



**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 IN REPLY OF THE MINISTER FOR
INDUSTRIAL RELATIONS**

Re: 2019 STATE WAGE ORDER

Filed by:
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on behalf of the Minister for Industrial Relations

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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* (IR Act) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* (the MCE Act) and State awards.
2. On 14 May 2019 the Minister for Industrial Relations (the Minister) filed a submission on behalf of the Western Australian Government advocating that the State adult minimum wage and adult award rates of pay be increased by \$19.20 per week.
3. The Minister's position reflects the significance of maintaining a fair system of wages that meet the needs of the low paid. If adopted, the Minister's position would provide a real wage increase to minimum and award wage earners, helping to preserve a strong framework of employment protections that will underpin the future prosperity of the State's workforce.

Positions of other parties

4. The Minister notes the following positions have been advocated by the other parties participating in this year's State Wage Case:
 - (a) **UnionsWA** is advocating for an increase of \$43.61 per week or 6.0 per cent (whichever is greater) to the State Minimum Wage (SMW) and State award wages.
 - (b) the **Chamber of Commerce and Industry of Western Australia (CCIWA)** proposes the SMW and award rates of pay be increased by no more than 1.4 per cent.
 - (c) the **Western Australian Council of Social Service (WACOSS)** is seeking a \$43.61 (6.0 per cent) increase to the SMW. It does not advocate a specific position regarding State award wages.
5. This submission outlines the Minister's response to the key issues raised by the peak organisations in their submissions.

Consideration of other submissions

UnionsWA

Proposed quantum

6. The Minister recognises the importance of a strong and meaningful safety net for those employees in the State industrial relations system, and shares the concern of UnionsWA that the living standards of the low paid be protected. The annual State Wage Case plays a pivotal role in ensuring the maintenance of a fair system of wages and conditions for Western Australian workers.
7. The Minister notes that UnionsWA recommends the WAIRC increase minimum and award wages by \$43.61 per week or 6.0 per cent (whichever is greater). As a 6.0 per cent increase is equal to or greater than \$43.61 in all cases, UnionsWA is effectively advocating for an increase of 6.0% to the SMW and award wages.
8. While the Minister supports a real wage increase that will materially benefit low paid workers, it is also important that any adjustment supports ongoing jobs growth and enhances labour market opportunities for all Western Australians.
9. In the current economic environment, an increase of 6.0 per cent in a single year would be substantial for many of the smaller employers in the State jurisdiction.
10. The Minister submits that an increase in line with the Western Australian Government's position would appropriately balance the varied criteria the WAIRC is required to consider under section 50A(3) of the IR Act.

Award free employees

11. The Minister notes the extensive list of award free occupations in the State jurisdiction included in the submission of UnionsWA. This list was originally published in the Interim Report of the Ministerial Review of the State Industrial Relations System (the Review), conducted by Mark Ritter SC.
12. Award free employees are not afforded entitlements such as penalty rates, overtime payments, allowances and annual leave loading, and are reliant on the statutory minimum pay rates determined by the WAIRC in the State Wage Case.
13. The Minister concurs that a robust State minimum wage is needed for award free workers, and intends to progress reforms recommended in the Review to provide greater scope for the WAIRC to ensure more private sector employees in the State system are covered by an award.

Minimum wage 'bite'

14. The Minister notes the information provided by UnionsWA regarding the minimum wage 'bite' in Western Australia, and the relativity of the SMW to median earnings.
15. The State's minimum wage bite fell significantly during the mining resources boom, when strong wages growth was prevalent across a range of industries.
16. The Minister shares the concern of UnionsWA that minimum wage earners should not be left behind. In this regard, the Minister's proposed increase would immediately improve the minimum wage bite in Western Australia.

Assumptions about low paid workers

17. In its submission, UnionsWA states:

UnionsWA asks the WA Commission to reject all submissions which contend that minimum wage workers do not need a substantial pay increase because their living arrangements may be in a household with higher income earners – whether it be parents, spouses or friends. Low wage workers are entitled to the respect of being considered as individuals.¹

18. The Minister concurs with the above statement, and notes that many minimum and award wage earners also live in lower income households - something that is borne out by statistical research.²
19. The Minister contends it would not be practicable or fair to make broad assumptions about the living arrangements of minimum and award wage earners, as they are to be found in many different household types with differing levels of disposable income.
20. The Minister encourages the WAIRC to award a fair and sustainable outcome in this year's State Wage Case, and contends that an increase of \$19.20 per week would appropriately achieve this aim.

¹ See paragraph [3.11].

