



# 2020 State Wage Case

Chamber of Commerce and Industry WA  
Closing Statement

9 June 2020

# We believe in good business

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Industrial Relations Act 1979

In the Western Australian Industrial Relations Commission

Application No. 1 of 2020

**2020 STATE WAGE ORDER**

On the Commission's own motion

**CLOSING STATEMENT**

BY

**THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA**

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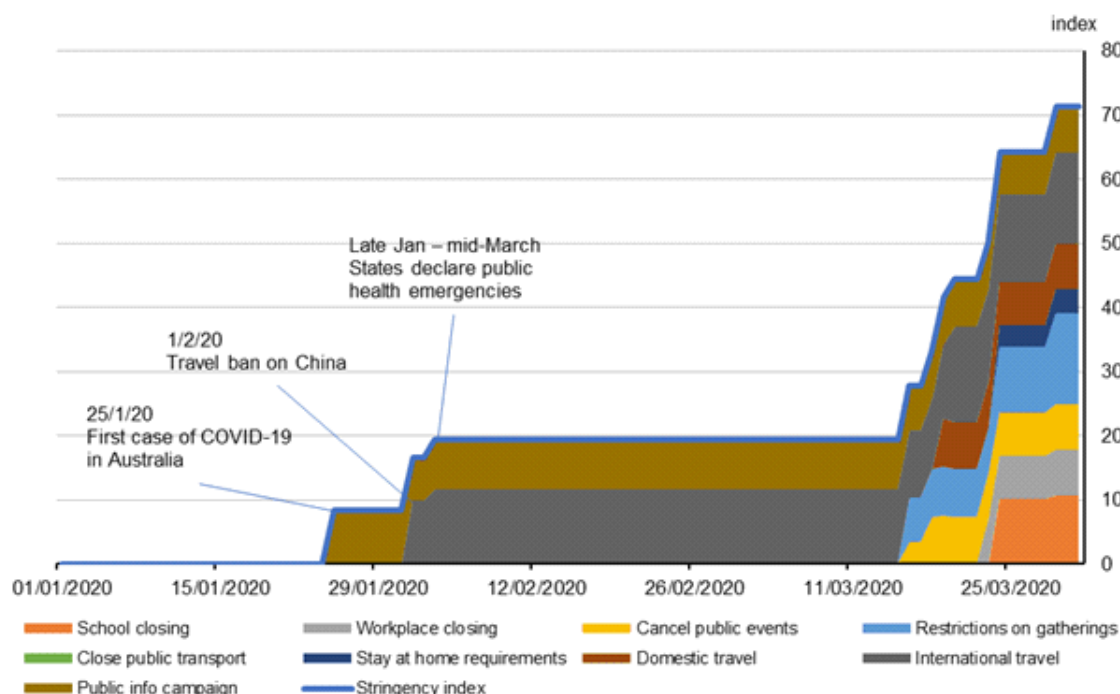
## Introduction

1. The Chamber of Commerce and Industry of Western Australia (**CCIWA**) provides the following closing statement in relation to the 2020 State Wage Case (**SWC**).

## National accounts

2. The National Accounts<sup>1</sup> data for the March quarter 2020 has confirmed that Australia is heading towards its first recession in 29 years. Australia's GDP contracted by 0.3 per cent in the quarter, driven predominately by the impact of bushfires and scaling up of COVID-19 lockdown measures.
3. The National Accounts report identifies that the "COVID-19 pandemic, combined with the imposition of restrictions on the free movement of people by governments around the world, has generated an unprecedented shock to the global economy".<sup>2</sup> The extent of the restrictions implemented to control the spread of COVID-19 is reflected in the graph below:<sup>3</sup>

