. This suggests that smaller, unincorporated businesses in the hospitality and retail sectors are not utilising industrial agreements at present. Many of these businesses are likely to be guided by State awards (either directly or indirectly) when it comes to wage determination concerning their employees.
78. The Minister submits a \$19.20 per week increase in wages will help to protect the needs of those employees who are unable to bargain for an industrial agreement.

Statement of Principles

79. As part of this year's State Wage Case proceedings, the Chief Commissioner has indicated the WAIRC would welcome receiving submissions about the currency of the Statement of Principles (Principles), including whether a separate equal remuneration principle should be developed.
80. The Chief Commissioner has also invited feedback on whether, in light of the Ministerial Review of the State Industrial Relations System (the Review), the Principles ought to be amended at this time or await the outcome of the Review.

Statement of Principles - equal remuneration

81. Section 50A(1)(d) of the IR Act requires the WAIRC, when issuing a State Wage Order each year, to set out a statement of principles to be applied and followed in relation to the exercise of its jurisdiction under the IR Act to set the wages, salaries, allowances or other remuneration of employees or the prices to be paid in respect of their employment.
82. Section 50A(3)(a)(vii) of the IR Act provides that when making a State Wage Order the WAIRC is to take into consideration the need to "provide equal remuneration for men and women for work of equal or comparable value".
83. As part of the 2007 State Wage Case, the Minister's submission (supported by UnionsWA) sought to have a separate equal remuneration principle included in the Principles to establish a process and criteria for determining how the WAIRC could assess applications for award variations to provide equal remuneration.⁴⁵
84. In its reasons for decision, the WAIRC expressed the view that the Principles should permit an application to be made for equal remuneration for men and women for work of equal or comparable value, given that this is a principal object of the IR Act (in section 6(ac)).⁴⁶
85. The WAIRC, however, did not consider it necessary to create a separate principle for equal remuneration claims, stating that such a claim could be brought under the existing Principle 10.⁴⁷
86. Nor did the WAIRC consider it advisable to set out the criteria by which such a claim is to be assessed, expressing a view that specific criteria might restrict or confine a particular claim, which may not be appropriate.⁴⁸
87. The following year, in the 2008 State Wage Case, the Minister's submission proposed that Principle 10 be modified to include specific reference to equal remuneration, to give parties guidance on this matter.⁴⁹

⁴⁵ The Minister's proposed equal remuneration principle is at paragraph 59 of the State Wage Case 2007 Reasons for Decision (2007 WAIRC 00517).

⁴⁶ State Wage Case 2007, Reasons for Decision (2007 WAIRC 00517) at paragraph 126.

⁴⁷ Ibid, at paragraph 127.

⁴⁸ Ibid.

⁴⁹ Minister's Submission to the 2008 State Wage Case, at paragraph 87.

88. The WAIRC agreed with the Minister's proposal and Principle 10 was modified to include specific reference to the fact that it could be used for matters "such as equal remuneration for men and women for work of equal or comparable value".⁵⁰
89. Principle 10 has not yet been used to bring a specific equal remuneration application in the State jurisdiction and no legislative or case law criteria currently exists to guide the WAIRC in determining an equal remuneration matter.
90. The Review is currently considering the inclusion of an equal remuneration provision in the IR Act with the objective of facilitating the conduct of equal remuneration cases and other initiatives in the WAIRC. The Interim Report of the Review was published on 20 March 2018.
91. The Minister places on record the Western Australian Government's strong support for equal remuneration, and commends initiatives aimed at furthering this objective.
92. The Minister supports the inclusion in the Principles of an equal remuneration principle, and would welcome the opportunity to work with the other section 50 parties to develop a draft equal remuneration principle for the WAIRC's consideration.

Statement of Principles – other issues

93. The Principles were last reviewed in the 2008 State Wage Case and have not been significantly revised since this time. The Minister contends the majority of the Principles are adequate for the purposes of the State Wage Order, albeit some of them have been in existence for a long time.
94. However, the Minister believes that several of the Principles could benefit from amendment, to provide clearer information to employers and employees, and to better reflect the contemporary safety net that currently exists in the State jurisdiction.

Principle 8 (Total Minimum Rate Adjustments)

95. Principles 8.1 and 8.2 currently provide that:
 - 8.1 Where the minimum rates adjustment process in an award has been completed, the Commission may consider an application for the base rate, supplementary payment and State Wage order adjustments to be combined so that the award specifies only the total minimum rate for each classification.
 - 8.2 By consent of all parties to an award, where the minimum rates adjustment has been completed, award rates may be expressed as hourly rates or weekly rates. In the absence of consent, a claim that award rates be so expressed may be determined by arbitration.

⁵⁰ State Wage Case 2008, Reasons for Decision (2008 WAIRC 00347), at paragraph 69.

96. The minimum rates adjustment (MRA) process dates back to the 1980s and was part of the Structural Efficiency Principle introduced to make awards more flexible and efficient. The MRA process was developed when far more workers were reliant on awards, prior to the widespread use of enterprise bargaining and the introduction of statutory minimum conditions of employment.
97. Award parties still have the option of progressing a MRA process, and the Minister does not seek to remove this option. However, the Minister considers there may be some merit in allowing award parties the option of applying to have wage rates expressed in a simplified manner without an award having been through the MRA process, should they wish to do so.
98. The deletion of principles 8.1 and 8.2 would not prevent parties from progressing a MRA process (this option would still be available under Principle 4); nor would it compel award parties to apply to vary the way award wages are expressed. However, it would provide greater flexibility for award wage rates to be expressed in a manner that best suits the needs employers and employees.
99. It is worth noting that when the WAIRC issued a General Order in 2008 to increase the rates of pay in a number of awards to reflect statutory minima,⁵¹ information on supplementary payments and safety net adjustments was deleted from a number of relevant awards by consent, including some awards that have not been through a MRA process. Not all awards therefore reflect Principles 8.1 and 8.2, and the Minister contends these principles can be deleted without any adverse effects.

Principle 9 – Minimum Adult Award Wage

100. Principle 9 outlines the Minimum Adult Award Wage clause that is included in all State awards.
101. The Minister has identified several problems associated with the wording of the current Minimum Adult Award Wage Clause.

Awards providing for a 40 hour week

102. The Minimum Adult Award Wage clause does not currently account for those State awards that still provide for a 40 hour work week.
103. The Minimum Adult Award Wage clause currently provides that:

The minimum adult award wage for full-time employees aged 21 or more is \$708.90 per week payable on and from the commencement of the first pay period on or after 1 July 2017.

