



**GOVERNMENT OF
WESTERN AUSTRALIA**



Industrial Relations Act 1979

**IN THE WESTERN AUSTRALIAN
INDUSTRIAL RELATIONS COMMISSION**

No. 1 of 2019

ON THE COMMISSION'S OWN MOTION

**SUBMISSION OF THE MINISTER FOR INDUSTRIAL
RELATIONS**

Re: 2019 STATE WAGE ORDER

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Introduction

1. In February 2019, the Western Australian Industrial Relations Commission (WAIRC) issued Application 1 of 2019 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* (MCE Act) and State awards.
2. In making the State Wage Order, the WAIRC is required each year to consider a variety of social, economic and labour market factors 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 Industrial Relations (the Minister) on behalf of the Western Australian Government in regard to Application 1 of 2019. It also addresses Application 34 of 2018, concerning the development of an Equal Remuneration Principle.

Minister's position

4. The Minister welcomes the opportunity to make a submission to the 2019 State Wage Case proceedings on behalf of the Western Australian Government.
5. The Minister recognises the importance of a strong and sustainable safety net for employees in the State industrial relations system. The annual review of State minimum and award wages plays an important role in protecting the needs of the low paid.
6. The Minister advocates the WAIRC take a fair and considered approach to minimum and award wage setting, to protect the living standards of the low paid, improve the value of real wages and contribute to economic growth throughout the community.
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. In recent years stagnant wages growth and below average household income growth have combined to create considerable challenges for many workers.
9. 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 standard of living and help to protect against the risk of falling into poverty. This is particularly relevant for those employees in the State industrial relations system who are award free or working under awards with lower rates of pay.
10. 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 \$19.20 per week.
11. A \$19.20 per week adjustment would increase the State Minimum Wage by approximately 2.6 per cent, lifting it to \$746.10 per week. It represents a fair and sustainable quantum that would provide a welcome increase to minimum and award wage earners, assisting them in meeting their everyday living costs.
12. 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

13. The Department of Treasury (Treasury) has provided an outlook for the Western Australian economy, which is included at **Attachment A**. The economic outlook contains forecasts for key economic and labour market indicators, as well as an assessment of the current State economy.

14. On 9 May 2019, the Western Australian Treasurer handed down the 2019-20 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	2017-18 Actual	2018-19 Estimated Actual	2019-20 Budget Forecast	2020-21 Forward Estimate	2021-22 Forward Estimate
Gross State Product	1.9%	2.0%	3.5%	3.0%	3.0%
State Final Demand	1.0%	-1.0%	3.0%	3.5%	3.5%
Employment Growth	2.2%	1.0%	1.75%	2.0%	2.0%
Unemployment Rate	6.1%	6.25%	6.0%	5.75%	5.5%
Wage Price Index	1.5%	1.75%	2.25%	2.75%	3.0%
Consumer Price Index	0.9%	1.25%	1.75%	2.25%	2.5%

15. As detailed further in **Attachment A**, Western Australia's economy continues to gradually improve. A number of key indicators are projected to strengthen across the forward estimates period, in line with a recovery in the State's domestic economy.
16. Total State output, measured by Gross State Product (**GSP**), is expected to increase by 2.0 per cent in 2018-19, up from 1.9 per cent in 2017-18. GSP is expected to grow by a further 3.5 per cent in 2019-20.²
17. A variety of other indicators point to improving conditions, including a lift in job vacancies, new iron ore and lithium projects, and a forecast return to positive business investment growth.
18. On the other hand, growth in retail turnover continues to be subdued, while youth unemployment remains elevated and the level of underemployment indicates that spare capacity remains in the labour market.
19. The Minister recognises that the State continues to transition following the end of the mining-led investment boom, and submits that the Western Australian Government's position takes account of the current economic climate whilst providing for a fair and sustainable increase in minimum and award wages.
20. 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**.

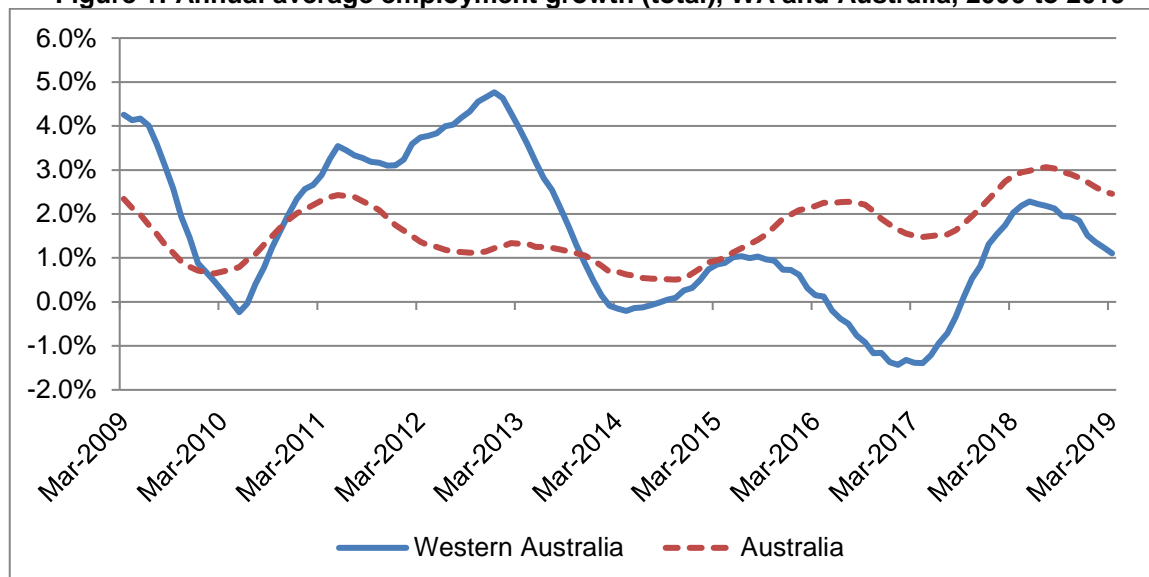
¹ Department of Treasury (2019), *2019-20 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.11.