² See for example, Chart 8.7 of the *Statistical report - Annual Wage Review 2018-19*, produced by the Fair Work Commission, available at: <https://www.fwc.gov.au/documents/wage-reviews/2018-19/statistical-reporting/statisticalreport.pdf>. Accessed 17 May 2019.

CCIWA

Proposed quantum

21. In its submission, the CCIWA advocates the SMW and State award wages be increased by not more than 1.4 per cent.
22. While the Minister appreciates the CCIWA is advocating for an increase to minimum and award wages as part of this year's State Wage Case, the Minister respectfully submits that a quantum of this size would not provide low paid employees with a meaningful wage adjustment that would contribute to improved living standards and help to foster a more inclusive society.
23. Although wages growth has slowed in recent years, rates of pay are nonetheless rising. As outlined in the 2019-20 State Budget, the Department of Treasury projects the Western Australian Wage Price Index (WPI) will increase by an annual average rate of 1.75 per cent in 2018-19 and 2.25 per cent in 2019-20.³
24. Domestic economic conditions in Western Australia are projected to rebound in 2019-20, and it is important that those employees reliant on minimum and award wages are afforded a fair and considered increase to meet their daily living costs.
25. An increase of 1.4 per cent (or less) would effectively see the wages of minimum and award wage earners rise by less than the workforce as a whole, contributing to an increase in wage inequality.
26. In recent years a growing body of literature has highlighted the adverse impact that inequality can have on communities, including a number of undesirable social and economic outcomes.
27. By granting regular real wage increases over the last few years, the WAIRC has played a crucial role in countering wage inequality in Western Australia. This has reversed a long-term decline in the minimum wage 'bite', improving the prosperity of many low paid workers.
28. As noted in the Minister's primary submission, the Minister acknowledges that business conditions have been more challenging in recent years, as the State economy transitions following the end of the mining-led investment boom.
29. The Minister contends 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.

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

WACOSS

Proposed quantum

30. As the peak organisation representing the community services sector in Western Australia, WACOSS deals with a diverse range of low income and vulnerable groups. The Minister acknowledges the significant role that WACOSS plays in advocating for organisations and individuals in this sector.
31. As with UnionsWA, WACOSS proposes an increase of \$43.61 (6.0 per cent) for the SMW, albeit it has not specifically proposed a particular quantum for other award wages above this level.
32. As the quantum proposed by WACOSS is similar to that of UnionsWA, the Minister's earlier comments regarding UnionsWA's submission under the headings "proposed quantum", and "minimum wage bite" are also relevant in the case of the WACOSS submission.

Cost of Living Report

33. The Minister acknowledges the detailed information provided in the 2018 Cost of Living Report produced by WACOSS. The report provides an assortment of data concerning the financial situation of different low income household types in Western Australia, and presents a telling picture of their lived experience.
34. The Minister notes the information presented by WACOSS about the negative impacts precarious employment can have on workers, and shares the concerns of WACOSS about the recent growth of insecure forms of work, including some jobs lacking many basic workplace protections.
35. As WACOSS notes in the Cost of Living Report:

The issues facing low income households trying to balance their finances are complex and are impacted by numerous factors at the personal, local, state and national level.⁴
36. The annual State Wage Case cannot resolve all of the issues associated with financial hardship and disadvantage. However, by awarding a fair and considered increase to minimum and award wages the WAIRC can help to protect the low paid and afford them a level of dignity and security.

Equal Remuneration Principle

37. The Minister notes the support of WACOSS for the draft Equal Remuneration Principle developed in response to Application 34 of 2018.
38. The Minister welcomes the support of WACOSS for this important initiative.

⁴ At p.47.

Conclusion

39. The Minister recognises the important role that minimum and award wages play in Western Australian workplaces, and in providing a robust safety net for vulnerable employee groups.
40. The Minister advocates for a meaningful real wage increase that will benefit Western Australian workers, while at the same time fostering further job creation and economic growth.
41. The Minister contends that an increase that fails to keep pace with broader wage movements would not be sufficient, and would lead to a widening of gender pay inequality.
42. Minimum and award wage workers are mostly low paid. They are more likely to be female, young, employed casually and/or from non-English speaking backgrounds, and the State Wage Case has a significant impact on their financial resilience.
43. The Minister submits that the WAIRC should award a \$19.20 per week adjustment to the State minimum wage and award rates of pay for adult workers, and a proportionate increase to junior, apprentice and trainee rates of pay. This represents a fair and affordable adjustment in the current environment.
44. A flat dollar increase gives appropriate emphasis to the needs of the low paid, while moderating the overall economic impact on employers.