104. The difficulty with the above provision is that the rate of \$708.90 is based on a 38 hour week, not a 40 hour week.
105. Pursuant to section 10 of the MCE Act, an employee is entitled to be paid for each hour worked the (applicable) minimum weekly rate of pay, divided by 38.

⁵¹ WAIRC, *General Order re Minimum Award Wages in Some Awards* (2008 WAIRC 00327).

106. Pursuant to section 12 of the MCE Act, the minimum hourly rate of pay for an employee who has reached 21 years of age (and is not an apprentice) is currently \$18.66 per hour (\$708.90 divided by 38).
107. An employee working a 40 hour week is therefore entitled to receive a minimum payment of \$746.40 (40 x \$18.66).
108. A similar problem arises in relation to the minimum adult apprentice wage. The Minimum Adult Award Wage clause currently provides that:

Notwithstanding the provisions of this clause, an apprentice, 21 years of age or more, shall not be paid less than \$607.60 per week on and from the commencement of the first pay period on or after 1 July 2017.

109. Pursuant to section 12 of the MCE Act, the minimum hourly rate of pay for an adult apprentice who has reached 21 years of age is currently \$15.99 per hour (\$607.60 divided by 38).
110. An adult apprentice working a 40 hour week is therefore entitled to receive a minimum payment of \$639.60 (40 x \$15.99).
111. The Minister recommends the Minimum Adult Award Wage clause be amended to specifically include information on what the minimum rates of pay are for an adult employee, and an adult apprentice, working under an award that provides for a 40 hour week. This will help to inform employers as to what their true obligations are under these awards, and assist with preventing underpayments.

Junior rates of pay

112. Another issue that is worth clarifying in the Minimum Adult Award Wage clause concerns junior rates of pay for employees under 21 years of age.
113. At present the Minimum Adult Award Wage clause provides that:

Employees under the age of 21 shall be paid no less than the wage determined by applying the percentage prescribed in the junior rates provision in this award to the minimum adult award wage.

114. A difficulty with this provision is that in some awards the percentages prescribed for junior rates are set at a level which, when they are applied to the minimum adult award wage, the resulting figures are less than the statutory minimum rates of pay for junior employees under the MCE Act.
115. The Minister contends the Minimum Adult Award Wage clause could be improved by specifically including a provision that clarifies junior employees shall not be paid less than any applicable minimum rate of pay prescribed by the MCE Act. A similar statement to this effect is included under the provisions of the clause addressing wage rates for apprentices, trainees and supported wages employees, and the inclusion of such a statement for junior employees may assist employers in understanding their obligations with regard to payment to junior employees.

Title of clause

116. As the Minimum Adult Award Wage clause deals with more than just adult wages, the Minister submits it could more appropriately be titled “Minimum Award Wage”. This would better encapsulate the fact it also addresses wage rates for juniors, apprentices, trainees and supported wages employees.

Other matters concerning the State Wage Order

Adjustment of wages

117. While not specifically a part of the Statement of Principles, another issue that is relevant is the adjustment of wage rates listed in awards that are below the statutory minimum.
118. The Minister submits that when adjusting rates of pay in State awards via the State Wage Order, the WAIRC has the ability to increase any award wages that are below the statutory minimum rates of pay prescribed under the MCE Act by an amount that would bring them into conformity with the MCE Act.
119. Pursuant to section 5 of the MCE Act, the minimum conditions of employment are taken to be implied into any award, agreement or contract of employment, and are enforceable at law. Although a provision in an award, agreement or contract of employment that is less favourable to the employee than a minimum condition of employment has no effect, the fact that some awards do not reflect the minimum amounts payable can be a source of confusion for employers and employees.
120. Pursuant to section 50A(1)(c)(ii) of the IR Act, the WAIRC has the ability to make consequential changes to specified awards, when adjusting rates of pay as part of the State Wage Case process.
121. Furthermore, section 50A(2) of the IR Act provides the WAIRC with the express ability to adjust individual rates of wages in awards by different amounts:
- The Commission may, in relation to awards generally or specified awards, do any or all of the following for the purposes of subsection (1)(b) —*
- (a) adjust all rates of wages;*
 - (b) adjust individual rates of wages;*
 - (c) adjust a series of rates of wages;*
 - (d) adjust specialised rates of wages.*
122. The Minister contends the above provisions provide the WAIRC with the power to adjust individual rates of wages in awards by a different amount to any general wage increase determined in the 2018 State Wage Case, to ensure that such rates are not less than any minimum amounts payable pursuant to the MCE Act. By doing so, the WAIRC would help to ensure that awards remain up-to-date in relation to minimum wage rates, greatly assisting employers and employees in understanding their obligations and entitlements.

The low wage growth phenomenon

123. Since the Global Financial Crisis in 2008, low wages growth has persisted in Australia and other developed economies around the world.⁵² This trend has been particularly prevalent since 2012, including in Western Australia.
124. The phenomenon of low wages growth has been a growing concern for governments and economic analysts, as long term low wage growth can lead to a number of negative social and economic outcomes.
125. As noted by the International Labour Organization (ILO), stagnating wage growth can create increased social inequality where employees and households are not benefiting from economic growth; while lower household consumption can reduce aggregate demand, especially when wages stagnate in many large economies at the same time.⁵³
126. The following analysis explores some of the broader wage growth trends that have occurred at the State and national level in recent years, as well as the factors influencing this.

Factors influencing wages growth

127. The Reserve Bank of Australia (RBA) has recognised that the Government and RBA forecasts for wage growth have been “persistently too strong” in recent years.⁵⁴ The RBA believes that the relationship between wage growth and its determinants may have changed, or that there may be other structural or cyclical factors weighing down wage growth.
128. According to the RBA, spare capacity in the labour market, a decline in inflationary expectations and lower business profitability have all contributed to lower wage growth. In particular, the fact there has been slack in the labour market may mean employees are more willing to accept lower wage growth given concerns about job stability.⁵⁵

Spare capacity in the labour market

129. The unemployment rate is usually a key indicator for wages growth. When the unemployment rate falls, wages increase. However, recent falls in unemployment in Australia have not corresponded with an expected increase in wages. Analysts have argued that the presence of underemployed workers could dampen wages growth, given they offer additional labour supply or may be more concerned about job security and have less bargaining power to achieve higher wages.⁵⁶

⁵² ILO Global Wage Report 2016/17: *Wage inequality in the workplace*, December 2016.

⁵³ Ibid, note 1, p. xix.