² Ibid.

Labour market conditions in Western Australia

21. As Figure 1 illustrates, total employment in Western Australia increased by 1.1 per cent in annual average terms over the year to March 2019, a reduction from growth of 2.3 per cent over 2017-18, but still well above the 0.9 per cent fall recorded in 2016-17. A moderation in the rate of employment growth in 2018-19 was the expected consequence of work on several large LNG projects being completed.
22. Leading employment indicators provide encouraging signs for employment growth in Western Australia, including a 32.0 per cent increase in job vacancies in the year to February 2019.³ There was also a small increase (1.0 per cent) in the number of recorded internet vacancies in the year to March 2019, with Western Australia being one of only three states and territories to record an increase over the previous 12 months.⁴

Figure 1: Annual average employment growth (total), WA and Australia, 2009 to 2019⁵



23. As shown in Figure 2, full time employment in Western Australia grew by 1.8 per cent in annual average terms in the year to March 2019. Part time employment declined by 0.1 per cent over the same period.⁶

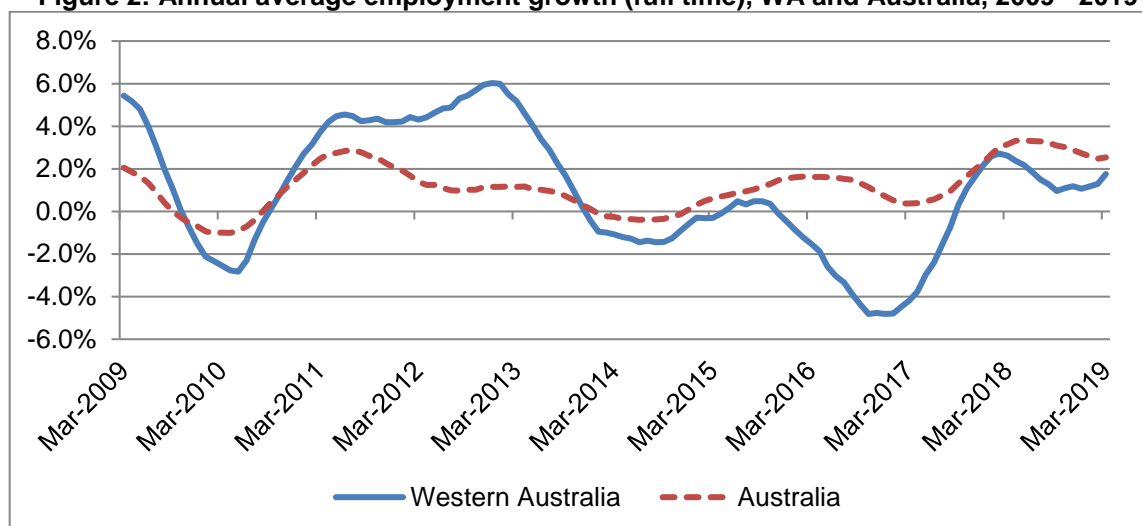
³ ABS (2019), *Job Vacancies, Australia, February 2019*, Catalogue 6354.0, Table 1.

⁴ Department of Jobs and Small Business (2019), *Internet Vacancy Index, March 2019*.

⁵ ABS (2019), *Labour Force, Australia, March 2019*, Catalogue 6202.0, Time series, Tables 1 & 8 (seasonally adjusted series).

⁶ ABS (2019), *Labour Force, Australia, March 2019*, Catalogue 6202.0, Time Series, Table 8 (seasonally adjusted series).

Figure 2: Annual average employment growth (full time), WA and Australia, 2009 - 2019⁷



24. Treasury is forecasting total employment to increase by 1.0 per cent in 2018-19, before rising by a further 1.75 per cent in 2019-20. Employment is then forecast to grow by 2.0 per cent in both 2020-21 and 2021-22.⁸
25. Data regarding employment within Western Australia reveals variations in growth between industries.

Table 2 – Average employment by industry in WA (000s), February 2018 – February 2019⁹

TOTAL EMPLOYED ('000)	Feb-18	Feb-19	Change (000s)
Agriculture, forestry and fishing	41.1	40.1	-1.0
Mining	88.5	105.9	17.4
Manufacturing	73.5	87.4	13.9
Electricity, gas, water and waste services	18.7	20.3	1.6
Construction	140.2	122.0	-18.2
Wholesale trade	36.6	36.4	-0.2
Retail trade	124.7	123.8	-0.9
Accommodation and food services	97.0	95.5	-1.5
Transport, postal and warehousing	63.4	65.5	2.1
Information media and telecommunications	14.7	13.7	-1.1
Financial and insurance services	31.9	25.1	-6.7
Rental, hiring and real estate services	21.9	21.3	-0.6
Professional, scientific and technical services	92.5	96.1	3.6
Administrative and support services	41.7	42.5	0.8
Public administration and safety	75.3	91.3	16.0
Education and training	114.0	104.6	-9.4
Health care and social assistance	165.1	169.6	4.5
Arts and recreation services	28.7	27.2	-1.5
Other services	57.3	55.9	-1.3
Total	1326.9	1344.1	17.3