**Figure 2: Australia's containment measures contribution to overall stringency**

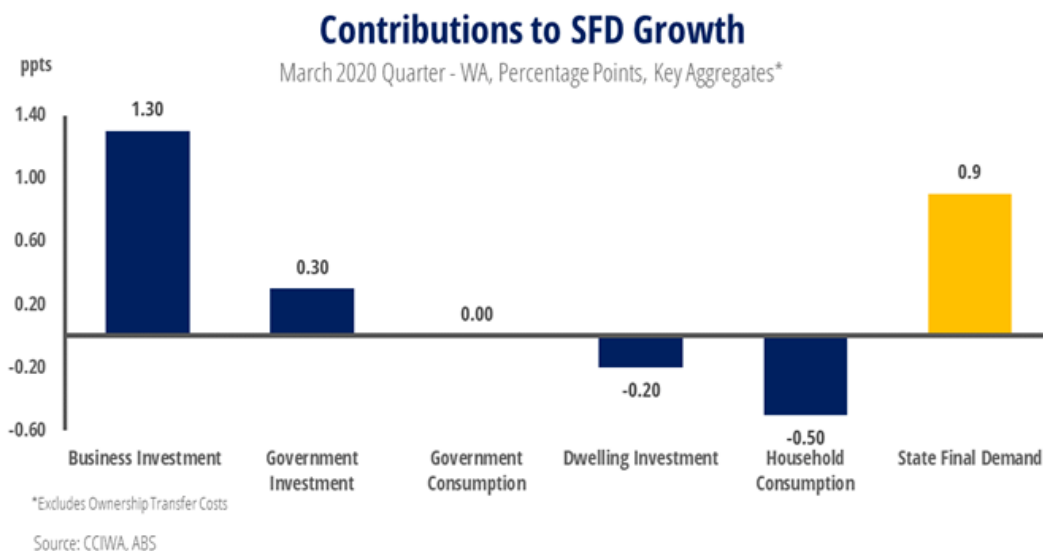


<sup>1</sup> ABS (June 2020) *Australian National Accounts – March 2020*.

<sup>2</sup> Ibid - [COVID-19 stringency measures impact the economy](#)

<sup>3</sup> Ibid

4. The National Accounts report also identifies that there was a “sizeable fall in hours worked in the last week of March as strict COVID-19 restrictions were implemented”.<sup>4</sup> The Labour Force report for April 2020 shows that the impact of the COVID-19 pandemic on working hours has intensified with around 5.6 million people nationally working fewer than their usual hours.<sup>5</sup> In WA this was reflected by the number of working hours plunging by 20 million hours in April 2020.<sup>6</sup>
5. In the case of WA, State Final Demand (SFD) grew by 0.9 per cent in the March quarter 2020 driven predominately by a 14.6 per cent rise in non-dwelling construction arising from increased mining investment.
6. However, these gains were not reflected in other areas of the economy. Household consumption was the largest detractor from growth in the quarter, contributing minus 0.5 percentage points to overall SFD growth. Dwelling investment detracted 0.2 percentage points from growth, led by a fall in alterations and additions.



7. In terms of household consumption, increased spending on grocery items, communications, and household equipment as the population prepared for isolation were more than offset by decreased spending on:
  - 7.1. Hotels, cafes and restaurants (-7.8 per cent);
  - 7.2. Clothing and footwear (-11.8 per cent); and
  - 7.3. Transport services (-10.3 per cent).

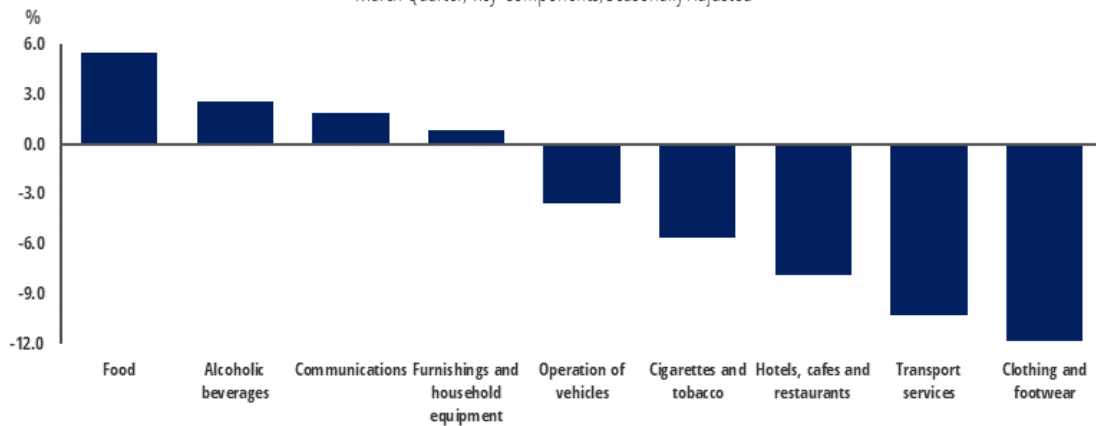
<sup>4</sup> Ibid - [Hours worked in the national accounts](#)

<sup>5</sup> ABS (May 2020) [Labour Force, Australia, Detailed - April 2020 - People working fewer hours.](#)