⁵⁴ Bishop, J. and Cassidy, N. (2017), *Insights into low wage growth in Australia*, Reserve Bank of Australia Bulletin, March quarter 2017, p.13.

⁵⁵ Jacobs, D. and Rush, A. (2015), *Why is wage growth so low?*, Reserve Bank of Australia Bulletin, June quarter 2015.

⁵⁶ Bishop, J. and Cassidy, N. (2017), *Insights into Low Wage Growth in Australia*, Reserve Bank of Australia Bulletin, March 2017, p.16.

130. In recent years there has been a trend in Western Australia and nationally whereby higher levels of labour underutilisation have accompanied lower wages growth.

The changing nature of the labour market

131. The Commonwealth Department of the Treasury (Commonwealth Treasury) has stated that due to increasing rates of part time employment, growth in the services industries and a gradual rise in non-routine jobs, the labour market has undergone structural factors which are influencing wages growth.⁵⁷

132. Increasing part time employment has been a feature of the labour market for several decades, which has led to total average working hours falling for the last 30 years.⁵⁸ Recent growth in part time employment may reflect spare-capacity in the labour market. In some cases those employees who prefer to work on a part time basis may accept lower wages growth in return for greater flexibility.⁵⁹

133. The growth in the services industries has also structurally changed the labour market. Since 1988, the services industries have grown considerably in Australia, representing 78.6 per cent of national employment in February 2018 and 73.1 per cent in Western Australia.⁶⁰

134. Furthermore, employment growth in the services industries has been concentrated in below-average wage industries. According to the Commonwealth Treasury, since 1994-95, almost 3.6 million jobs in Australia have been added to the services industries. Of these jobs, a little over 1.9 million (52.8 per cent) have been in industries with below-average wages, while a little over 1.6 million (44.4 per cent) have been in above-average wage industries”.⁶¹

Low inflation and real wages

135. The rate of inflation directly impacts on an employee’s capacity to purchase. Measuring real wages growth (which accounts for changes in inflation) is therefore a good indicator of shifting trends in purchasing power. The RBA suggests that “employees are ultimately concerned with the purchasing power of their wage in terms of the goods and services it affords, rather than its monetary value. Accordingly, lower wage growth might be explained by temporarily lower inflation expectations for consumer prices.”⁶² However, after accounting for the lower inflation expectations, the RBA found that real wages growth has still declined to nearly zero, suggesting that inflation expectations account for only a small part of the overall decline in wages growth.⁶³

⁵⁷ Commonwealth Treasury (2017), *Analysis of Wage Growth, November 2017*, p.2.

⁵⁸ Ibid, p. 31.

⁵⁹ Ibid.

⁶⁰ ABS (2018), *Labour Force, Detailed Quarterly, Australia*, Catalogue 6291.0.55.003, Table 05 (original series).

⁶¹ Commonwealth Treasury (2017), *Analysis of Wage Growth, November 2017*, p.33.

⁶² Jacobs, D. and Rush, A. (2015), *Why is Wage Growth So Low?*, Reserve Bank of Australia Bulletin, June 2015, p.11.

⁶³ Ibid, p.12.

136. As of December 2017, Western Australia's annual real wage growth was 0.4 per cent, marginally higher than Australia's at 0.1 per cent. After wages have been adjusted for inflation, there has essentially been little real growth in wages.

Employee bargaining power and pay setting methods

137. Some analysts have argued that the bargaining power of employees has substantially eroded in recent years, which has consequently affected wages growth.

138. Analysts have also highlighted that increasing levels of self-employment, casualisation and other types of 'flexible' labour market practices relating to the 'gig economy' have contributed to these changes.⁶⁴

139. The Commonwealth Treasury recently released an analysis on pay setting methods and how recent trends towards award reliance may be impacting on wages growth; though it stresses that the relationship between pay setting methods and wage growth "is complex, with causality potentially running in both directions, and no clear overall effect".⁶⁵

140. Recent trends in pay setting methods suggest award reliance has increased. Throughout Australia, award reliance for non-managerial employees has increased from 15.2 per cent in 2010 to 24.5 per cent in 2016, while the proportion of employees paid under collective agreements has declined from 43.4 per cent in 2010 to 38.9 per cent in 2016.⁶⁶

141. As the Commonwealth Treasury highlights, there is no data source which provides an exact estimate of lapsed collective agreements in the national jurisdiction, though it is estimated that there are a number of lapsed agreements that are still operational.⁶⁷ Analysis performed by the Fair Work Commission for the Commonwealth Treasury suggests that across all industries in 2014, over 35 per cent of organisations had an enterprise agreement that either replicated the award wage or sat just above award wage rates.⁶⁸

142. Pay setting methods can influence weekly earnings and wages growth, as an increase in the share of employees paid according to an award would tend to lower wage growth. Although it should be noted that higher increases in award wages, compared to other pay setting methods, over the last few years could support stronger wage growth in the future.⁶⁹

⁶⁴ Commonwealth Bank (2017) Q1 Wage Price Index: Real Wages Growth Slips into Negative Territory, 17 May 2017, p.2.

⁶⁵ Commonwealth Treasury (2017), *Analysis of Wage Growth, November 2017*, pp.60-66.

⁶⁶ ABS (2017) *Employee, Earnings and Hours, Australia, 2010, 2012, 2014 and 2016*, Catalogue 6306.0.

⁶⁷ Commonwealth Treasury (2017), *Analysis of Wage Growth, November 2017*, p.64.

⁶⁸ *Ibid*, p.65.

⁶⁹ *Ibid*.

143. Analysts have also claimed that falling union membership has reduced employee bargaining power, resulting in lower wages growth.⁷⁰

Declining terms of trade

144. Western Australia and Australia experienced a large rise in the terms of trade during the mining investment boom, which led to many businesses being able to afford to pay higher wages while profits were increasing. Rising terms of trade means that business output prices increase more than the prices that are paid by consumers, increasing profit margins.⁷¹

145. The mining expansion effectively drove a wedge between consumer and producer prices, when generally they are expected to grow together in the long term.⁷² As the terms of trade have declined, the real consumer wage has essentially been flat since 2011 as weak growth in incomes has been matched by weak growth in consumer prices.⁷³

Summary

146. As the analysis above highlights, the factors that influence wages growth are complex and multi-faceted, and analysts remain uncertain of the exact causes of the low wages trend. While there are a number of economic factors which have played a role in lower than expected wages growth, other factors such as employee bargaining power, may have also had an impact.

147. As the causes are complex and difficult to identify, so too are the possible solutions to reverse the wages growth trend. Regardless of the causes and the possible solutions, long term low wages growth can have a negative impact economically and socially.