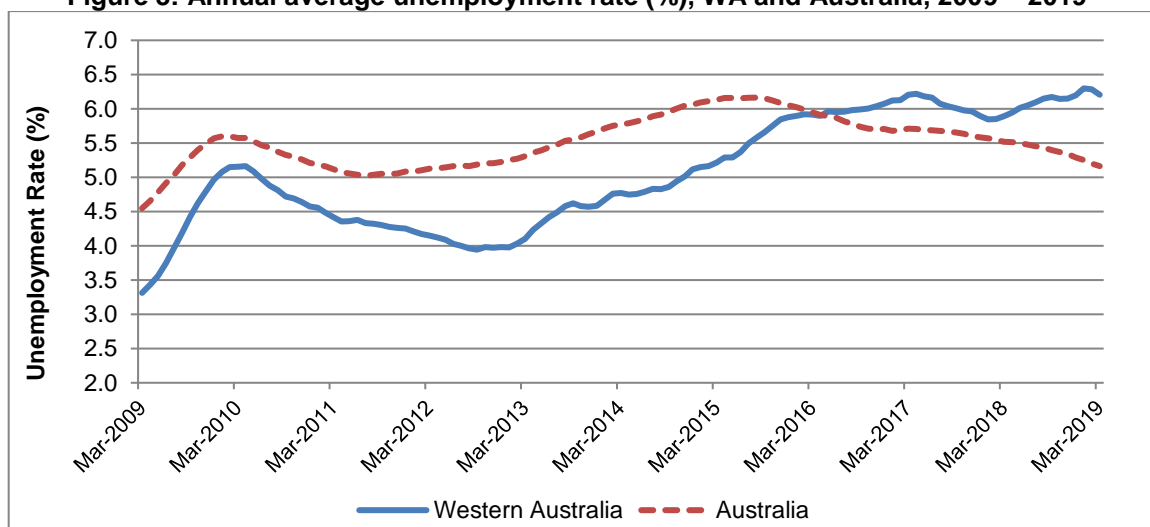
⁷ ABS (2019), *Labour Force, Australia, March 2019*, Catalogue 6202.0, Time Series, Tables 1 & 8 (seasonally adjusted series).

⁸ Department of Treasury (2019), *2019-20 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.11.

⁹ ABS (2019), *Labour Force, Australia, Detailed, Quarterly, February 2019*, Catalogue 6291.0.55.003, Table 5 (seasonally adjusted series). Figures are an average of the last four quarters, and are subject to rounding.

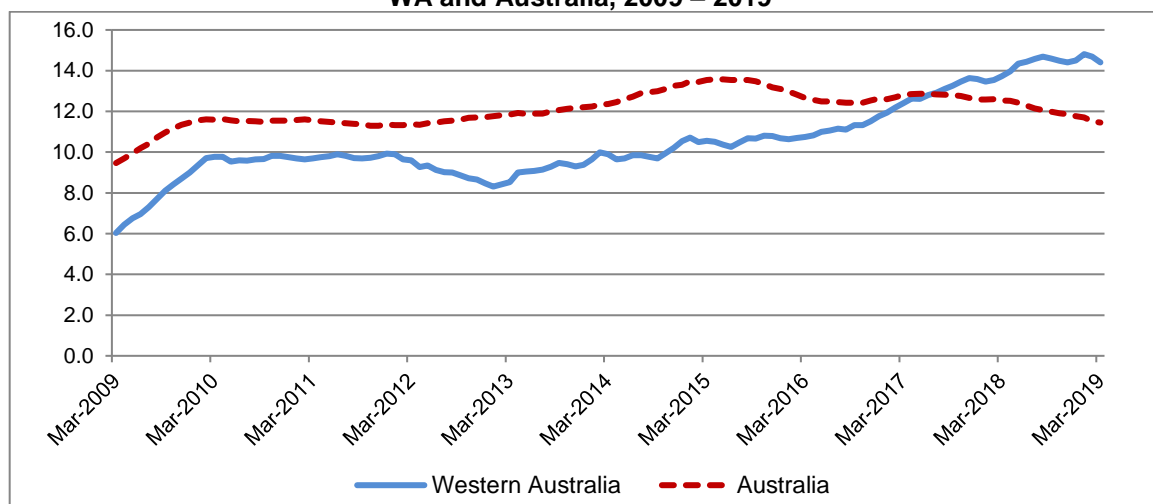
26. The State's unemployment rate has edged higher over the past 12 months, rising to an annual average rate of 6.2 per cent in the year to March 2019, up from 5.9 per cent in the year to March 2018.¹⁰

Figure 3: Annual average unemployment rate (%), WA and Australia, 2009 – 2019¹¹



27. Treasury is forecasting Western Australia's annual average unemployment rate to be 6.25 per cent in 2018-19, before gradually declining to 6.0 per cent in 2019-20 and 5.75 per cent in 2020-21.¹²
28. 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, WA and Australia, 2009 – 2019¹³



¹⁰ ABS (2019), *Labour Force, Australia, March 2019*, Catalogue 6202.0, Time Series, Table 8 (seasonally adjusted series).

¹¹ ABS (2019), *Labour Force, Australia, March 2019*, Catalogue 6202.0, Time Series, Table 1 & 8 (seasonally adjusted series).