<sup>6</sup> ABS (May 2020) [Labour Force, Australia, April 2020.](#)

## Top and Bottom Movers - WA Household Consumption

March Quarter, Key Components, Seasonally Adjusted

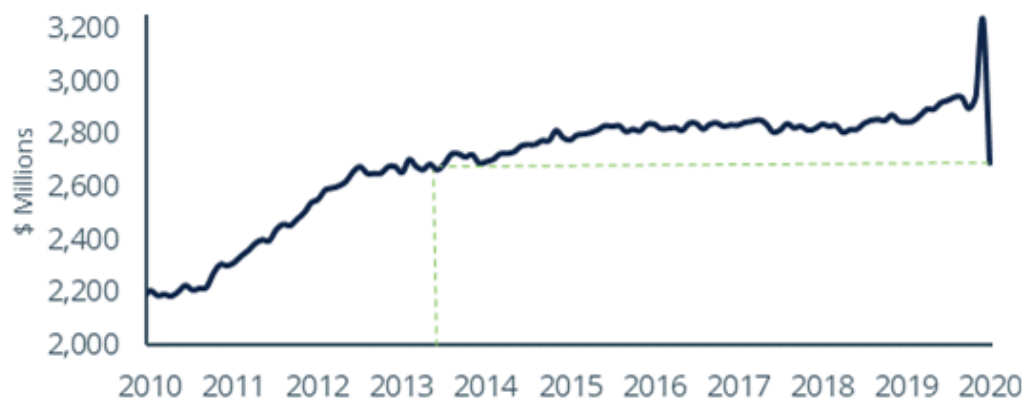


Source: CCWA, ABS

- This is also reflected in the Retail Trade data for April 2020, which shows that retail turnover in WA fell by 16.8 per cent in April 2020<sup>7</sup>, being the largest ever monthly decline.

## Retail Turnover - Total

Western Australia



- In the month of April, *hardware, building and garden supply retailing* was the only sub-sector to experience growth in spending, with declines across all other retail sub-sectors.

<sup>7</sup> ABS (June 2020) [Retail Trade, Australia – April 2020](#).

Western Australia Retail Turnover, nominal, seasonally adjusted	March	April	MoM%	YoY%	% of Total
	\$ Millions				
<b>Food retailing</b>	<b>1572</b>	<b>1294.7</b>	<b>-17.6%</b>	<b>8.1%</b>	<b>48%</b>
<i>Supermarket and grocery stores</i>	1282.5	1057.2	-17.6%	7.5%	39%
<i>Liquor retailing</i>	166.4	142.9	-14.1%	11.0%	5%
<i>Other specialised food retailing</i>	123.2	94.6	-23.2%	9.9%	4%
<b>Household goods retailing</b>	<b>519.5</b>	<b>509.9</b>	<b>-1.8%</b>	<b>13.8%</b>	<b>19%</b>
<i>Furniture, floor coverings, houseware and textile goods retailing</i>	119.6	113.9	-4.8%	-6.4%	4%
<i>Electrical and electronic goods retailing</i>	203.5	186.7	-8.3%	15.0%	7%
<i>Hardware, building and garden supplies retailing</i>	196.5	209.3	6.5%	27.8%	8%
<b>Clothing, footwear and personal accessory retailing</b>	<b>118.1</b>	<b>48.6</b>	<b>-58.8%</b>	<b>-71.5%</b>	<b>2%</b>
<i>Clothing retailing</i>	58.7	23.6	-59.8%	-75.5%	1%
<i>Footwear and other personal accessory retailing</i>	59.4	25	-57.9%	-66.3%	1%
<i>Department stores</i>	152.8	133.7	-12.5%	-20.1%	5%
<b>Other retailing</b>	<b>464.7</b>	<b>394.1</b>	<b>-15.2%</b>	<b>1.6%</b>	<b>15%</b>
<i>Newspaper and book retailing</i>	26.7	23.7	-11.2%	-28.2%	1%
<i>Other recreational goods retailing</i>	65.6	64.6	-1.5%	25.2%	2%
<i>Pharmaceutical, cosmetic and toiletry goods retailing</i>	189.3	132.7	-29.9%	-13.9%	5%
<i>Other retailing n.e.c.</i>	183	173.2	-5.4%	16.2%	6%
<b>Cafes, restaurants and takeaway food services</b>	<b>409.3</b>	<b>310.2</b>	<b>-24.2%</b>	<b>-34.7%</b>	<b>12%</b>
<i>Cafes, restaurants and catering services</i>	236.1	149.8	-36.6%	-49.7%	6%
<i>Takeaway food services</i>	173.2	160.4	-7.4%	-9.3%	6%
<b>Total Retail</b>	<b>3236.4</b>	<b>2691.2</b>	<b>-16.8%</b>	<b>-5.5%</b>	<b>100%</b>

10. The above table also shows that year on year, overall turnover in the retail sector declined by 5.5 per cent, whilst cafes, restaurants and takeaway food services fell by 34.7 per cent.
11. The National Accounts data unfortunately shows that the sectors most affected by the SWC decision are in decline.