148. As the ILO stated in the Global Wage Report 2016-17, “there has been a growing recognition of the need to monitor wage trends and implement sustainable wage policies that prevent wage stagnation, raise the levels of pay for millions of working poor around the world, ensure fair distribution, reduce excessive wage and income inequalities, and buttress consumption as a key pillar of sustainable economies.”⁷⁴

⁷⁰ Jericho, G. (2017), ‘Recipe to avoid recession has also kept jobs and wages growth at bay’, *The Guardian*, 11 June 2017 and *The Economist* (2015), ‘When what comes down doesn’t go up – the economics of low wages’, *The Economist*, 2 May 2015.

⁷¹ Jacobs, D. and Rush, A. (2015), *Why is Wage Growth So Low?*, Reserve Bank of Australia Bulletin, June 2015, p.12.

⁷² Commonwealth of Australia (2017) *Analysis of Wage Growth, November 2017*, Treasury, p. 18.

⁷³ *Ibid*, p.19.

⁷⁴ ILO (2016), *Global Wage Report, 2016-17: Wage inequality in the workplace*, p.xv.

Skills development

149. The WAIRC is required under Section 50A of the IR Act to consider the need to encourage ongoing skills development when making the State Wage Order. This section provides key data on commencements of apprenticeships and traineeships for 2017 and previous years, including information on the proportion of each type of training arrangement undertaken by employees over the age of 21.⁷⁵ Data on the total number of apprentices and trainees in training is also presented.
150. This data and analysis of economic drivers of recent trends in apprenticeship and traineeship numbers has been provided by the Department of Training and Workforce Development (DTWD).

Apprenticeship data

151. As shown in Table 10 below, apprenticeship commencements increased marginally (by 0.1 per cent) from 6,422 in 2016 to 6,431 in 2017. Although the uptake of apprenticeships has declined significantly since 2010, this was the first time in seven years that apprenticeship commencements have not reduced in Western Australia.

Table 10: Apprenticeships commenced in WA, 2007 to 2017⁷⁶

Year	Under 21 years	21 years & over	Total	% 21 years & over
2007	7,026	2,377	9,403	25.3%
2008	6,581	2,198	8,779	25.0%
2009	5,294	1,817	7,111	25.6%
2010	7,647	2,708	10,355	26.2%
2011	6,907	2,925	9,832	29.7%
2012	6,456	3,220	9,676	33.3%
2013	5,928	2,784	8,712	32.0%
2014	5,759	2,946	8,705	33.8%
2015	5,176	2,712	7,888	34.4%
2016	4,107	2,315	6,422	36.0%
2017	4,053	2,378	6,431	37.0%

152. Apprenticeship commencements in automotive trades; and metals, manufacturing and services trades increased by 22.3 per cent and 18.7 per cent respectively compared to 2016, following declines the previous year. In contrast, building and construction trades declined by 15.0 per cent in 2017.
153. Apprenticeship commencements peaked in 2010, and have since declined by 37.9 per cent from 10,355 to 6,431. This includes declines in building and construction trades (down 52.0 per cent), metals, manufacturing and services trades (down 37.0 per cent), electrical trades (down 28.6 per cent) and automotive trades (down 21.6 per cent).

⁷⁵ Data is for apprentices and trainees in both the State and national industrial relations systems; it is not possible to ascertain what proportion of these employees are subject to the State jurisdiction.

⁷⁶ Department of Training and Workforce Development (DTWD), Data Request No. TRS3687, 24 April 2018.

Table 11 – Apprenticeship commencements by trade category⁷⁷

Contract type / Trade category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Arts, Sport & Recreation	0	4	6	7	5	5	5	0	5	2	3
Automotive	1,479	1,408	1,128	1,601	1,655	1,797	1,451	1,225	1,048	1,026	1,255
Building & Construction	2,366	1,899	1,660	2,654	1,978	1,760	2,130	2,635	2,330	1,499	1,274
Community Services, Health & Education	20	29	27	25	19	15	10	8	6	10	11
Electrical	1,173	1,241	891	1,618	1,651	1,642	1,453	1,537	1,494	1,115	1,156
Food	349	343	409	385	361	351	261	212	217	206	203
Hospitality & Tourism	562	490	422	569	588	596	590	492	428	480	370
Light Manufacturing	510	435	332	452	373	310	319	317	319	242	202
Metals, Manufacturing & Services	2,046	2,079	1,390	2,016	2,253	2,220	1,570	1,390	1,231	1,071	1,271
Primary Industry	94	93	66	98	57	123	122	79	78	73	74
Process Manufacturing	15	10	17	9	10	0	1	0	0	17	3
Utilities, Electrotechnology & Printing	23	33	12	17	86	151	100	153	108	93	77
Wholesale, Retail & Personal Services	766	715	751	904	796	706	700	657	624	588	532
Total Apprenticeships	9,403	8,779	7,111	10,355	9,832	9,676	8,712	8,705	7,888	6,422	6,431

Traineeship data

154. As shown in Table 12 below, traineeship commencements declined by 2.8 per cent, from 15,086 in 2016 to 14,660 in 2017. Finance, property and business services commencements declined by 14.0 per cent; while hospitality and tourism commencements declined by 12.9 per cent. However, mining industry commencements increased by 41.0 per cent following a decline the previous year.

155. Changes to Commonwealth incentives for existing workers led to a strong increase in traineeship commencements in 2012. However, in the last five years traineeship commencements have declined by 44.0 per cent, from 26,175 in 2012 to 14,660 in 2017.

Table 12: Traineeships commenced in WA, 2007 to 2017⁷⁸

Year	Under 21 years	21 years & over	Total	% 21 years & over
2007	6,031	8,411	14,442	58.2%
2008	6,441	10,478	16,919	61.9%
2009	5,213	11,885	17,098	69.5%
2010	6,112	13,074	19,186	68.1%
2011	6,221	13,524	19,745	68.5%
2012	6,757	19,418	26,175	74.2%
2013	5,064	17,701	22,765	77.8%
2014	5,146	15,630	20,776	75.2%
2015	4,313	15,124	19,437	77.8%
2016	4,165	10,921	15,086	72.4%
2017	4,438	10,222	14,660	69.7%

⁷⁷ Department of Training and Workforce Development (DTWD), Data Request No. TRS3687, 24 April 2018.

⁷⁸ Ibid.

156. Between 2012 and 2017 traineeship commencements declined in transport and storage (down 61.2 per cent); process manufacturing (down 58.7 per cent); and community services, health and education (down 56.3 per cent).