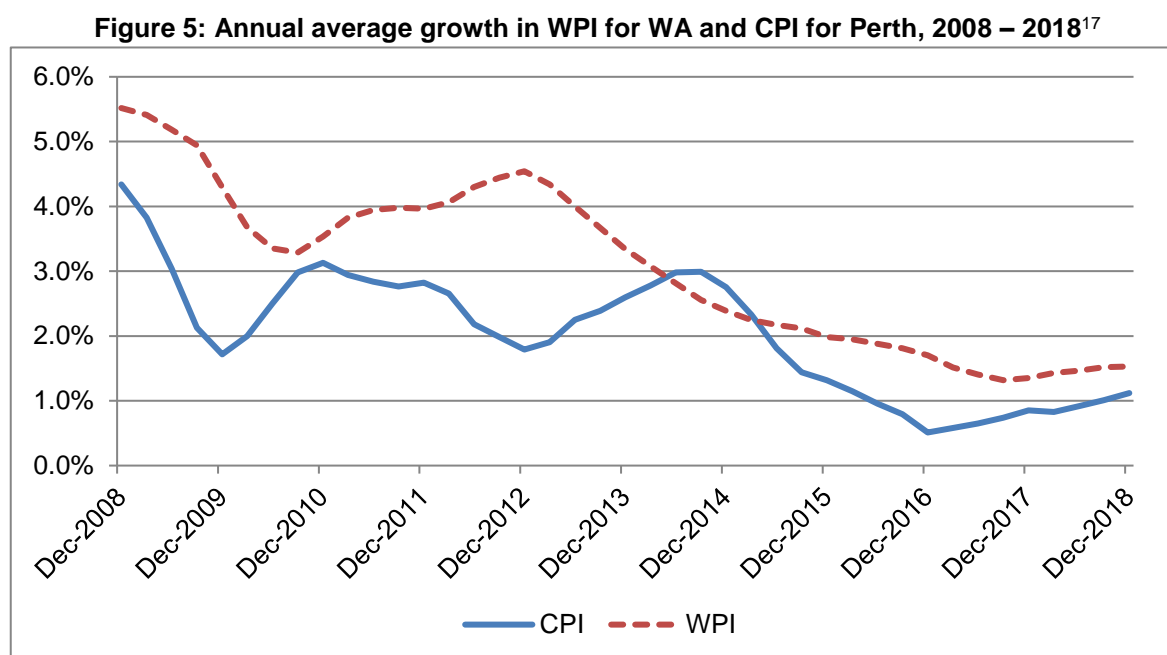
¹² Department of Treasury (2019), *2019-20 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.11.

¹³ ABS (2019), *Labour Force, Australia, Detailed – Electronic Delivery, March 2019*, Catalogue 6291.0.55.001, Time Series, Datacube LM1.

29. Reflecting the degree of spare capacity in the labour market, underemployment in Western Australia has also increased in recent years. However, it has declined marginally in the past 12 months, falling from an average rate of 9.5 per cent in the year to March 2018 to 9.4 per cent in the year to March 2019.¹⁴
30. The total rate of underutilisation in Western Australia increased slightly in the year to March 2019, rising from 15.4 per cent to 15.6 per cent.¹⁵

Trends in wages

31. Wages growth has slowed significantly in recent years, both in Western Australia and across the country.
32. Annual average growth in the State's Wage Price Index (WPI) in the December Quarter 2018 was 1.5 per cent, consistent with growth of 1.5 per cent in the September Quarter 2018. In year-ended terms, the State's WPI increased by 1.6 per cent in the 2018 calendar year.¹⁶
33. As shown in the chart below, growth in the State's WPI has slowed considerably in the last six years, coinciding with the end of the mining-led investment boom.



¹⁴ ABS (2019), *Labour Force, Australia, March 2019*, 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.

¹⁵ 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.

¹⁶ ABS (2019), *Wage Price Index, Australia, December 2018*, Catalogue 6345.0, Time Series, Table 2b.

¹⁷ ABS (2019), *Wage Price Index, Australia, December 2018*, Catalogue 6345.0, Time Series, Table 2b; and ABS (2019), *Consumer Price Index, December 2018*, Catalogue 6401.0, Time Series, Table 1.

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

Table 3: Wage Price Index by industry, WA, December quarters 2017 and 2018¹⁸

Industry	WPI Annual change to Dec Q 2017	WPI Annual change to Dec Q 2018
Mining	1.1%	1.5%
Manufacturing	1.4%	1.8%
Construction	1.1%	1.3%
Retail trade	1.6%	1.6%
Accommodation and food services	1.6%	2.0%
Transport, Postal and Warehousing	1.4%	1.9%
Professional, scientific and technical services	0.1%	1.3%
Administrative and Support Services	1.3%	1.8%
Public administration and safety	1.7%	1.6%
Education and training	2.1%	0.9%
Health care and social assistance	1.7%	1.5%
All industries	1.4%	1.5%

35. Treasury projects wages growth in Western Australia will start to lift in the next couple of years, with the WPI forecast to grow at an annual average rate of 1.75 per cent in 2018-19, before increasing by 2.25 per cent in 2019-20 and 2.75 per cent in 2020-21.¹⁹
36. Growth in the WPI at the national level has also been subdued in recent years, increasing by just 2.2 per cent in annual average terms in the 2018 calendar year.²⁰
37. The WPI measures the change in wages and salaries by controlling the quantity and quality of jobs and excluding 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.
38. While the WPI is generally considered the most useful indicator of wage inflation, the ABS Average Weekly Earnings series is used to provide an indication of earnings in dollar amounts.
39. The latest figures indicate that full time Average Weekly Ordinary Time Earnings (AWOTE) in Western Australia rose by 0.8 per cent in the year to November 2018, from \$1,742.80 to \$1,757.10.²¹

¹⁸ ABS (2019), *Wage Price Index, Australia, December 2018*, 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.

¹⁹ Department of Treasury (2019), *2019-20 State Budget*, Budget Paper No. 3 - Economic and Fiscal Outlook, p.11.

²⁰ ABS (2019), *Wage Price Index, Australia, December 2018*, Catalogue 6345.0, Time Series, Table 2b (original data).

²¹ ABS (2019), *Average Weekly Earnings, Australia, November 2018*, Catalogue 6302.0, Time Series, Table 12E (seasonally adjusted data).

40. Across the whole workforce, average weekly total earnings (AWE) in Western Australia declined by 1.7 per cent, falling from \$1,332.50 to \$1,299.30 in the year to November 2018.²²
41. By granting a real wage increase for minimum and award wage earners, the WAIRC can play a role in helping to counter low wages growth in Western Australia.

Equal remuneration for work of equal or comparable value

42. Another key consideration in minimum and award wage determinations is the principle of equal remuneration for work of equal or comparable value.
43. The most recent AWOTE data indicates that the gap between male and female earnings in Western Australia increased in the 12 months to November 2018, as male earnings rose at a faster rate than female earnings.
44. As indicated in Table 4 below, the gender pay gap in Western Australia rose from 22.5 per cent in November 2017 to 23.2 per cent in November 2018. Nationally, the gender pay gap declined over the same period, falling from 15.3 per cent to 14.2 per cent.

Table 4: Average weekly ordinary time earnings and the gender pay gap (GPG), WA and Australia, November 2017 and November 2018²³

		Nov 2017	Nov 2018	Change over year
WA	Males	\$1,883.00	\$1,915.90	1.7%
	Females	\$1,458.50	\$1,472.20	0.9%
	GPG	22.5%	23.2%	0.7 percentage points
Australia	Males	\$1,665.00	\$1,696.50	1.9
	Females	\$1,410.00	\$1,455.70	3.2
	GPG	15.3%	14.2%	- 1.1 percentage points

45. 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 2018²⁴

State / Territory	Male AWOTE	Female AWOTE	Gender Pay Gap
NSW	\$1,717.30	\$1,479.80	13.8%
VIC	\$1,614.40	\$1,468.80	9.0%
QLD	\$1,684.40	\$1,389.80	17.5%
SA	\$1,514.10	\$1,371.00	9.5%
WA	\$1,915.90	\$1,472.20	23.2%
TAS	\$1,452.10	\$1,299.80	10.5%
NT	\$1,762.90	\$1,500.80	14.9%
ACT	\$1,936.80	\$1,657.80	14.4%
AUS	\$1,696.50	\$1,455.70	14.2%

²² Ibid.

²³ ABS (2019), *Average Weekly Earnings, Australia, November 2018*, Catalogue 6302.0, Time Series, Table 2 and 12E (seasonally adjusted data).

²⁴ Ibid, Tables 2 and 12A-12H (seasonally adjusted data).

46. Women are traditionally more reliant on award pay rates than men, and a higher proportion of female employees are currently being paid in accordance with an award.
47. 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. 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.

Operating conditions for Western Australian businesses

48. The criteria specified in section 50A(3) of the IR Act require the WAIRC to consider the capacity of employers as a whole to bear the cost of increased wages and the likely effect of its State Wage Order decision on the economy and employment levels.
49. While there is limited specific data available to assess the health of those businesses likely to be affected by the State Wage Order, it is apparent that some sectors of the Western Australian economy have performed better than others in recent years.
50. 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. While it is important to note that 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.
51. As illustrated in Table 6, while a number of industries recorded an improvement in GOS plus GMI in 2017-18, declines were recorded in some industries. Across all industries GOS plus GMI increased by 3.4 per cent in 2017-18, led by the Mining industry, which recorded the strongest growth for the second year in a row.

Table 6: Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) by industry, current prices, 2017 and 2018²⁵

Industry	GOS + GMI June 2017 (\$m)	GOS + GMI June 2018 (\$m)	Annual Increase (\$m)	Annual Increase (%)
Mining	56,733	63,258	6,525	11.5
Manufacturing	4,491	4,968	477	10.6
Professional, scientific and technical services	2,658	2,852	194	7.3
Wholesale trade	2,484	2,572	88	3.5
Health care and social assistance	1,594	1,644	50	3.1
Transport, postal and warehousing	5,800	5,974	174	3.0
Retail trade	2,868	2,954	86	3.0
Financial and insurance services	7,642	7,801	159	2.1
Electricity, gas, water and waste services	3,592	3,643	51	1.4
Education and training	830	835	5	0.6
Accommodation and food services	971	946	-25	-2.6
Information media and telecommunications	2,053	1,999	-54	-2.6
Arts and recreation services	558	539	-19	-3.4
Public administration and safety	1,342	1,278	-64	-4.8
Rental, hiring and real estate services	2,678	2,547	-131	-4.9
Administrative and support services	800	758	-42	-5.3
Agriculture, forestry and fishing	5,797	5,405	-392	-6.8
Other services	782	726	-56	-7.2
Construction	8,504	7,291	-1,213	-14.3
Total all industries	129,309	133,714	4,405	3.4

Impact of the State Wage Order

52. The most recent 'Employee Earnings and Hours' (EEH) data from 2018 indicates that 15.0 per cent of non-managerial employees in Western Australia are paid entirely in accordance with a State or national award.²⁶
53. In Western Australia award reliance fell from 16.4 per cent of all non-managerial employees in 2016 to 15.0 per cent in 2018.²⁷ This equates to approximately 162,000 employees being paid entirely in accordance with a State or national award in 2018.

²⁵ ABS (2018), *Australian National Accounts: State Accounts, 2017-18*, 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).

²⁶ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, Datacube 5, Table 5.

²⁷ ABS (2019), *Employee, Earnings and Hours, Australia, May 2018*, Datacube 5 and ABS (2017), *Employee Earnings and Hours, Australia, May 2016*, Datacube 5.