Table 13 – traineeship commencements by trade category⁷⁹

Contract type / Trade category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Arts, Sport & Recreation	214	253	292	269	230	355	274	351	252	268	322
Automotive	298	379	250	414	303	317	270	185	143	136	138
Building & Construction	402	551	381	604	544	707	614	613	744	405	568
Community Services, Health & Education	1,831	2,423	2,313	2,277	2,523	2,834	2,608	2,471	1,776	1,336	1,238
Finance, Property & Business Services	2,524	2,504	2,424	3,221	4,354	6,716	4,863	5,110	4,608	3,795	3,264
Food	897	908	681	571	495	578	397	352	295	227	223
Hospitality & Tourism	1,105	1,385	1,531	1,646	1,514	2,652	2,866	2,876	2,836	2,562	2,232
Light Manufacturing	264	119	272	209	110	146	74	71	52	77	41
Metals, Manufacturing & Services	175	256	186	238	297	211	133	319	259	104	123
Mining Industry	283	460	955	1,397	1,470	1,400	1,396	1,382	1,550	1,327	1,871
Primary Industry	705	735	878	852	682	780	806	632	500	440	410
Process Manufacturing	578	836	1,482	1,989	1,689	2,723	3,611	2,204	2,529	962	1,124
Public Administration	461	499	218	309	104	359	336	266	218	213	199
Transport & Storage	1,889	2,289	2,411	2,160	2,361	2,865	2,079	1,638	1,480	1,352	1,111
Utilities, Electrotechnology & Printing	601	703	409	263	344	853	712	652	536	429	394
Wholesale, Retail & Personal Services	2,215	2,619	2,415	2,767	2,721	2,678	1,726	1,654	1,657	1,453	1,402
Other					4	1			2		
Total traineeships	14,442	16,919	17,098	19,186	19,745	26,175	22,765	20,776	19,437	15,086	14,660

Total numbers in training

Apprentices

157. The total number of apprentices in training declined by 3.9 per cent, from 15,696 as at 31 December 2016 to 15,077 as at 31 December 2017. Over this period apprentices in training in building and construction trades declined by 13.1 per cent, while apprentices in automotive trades increased by 9.8 per cent.

Trainees

158. The total number of trainees in training declined by 10.6 per cent, from 19,047 as at 31 December 2016 to 17,019 as at 31 December 2017. Over the period trainees in process manufacturing declined by 36.0 per cent, while trainees in mining increased by 26.2 per cent.

⁷⁹ Ibid.

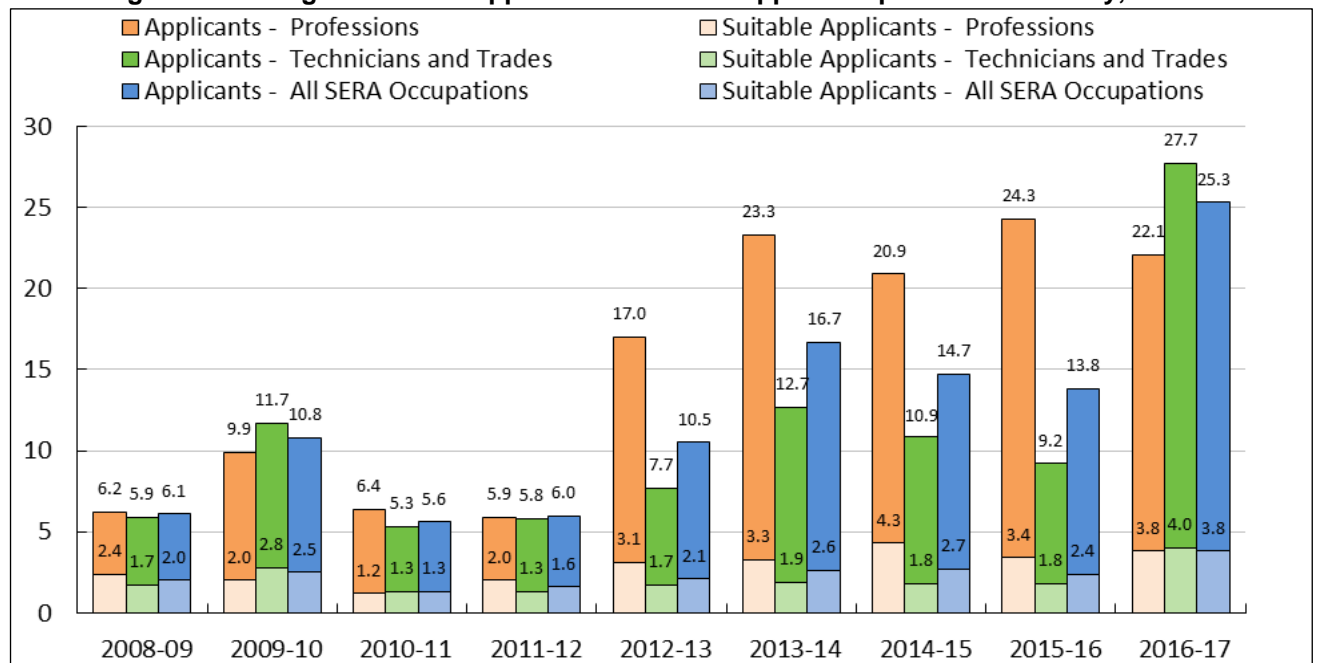
Table 14 - Apprentices and trainees in training by trade category