54. Nationally, award reliance fell from 24.5 per cent to 22.5 per cent amongst non-managerial employees between 2016 and 2018.²⁸ As at May 2018, approximately 2.23 million Australian employees were paid entirely in accordance with an award. However, it should be noted that the ABS conducted a refinement to the categorisation of employees between 2016 and 2018, which resulted in some employees in New South Wales, Victoria and Queensland previously considered to be paid on an award only basis in 2016 being categorised as being paid according to a collective agreement in May 2018.
55. To more effectively compare methods of setting pay over time, the ABS undertook broad level analysis of the 2016 EEH data, to gauge the extent to which the 2016 estimates would have differed had the 2018 treatment of certain employee groups been applied.
56. Applying the 2018 methodology to both surveys would have resulted in the proportion of award only non-managerial employees in Australia being lower in 2016 (22.4 per cent) than the official figure of 24.5 per cent. On this measure, there would have been a slight increase in award reliance in Australia between 2016 and 2018 (from 22.4 per cent to 22.5 per cent).
57. The revised methodology adopted by the ABS in 2018 did not affect estimates of award coverage for Western Australian employees between 2016 and 2018.
58. Table 7 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 (such as Accommodation and food services; Retail trade; and Health and community services) make up a sizable portion of the State's workforce.

²⁸ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, 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 2019

Industry	WA: Proportion of Workforce ²⁹	Australia: Proportion of Workforce ²⁹	Australia: Proportion of employees paid by award ³⁰
Accommodation and food services	7.0%	7.1%	44.9%
Administrative and support services	3.0%	3.4%	41.3%
Other services	4.5%	4.1%	38.1%
Health care and social assistance	11.8%	13.3%	31.7%
Retail trade	10.2%	10.1%	30.1%
Rental, hiring and real estate services	1.4%	1.6%	29.4%
Arts and recreation services	1.7%	2.0%	22.5%
Manufacturing	6.2%	6.7%	20.8%
Construction	8.9%	9.0%	16.6%
Wholesale trade	3.0%	3.0%	16.1%
Transport, postal and warehousing	5.0%	5.3%	12.7%
Public administration and safety	7.0%	6.7%	10.9%
Education and training	7.2%	7.8%	10.0%
Professional, scientific and technical services	8.1%	8.9%	8.0%
Information, media and telecommunications	1.0%	1.7%	7.1%
Financial and insurance services	2.0%	3.5%	5.2%
Electricity, gas, water and waste services	1.5%	1.2%	4.1%
Mining	7.7%	1.9%	0.9%
Agriculture, forestry and fishing	2.6%	2.7%	N/A [†]
All industries	100.0%	100.0%	22.5%

[†] N/A: Enterprises primarily engaged in agriculture, forestry and fishing are outside the scope of the ABS *Employee, Earnings and Hours* survey from which this data is drawn.

59. The Department of Mines, Industry Regulation and Safety (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 Wageline³¹

	Award
1	Award free employees minimum pay rates and entitlements summary
2	Building Trades (Construction) Award 1987
3	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
4	Restaurant, Tearoom and Catering Workers' Award
5	Hairdressers Award

60. Table 9 outlines the top five private sector awards that are discussed with employers and employees who contact Wageline.

²⁹ ABS (2019), *Labour Force, Australia, Detailed Quarterly, February 2019*, catalogue 6291.0.55.003, (original data). The share of the Western Australian workforce employed in most industries is lower than it is at the national level due to the significance of the Mining industry in the State.

³⁰ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, catalogue 6306.0, Datacube 5, Table 4.

³¹ Refers to the five award summaries produced by Wageline that were the most downloaded between 1 July 2018 and 9 April 2019.

Table 9 – Top 5 most commonly discussed awards in calls to Wageline³²

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

61. The above tables suggest that awards in the hospitality, retail, construction, hairdressing, and metal trades sectors are some of the most widely utilised within the State industrial relations system. However, there are also a significant number of award free employees.

Fairness, living standards and the needs of the low paid

62. The Minister notes the essential role the minimum and award wage framework plays in protecting the needs of the low paid and ensuring their living standards are maintained and improved in line with those in the broader community.
63. The Minister submits that in meeting the objectives of the IR Act, the WAIRC should take a balanced and holistic approach to its statutory functions, so that economic, social and labour relations 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.
64. 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. This is consistent with the approach taken by the WAIRC in many previous State Wage Case decisions.
65. The most recent EEH data from 2018 indicates that award-reliant employees in Western Australia receive substantially lower average hourly rates of pay than those engaged under collective agreements and individual arrangements.³³
66. 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 who are entirely reliant on the statutory minimum rates of pay provided under the MCE Act.
67. 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.

³² Refers to the top five awards that Wageline advised on between 1 July 2018 and 9 April 2018.

³³ ABS (2019) *Employee Earnings and Hours, Australia, May 2018*, Catalogue. No. 6306.0, Datacube 5, Table 5.

68. 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 the financial disadvantage these workers face.

Protecting employees who are unable to bargain

69. Section 50A of the IR Act requires that, when making the State Wage Order, the WAIRC consider the need to protect employees who may be unable to reach an industrial agreement.
70. An analysis of current industrial agreements registered by the Western Australian Industrial Relations Commission that have yet to reach their nominal expiry date reveals 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.
71. It is 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) in regard to wage determination for their employees.
72. The Minister submits that 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

Equal remuneration

73. 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.
74. 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".

75. Following the 2018 State Wage Case, the WAIRC initiated Application 34 of 2018 on its own motion, to develop an equal remuneration principle that can be included in the Statement of Principles as part of the 2019 State Wage Order.
76. Following consultation between the parties, the Minister, UnionsWA and the Chamber of Commerce and Industry of WA (CCIWA) have reached agreement on the draft terms of a new equal remuneration principle.
77. A full copy of the draft equal remuneration principle is included at **Attachment C**.
78. The Minister contends that the draft principle that has been developed is a practical tool that may assist parties in furthering equal remuneration matters, and asks the WAIRC to endorse its inclusion in the Statement of Principles in this year's State Wage Order.
79. The Minister notes that on 11 April 2019 the Final Report of the Ministerial Review of the State Industrial Relations System (the Review) was tabled in State Parliament, along with a brief summary of the reforms proposed by the State Government in response to the review.
80. One of the reforms proposed in response to the Review is to introduce a legislative equal remuneration framework in the IR Act, to provide for the WAIRC to deal with applications for equal remuneration orders and to require it to develop an equal remuneration principle. These provisions will be largely based on those in the Queensland *Industrial Relations Act 2016*.
81. While legislative provisions concerning equal remuneration will take some time to implement, the Minister submits that including an equal remuneration principle in the Statement of Principles is consistent with the recommendations of the Final Report of the Review and will assist in furthering pay equity objectives.