Contract type / Trade category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
All Apprenticeships	21,605	21,582	19,059	18,698	18,558	19,070	18,272	17,862	17,321	15,696	15,077
Arts, Sport & Recreation	0	3	8	9	9	12	5	1	6	6	8
Automotive	3,547	3,520	3,182	3,057	3,162	3,471	3,317	3,044	2,665	2,462	2,703
Building & Construction	4,975	4,772	4,068	4,253	3,834	3,511	3,465	4,018	4,379	3,797	3,298
Community Services, Health & Education	60	63	64	57	49	40	30	25	21	21	22
Electrical	2,965	3,369	3,219	3,580	3,822	4,074	4,121	4,113	4,090	3,649	3,448
Food	612	590	603	585	536	548	427	371	358	389	393
Hospitality & Tourism	987	898	728	679	671	673	665	614	600	665	619
Light Manufacturing	1,119	1,092	899	780	691	621	562	572	587	533	490
Metals, Manufacturing & Services	5,427	5,440	4,600	4,219	4,336	4,655	4,192	3,657	3,168	2,785	2,852
Primary Industry	177	165	171	176	155	203	218	207	176	164	152
Process Manufacturing	18	17	21	19	19	4	2	0	0	16	19
Utilities, Electrotechnology & Printing	65	72	54	47	91	212	273	307	294	258	183
Wholesale, Retail & Personal Services	1,653	1,581	1,442	1,237	1,183	1,046	995	933	977	951	890
All Traineeships	12,360	14,220	16,184	18,663	19,193	23,600	23,044	22,494	21,979	19,047	17,019
Arts, Sport & Recreation	160	187	216	242	214	197	168	143	90	87	112
Automotive	242	287	229	327	248	219	232	219	193	107	129
Building & Construction	320	487	470	497	558	629	562	692	855	657	639
Community Services, Health & Education	1,790	2,181	2,120	2,220	2,289	2,548	2,587	2,494	2,307	1,760	1,509
Finance, Property & Business Services	1,687	1,591	1,875	2,410	3,345	5,669	5,022	5,280	5,350	4,695	4,268
Food	610	581	601	571	495	570	476	355	329	288	221
Hospitality & Tourism	800	1,128	1,287	1,386	1,281	2,177	2,739	2,490	2,572	2,707	2,334
Light Manufacturing	245	88	247	300	197	132	87	54	54	71	56
Metals, Manufacturing & Services	149	227	214	264	322	223	108	278	301	182	127
Mining Industry	292	356	907	1,629	1,840	1,477	1,224	1,486	1,638	1,604	2,025
Primary Industry	741	586	623	652	506	569	566	434	395	349	330
Process Manufacturing	535	792	1,488	2,337	2,298	2,857	3,913	3,834	3,378	2,249	1,440
Public Administration	638	740	502	529	290	405	334	319	195	215	186
Transport & Storage	1,843	2,245	2,802	2,722	2,902	3,258	2,916	2,370	2,228	2,262	2,011
Utilities, Electrotechnology & Printing	588	630	495	351	442	797	741	591	490	448	418
Wholesale, Retail & Personal Services	1,720	2,114	2,108	2,226	1,962	1,869	1,367	1,455	1,602	1,366	1,214
Other	0	0	0	0	4	4	2	0	2	0	0
All employees in training	33,965	35,802	35,243	37,361	37,751	42,670	41,316	40,356	39,300	34,743	32,096

Economic drivers of recent trends in apprenticeship and traineeship numbers

159. Western Australia’s labour market saw some improvement in conditions over 2017. However, high levels of job competition mean youth and other first time job seekers (typical of most apprentices and trainees) remain at a disadvantage.
160. Young first time entrants into the workforce (as are many apprentices and trainees) are particularly vulnerable to indirect competition for jobs in two key (albeit indirect) ways. Firstly, employers may instead choose to utilise other older and more experienced unemployed / retrenched persons, who for some key trades may already be quite experienced (e.g. returning workers from the resources sector investment boom).
161. Alternatively, younger workers may be ‘displaced’ in respect to the additional labour offered by those experienced underemployed workers seeking to increase their hours (which often negates the need for an employer to put on a new / inexperienced worker).⁸⁰
162. Data from the ‘Survey of Employers who have Recently Advertised’ (SERA), conducted by the Commonwealth Department of Jobs and Small Business, shows very large increases in recent years in the average number of applicants for skilled vacancies. In particular, the average applicant numbers for technician and trade jobs recorded a very marked rise in the average number of applicants applying per vacancy over 2016-17 (compared to previous years).

Figure 7 - Average number of applicants & suitable applicants per skilled vacancy, WA⁸¹

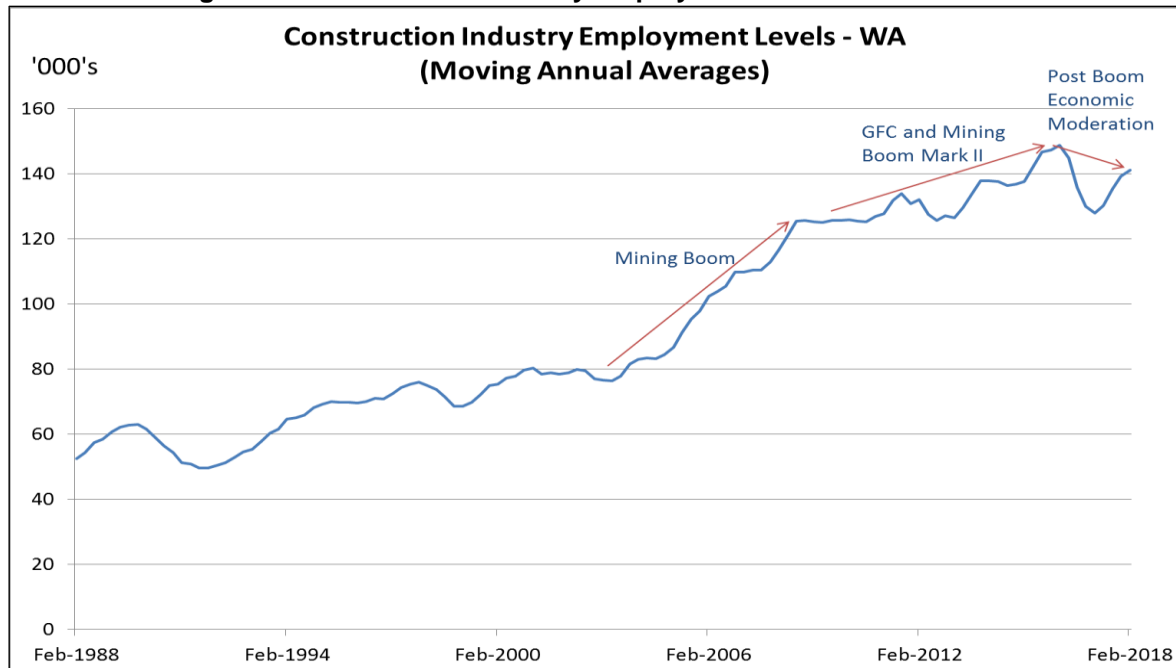


⁸⁰ However specific and granular labour market data on the prevalence and extent of either of these phenomena are not readily available.

⁸¹ Commonwealth Department of Jobs and Small Business.

163. Trends in jobs growth by industry can be a helpful indicator of where jobs demand for apprentices and traineeships has been coming from. Such trends should however be seen as being only broadly indicative at best, due mainly to the differing degrees to which various industries typically employ apprentices and traineeships over the longer term, together with differing propensities that may affect such rates over the shorter term.⁸²
164. Given the construction industry's key role in employing apprentices, it is also useful to examine the specific job growth trends and outlook that industry has. While the construction industry recorded a reasonable pick up in job levels over the past year, this has come after a more sizable drop over most of 2016.

Figure 8 – Construction Industry Employment Levels - WA⁸³

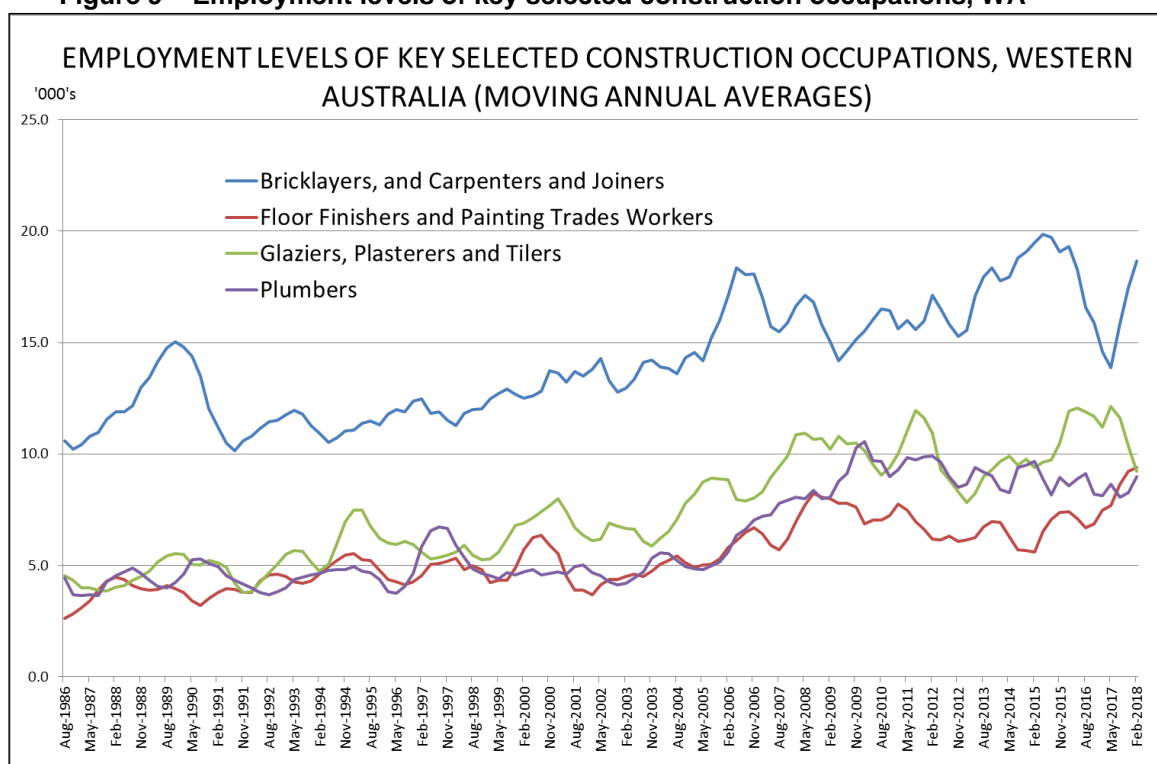


165. The figure below shows employment trends for Western Australia in some key occupations in the residential construction trades (which have sizable overall employment levels).

⁸² Such shorter term factors tend to be more immediate market-driven elements, such as the degree to which other sources of labour supply are available (e.g. access to experienced workers via migration), changes in wage relativities, profitability and other economic conditions affecting industries, and similar.

⁸³ ABS (2018), *Labour Force, Australia, Detailed, Quarterly, February 2018*, Catalogue 6291.0.55.003.

Figure 9 – Employment levels of key selected construction occupations, WA⁸⁴



166. While these employment figures can tend to be somewhat erratic in the short term, as shown by Figure 9, job levels over the last year or so moved in an upward direction for occupations like bricklayers, carpenters and joiners; and floor finishers and the painting trades; while they were mostly flat for plumbers; and fell in the case of glaziers, plasterers and tilers.⁸⁵
167. It is worth noting though that activity in the State's construction sector (and therefore linked with that, employment levels) can be quite lagged at times relative to prevailing economic conditions. This is due to the often long lead times for projects to get approved, in conjunction with the construction duration times many projects have (which in particular for many large / complex projects in the non-residential and resource sectors, can be many years in length).
168. Current leading indicators for the residential construction industry (including building approvals and home lending data), and dwelling commencement forecasts from the Housing Industry Forecasting Group,⁸⁶ suggest demand for workers may be subdued in the labour intensive residential housing area over at least the next year or so.⁸⁷

⁸⁴ ABS (2018), *Labour Force, Australia, Detailed Quarterly, February 2018*, Catalogue 6291.0.55.003. Datacube EQ08.

⁸⁵ Ibid.

⁸⁶ Housing Industry Forecasting Group (2017), *Forecasting Dwelling Commencements in WA 2017-18*, https://www.planning.wa.gov.au/dop_pub_pdf/Housing_Industry_Forecasting_Group_Oct_Report_2017.pdf

⁸⁷ ABS (2018), *Building Approvals, Australia, February 2018*, Catalogue 8731.0; and ABS (2018), *Housing Finance, Australia, January 2018*, Catalogue 5609.0.

169. Declining apprenticeship trends have not only been limited to construction trades, with some other major trade category contributors to apprenticeships also showing sizable changes in recent years.
170. Some of the key trade categories which have been ‘traditional’ drivers of employment-based training (apprentices)⁸⁸ and major drivers over the resource expansion period have, over more recent years, been at the forefront of the recent declines in apprenticeship commencements. As well as building and construction; they also include the areas of automotive; electrical; and metals, manufacturing and services.
171. Commencements in traineeships have declined across groups such as electrical; utilities, electrotechnology and printing; transport and storage; and community services, health and education - although in most cases these declines have been smoother over time than the changes in apprenticeship commencements. In contrast, traineeships in other areas perhaps not as directly exposed to past resource boom peaks and troughs (e.g. hospitality and tourism; and primary industry traineeships) have mostly remained steady over recent years.
172. Though ongoing demand for skilled workers will still occur (especially for some of the more specialised roles required for the less labour-intensive operational phase of resource projects), the overall quantum of resource sector labour demand is expected to be lower over coming years,⁸⁹ compared to its recent historically high levels.
173. The analysis above covers some of the labour market factors likely to have had some influence over recent apprenticeship and traineeship trends in the State. However, there are also many other non-economic factors that can often have a key and direct effect on the willingness of employers to put on new apprentices / trainees, as well as factors that impinge on the decisions made by prospective apprentices / trainees to pursue such a career path.
174. Such factors can also be inter-related, with some affecting particular sectors more than others, making these factors hard to disentangle.
175. Some individual factors can also be both push and pull factors that disproportionately affect both sides – for example, while the 2013 decision by the Fair Work Commission to lift the first-year pay rate for apprentices in the national industrial relations jurisdiction from 42 per cent of the adult rate to 60 per cent acted as a stronger incentive for prospective workers to try to gain an apprenticeship, the increased cost to employers may have acted as a disincentive for them in respect to hiring apprentices.