Statement of Principles – other issues

82. The Minister does not propose any further updates to the Statement of Principles in this year's State Wage Case apart from the equal remuneration principle discussed above.

Skills development

83. The WAIRC is required under Section 50A (3) 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 2018 and previous years, including information on the proportion of each type of training arrangement undertaken by employees over the age of 21.³⁴ Data on the total number of apprentices and trainees in training is also presented.

³⁴ 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.

84. This data has been provided by the Department of Training and Workforce Development (DTWD).

Apprenticeship data

85. As shown in Table 10 below, apprenticeship commencements increased from 6,436 in 2017 to 6,834 in 2018. Although the uptake of apprenticeships has declined significantly since 2010, this was the first increase of any significance for a number of years.

Table 10: Apprenticeships commenced in WA, 2008 to 2018³⁵

Year	Under 21 years	21 years & over	Total	% 21 years & over
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	5,175	2,712	7,887	34.4%
2016	4,110	2,314	6,424	36.0%
2017	4,055	2,381	6,436	37.0%
2018	4,198	2,636	6,834	38.6%

86. Apprenticeship commencements peaked in 2010, before declining by 38 per cent over the next six years, from 10,355 to 6,424. After stabilising in 2017, apprenticeship commencements increased by nearly 400 in 2018.
87. Apprenticeship commencements in Automotive trades increased by 22.4 per cent in 2018; while they rose by 12.9 per cent in Metals, Manufacturing and Services trades and 5.5 per cent in Wholesale, Retail and Personal services. In contrast, apprenticeship commencements in Building and Construction trades declined by 10.6 per cent in 2018.

³⁵ Department of Training and Workforce Development (DTWD), 15 April 2019.

Table 11 – Apprenticeship commencements by trade category³⁶

Contract type / trade category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Arts, Sport & Recreation	4	6	7	5	5	5		5	2	3	2
Automotive	1,408	1,128	1,601	1,655	1,797	1,451	1,225	1,048	1,026	1,252	1,533
Building & Construction	1,899	1,660	2,654	1,978	1,760	2,130	2,635	2,330	1,499	1,274	1,139
Community Services, Health & Education	29	27	25	19	15	10	8	6	10	11	16
Electrical	1,241	891	1,618	1,651	1,642	1,453	1,537	1,493	1,116	1,156	1,199
Food	343	409	385	361	351	261	212	217	206	203	180
Hospitality & Tourism	490	422	569	588	596	590	492	428	481	371	390
Light Manufacturing	435	332	452	373	310	319	317	319	242	202	195
Metals, Manufacturing & Services	2,079	1,390	2,016	2,253	2,220	1,570	1,390	1,231	1,071	1,278	1,443
Primary Industry	93	66	98	57	123	122	79	78	73	74	53
Process Manufacturing	10	17	9	10		1			17	3	1
Utilities, Electrotechnology & Printing	33	12	17	86	151	100	153	108	93	77	122
Wholesale, Retail & Personal Services	715	751	904	796	706	700	657	624	588	532	561
Total	8,779	7,111	10,355	9,832	9,676	8,712	8,705	7,887	6,424	6,436	6,834

Traineeship data

88. As shown in Table 12 below, traineeship commencements continued to decline in 2018, falling by 22.6 per cent, from 14,692 in 2017 to 11,369 in 2018. Over this period traineeship commencements in Finance, Property and Business services declined by 41.3 per cent; while in Process Manufacturing they declined by 68.2 per cent. However, Mining Industry commencements continue to rise, increasing by 10.6 per cent.

Table 12: Traineeships commenced in WA, 2008 to 2018³⁷

Year	Under 21 years	21 years & over	Total	% 21 years & over
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	6,756	19,419	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	10,920	15,085	72.4%
2017	4,445	10,247	14,692	69.7%
2018	4,185	7,184	11,369	63.2%

³⁶ Department of Training and Workforce Development (DTWD), 15 April 2019.

³⁷ Ibid.

89. Between 2012 and 2018 traineeship commencements in Western Australia have declined by 56.6 per cent in total, including falls in Process Manufacturing (down 87.0 per cent); Utilities, Electrotechnology and Printing (down 79.8 per cent); Finance, Property and Business Services (down 71.2 per cent); Community Services, Health and Education (down 59.4 per cent) and Automotive (down 63.1 per cent).

Table 13 – traineeship commencements by trade category³⁸

Contract type / Trade category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Arts, Sport & Recreation	253	292	269	230	355	274	351	252	268	323	302
Automotive	379	250	414	303	317	270	185	143	136	135	117
Building & Construction	551	381	604	544	707	614	613	744	405	560	423
Community Services, Health & Education	2,423	2,313	2,277	2,523	2,834	2,608	2,471	1,776	1,337	1,239	1,151
Finance, Property & Business Services	2,504	2,424	3,221	4,354	6,716	4,863	5,110	4,608	3,800	3,291	1,931
Food	908	681	571	495	578	397	352	295	227	219	222
Hospitality & Tourism	1,385	1,531	1,646	1,514	2,652	2,866	2,876	2,836	2,560	2,241	1,833
Light Manufacturing	119	272	209	110	146	74	71	52	77	41	51
Metals, Manufacturing & Services	256	186	238	297	211	133	319	259	105	126	179
Mining Industry	460	955	1,397	1,470	1,400	1,396	1,382	1,550	1,327	1,885	2,085
Primary Industry	735	878	852	682	780	806	632	500	440	409	470
Process Manufacturing	836	1,482	1,989	1,689	2,723	3,611	2,204	2,529	958	1,114	354
Public Administration	499	218	309	104	359	336	266	218	213	199	153
Transport & Storage	2,289	2,411	2,160	2,361	2,865	2,079	1,638	1,480	1,350	1,111	762
Utilities, Electrotechnology & Printing	703	409	263	344	853	712	652	536	429	395	172
Wholesale, Retail & Personal Services	2,619	2,415	2,767	2,721	2,678	1,726	1,654	1,657	1,453	1,404	1,164
Other				4	1			2			
Total	16,919	17,098	19,186	19,745	26,175	22,765	20,776	19,437	15,085	14,692	11,369

³⁸ Ibid.