⁸⁸ Refer to the apprenticeship and traineeship statistics as provided by DTWD.

⁸⁹ In particular, a number of very large projects (Gorgon, Persephone and South Hedland power) have recently been completed and 12 per cent (or some \$8.1 billion) of the total worth of projects under construction in Western Australia are due for completion across 2018-2019. [Source: Deloitte Access Economics, Investment Monitor, December 2017].

176. Other academic research suggests pre-conceived perceptions of training and labour markets can also play a key role directing future entrants down the apprenticeships / traineeship pathway, or into other post-school education pathways.
177. A seminal piece of work released in early 2017 that helps shed some light on other key 'push and pull' factors that can influence apprenticeship and traineeship trends was the Fair Work Commission's literature review: *Factors Affecting Apprenticeships and Traineeships*.⁹⁰ This 'meta-analysis' report notes that on the supply side, numerous factors can play a key role in motivating persons to undertake employment-based training, such as perceptions of:
- skills shortages;
 - rising tradesperson wages;
 - future potential pay rates, conditions, and career potential;
 - rising apprentice vacancies;
 - awareness of rising labour demand resulting from demographic change; and
 - job security.
178. The Fair Work Commission's report also highlighted additional research noting stronger economic conditions can also encourage apprentices to exit their training (or potential entrants to forgo training) to chase short term financial gains (such as that experienced by Western Australia during the resource boom period). However, during recessionary periods, apprentices instead become more risk averse and are less likely to cancel their training.⁹¹
179. The report also noted evidence of younger apprentices under the age of 24 being more likely to cancel their apprenticeship, compared to mature age commencements who may appreciate the longer term gain of completing their training.⁹²
180. The report further commented that qualitative research undertaken with school students shows the perceptions of apprenticeships still have some way to progress. The report noted that the apprenticeship post school pathway is still seen by most of those potentially considering it as suffering from 'poor pay, harassment, dirty jobs and unsuitable hours', and could be viewed as 'an option best suited to less academically capable students'. Other qualitative surveys also found that despite these perceptions students knew 'very little about apprenticeships and traineeships'.⁹³

⁹⁰ Fair Work Commission (2017), *Research Report 3/2017: Factors affecting apprenticeships and traineeships*.

⁹¹ Misko, J, Nguyen, N & Saunders, J (2007), *Doing an Apprenticeship: what young people think*, NCVET, Adelaide.

⁹² Trendle B (2007), *The labour market and apprenticeship retention in Queensland's traditional trades*, Working paper No. 44, Department of Education, Training and the Arts, Queensland Government.

⁹³ Misko, J, Nguyen, N & Saunders, J (2007), *Doing an Apprenticeship: what young people think*, NCVET, Adelaide.

181. A positive influence towards attracting a person to commence an apprenticeship is if they have family or friends with a history in trades and therefore an awareness of apprenticeships/traineeship conditions, pay and the eventual 'pay off' post completion. The reverse can also be true where apprenticeship discouragement via parents occurs. Parents may associate that a child undertaking this pathway means 'low status, poor earnings and uncomfortable working conditions', and the qualifications at the end are of 'less value' than that of higher education.⁹⁴
182. Another supply side factor to consider is the lower population growth experienced from 2014 to 2017 in the State's 15 to 24 year old youth cohort. The limited growth shown for the youth cohort relative to previous years⁹⁵ (and limited growth that has also been suggested by population projections)⁹⁶ suggests the supply of domestic graduates in the State in the next few years may also continue to be limited due to these demographic trends.
183. Other non-labour market factors that would also likely have contributed more broadly to trends in new apprenticeship and traineeship numbers across the State in recent years have included higher fees and also the increased training costs faced by employers.
184. Employer perceptions around the quality and value of training can also play a key role in their decisions to put on an additional apprentice or trainee. According to a survey of employers use and also perceptions of the VET system undertaken by the National Centre for Vocational Education Research in 2017,⁹⁷ employers with apprentices / trainees in Western Australia that were surveyed rated their satisfaction with training "as a way of meeting their skill needs" at an overall rate of 81.9 per cent in 2017, down slightly from the 82.4 per cent recorded in the previous survey in 2015.⁹⁸

⁹⁴ Dickie M, McDonald R & Pedic F (2011), *A fair deal: apprentices and their employers in NSW*, New South Wales Board of Vocational Education and Training Integrated Research Report, Sydney.

⁹⁵ ABS (2017), *Australian Demographic Statistics*, September 2017, Catalogue 3101.0.

⁹⁶ Western Australian Planning Commission (2015), *WA Tomorrow projections*, accessed 20 April 2018, forecasts to 2021; "C series" (middle range) used.

⁹⁷ NCVET (2017), *Australian vocational education and training statistics: employers' use and views of the VET system 2017*, NCVET, Adelaide.

⁹⁸ It is worth noting that on this measure WA scored the highest satisfaction rate of all states and territories in 2017, with the overall rate nationally for 2017 a much lower 77.5 per cent.

Conclusion

185. The annual State Wage Order plays a vital role in maintaining a strong and sustainable safety net for employees in the State industrial relations jurisdiction, by protecting the needs of the low paid, and maintaining a fair system of wages for Western Australian workers.
186. As discussed in this submission, the Minister supports the WAIRC taking a balanced and equitable approach to minimum and award wage setting. This includes consideration of all the social, economic and labour market objectives prescribed in section 50A(3) of the IR Act, including the requirement to consider the need to contribute to improved living standards for those Western Australians reliant on the State minimum wage and State award rates of pay.
187. As outlined, the Minister believes that granting a real wage increase in 2018 to the low paid via a \$19.20 per week adjustment to minimum and award wages represents a fair and sustainable quantum that would provide a meaningful increase to minimum and award wage earners, improving their relative economic position in the community, and enhancing standards of living.