Total numbers in training

Apprentices

90. The total number of apprentices in training increased by 0.8 per cent over the 2018 calendar year, from 15,079 to 15,205. This is the first time in six years total apprenticeship numbers have increased in Western Australia, and was driven by increases in Automotive trades (up 17.2 per cent) and Metals, Manufacturing and Services (up 10.9 per cent). However, the number of apprentices in Building and Construction trades declined by 12.6 per cent in 2018.

Trainees

91. The total number of trainees in training continued to decline in 2018, falling from 17,011 to 13,497. Declines were recorded in Finance, Property and Business services (down 41.2 per cent); Transport and Storage (down 30.6 per cent); Process Manufacturing (down 35.3 per cent) and Utilities, Electrotechnology and Printing (down 54.2 per cent).

Apprentices and trainees

92. Across Western Australia, the total number of people in training (apprentices and trainees) fell by 10.6 per cent in 2018, from 32,090 to 28,702. The decline in overall training numbers was entirely due to a reduction in the number of people undertaking traineeships.

Table 14 - Apprentices and trainees in training by trade category

Contract type / Trade category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apprenticeship	21,582	19,059	18,698	18,558	19,070	18,272	17,862	17,320	15,697	15,079	15,205
Arts, Sport & Recreation	3	8	9	9	12	5	1	6	6	8	6
Automotive	3,520	3,182	3,057	3,162	3,471	3,317	3,044	2,665	2,462	2,701	3,165
Building & Construction	4,772	4,068	4,253	3,834	3,511	3,465	4,018	4,379	3,797	3,298	2,881
Community Services, Health & Education	63	64	57	49	40	30	25	21	21	22	28
Electrical	3,369	3,219	3,580	3,822	4,074	4,121	4,113	4,089	3,649	3,452	3,283
Food	590	603	585	536	548	427	371	358	389	391	366
Hospitality & Tourism	898	728	679	671	673	665	614	600	666	620	610
Light Manufacturing	1,092	899	780	691	621	562	572	587	533	487	457
Metals, Manufacturing & Services	5,440	4,600	4,219	4,336	4,655	4,192	3,657	3,168	2,785	2,859	3,172
Primary Industry	165	171	176	155	203	218	207	176	164	151	140
Process Manufacturing	17	21	19	19	4	2			16	19	20
Utilities, Electrotechnology & Printing	72	54	47	91	212	273	307	294	258	182	201
Wholesale, Retail & Personal Services	1,581	1,442	1,237	1,183	1,046	995	933	977	951	889	876
Traineeship	14,220	16,184	18,663	19,193	23,600	23,044	22,494	21,978	19,044	17,011	13,497
Arts, Sport & Recreation	187	216	242	214	197	168	143	90	87	111	93
Automotive	287	229	327	248	219	232	219	193	107	126	98
Building & Construction	487	470	497	558	629	562	692	855	657	632	502
Community Services, Health & Education	2,181	2,120	2,220	2,289	2,548	2,587	2,494	2,307	1,761	1,500	1,319
Finance, Property & Business Services	1,591	1,875	2,410	3,345	5,669	5,022	5,280	5,350	4,699	4,294	2,523
Food	581	601	571	495	570	476	355	329	288	217	226
Hospitality & Tourism	1,128	1,287	1,386	1,281	2,177	2,739	2,490	2,571	2,704	2,336	2,011
Light Manufacturing	88	247	300	197	132	87	54	54	71	56	59
Metals, Manufacturing & Services	227	214	264	322	223	108	278	301	183	132	192
Mining Industry	356	907	1,629	1,840	1,477	1,224	1,486	1,638	1,604	2,036	2,333
Primary Industry	586	623	652	506	569	566	434	395	349	327	399
Process Manufacturing	792	1,488	2,337	2,298	2,857	3,913	3,834	3,378	2,245	1,442	933
Public Administration	740	502	529	290	405	334	319	195	215	165	113
Transport & Storage	2,245	2,802	2,722	2,902	3,258	2,916	2,370	2,228	2,260	2,007	1,393
Utilities, Electrotechnology & Printing	630	495	351	442	797	741	591	490	448	415	190
Wholesale, Retail & Personal Services	2,114	2,108	2,226	1,962	1,869	1,367	1,455	1,602	1,366	1,215	1,113
Other				4	4	2		2			
Total	35,802	35,243	37,361	37,751	42,670	41,316	40,356	39,298	34,741	32,090	28,702

Conclusion

93. The annual State Wage Order plays a vital role in establishing a strong and sustainable safety net for employees in the State industrial relations jurisdiction, by protecting the needs of the low paid, and providing for a fair system of wages for Western Australian workers.
94. The Minister supports the WAIRC taking a fair and considered approach to minimum and award wage setting, to protect the living standards of the low paid, improve the value of real wages and contribute to economic growth throughout the community.
95. As outlined, the Minister believes that granting a real wage increase in 2019 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 welcome increase to minimum and award wage earners and assist them in meeting their everyday living costs.