## Comments on submissions in reply

12. The Minister's submission in reply does not oppose the maintenance of the SMW and award rates at their current levels. The Minister identifies that it would be prudent for the Commission "to continue assessing the latest economic and labour market data as it becomes available before determining whether a wages pause is warranted in this year's State Wage order".<sup>8</sup>
13. The effect of the COVID-19 pandemic is now becoming abundantly clear through the recent Labour Force, National Accounts and Retail Trade data. The data reinforces the information provided by the specialised ABS reports on the impact of COVID-19.

<sup>8</sup> Paragraph 20

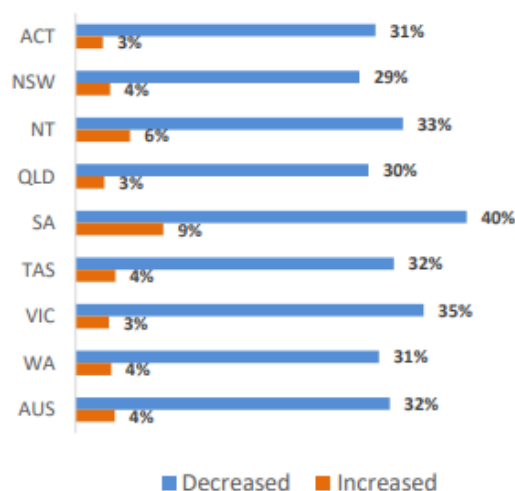
14. The ABS data is further reinforced by the information provided through the *WA Super-CCIWA Business Confidence Survey (Business Confidence Survey)* and the *CCIWA COVID-19 Business Impact Survey*.
15. With respect to the Business Confidence Survey, UnionsWA states that it should not take precedent over data from sources such as the ABS or other government agencies.
16. With respect to this comment, we note that the findings of the Business Confidence Survey are in line with data progressively being released by the ABS. The advantage of the Business Confidence Survey is that it is a forward-looking consideration of business expectations, which provides an insight as to what is likely to occur. In comparison, the ABS data predominately reports on what has already happened, resulting in a lag in timely data.
17. Implicit in UnionsWA's criticism of the Business Confidence Survey is the mistaken perception that it has been principally developed to support our submission to the SWC. This is not the case. The Business Confidence Survey is a long running quarterly survey that measures short and medium-term business confidence in WA.
18. UnionsWA also refers to the Commonwealth Department of Education, Skills and Employment's *Impacts of COVID-19 on Businesses* survey (**DESE Survey**), which looks at employer staffing intentions.
19. Particular reference is made to the graph at 4.7 of UnionsWA's submission in reply, which indicates that 20 per cent of medium and large businesses intend to increase staff compared to 11 per cent of small businesses.
20. In considering this data, it is worth noting that the proportion of small businesses who are intending to hire more staff is exceedingly low.
21. Further, due to the limited duration over which the DESE Survey has been conducted there is no basis by which to compare the results against employers' hiring intentions prior to the COVID-19 pandemic. It is therefore difficult to pass comment on the relevance of the data. The data also does not identify:
  - 21.1. the number of jobs likely to be generated; or
  - 21.2. the types of jobs that may be created (eg full time v part time / casual).
22. However, the DESE Survey does show that the very small proportion of businesses that have employed more staff since the onset of the COVID-19 pandemic is dwarfed by the number of employers that have reduced the number of people they employ, as shown in the graph below.<sup>9</sup>

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<sup>9</sup> DESE (8 May 2020) [Impact of COVID-19 on Businesses](#).



Change in staff numbers since the onset of the COVID-19 pandemic



23. UnionsWA also claims that maintaining the SMW and award rates at their current levels would result in the Commission disregarding s 51(3)(a)(i) – (iv) of the *Industrial Relations Act 1979 (IR Act)*. Whilst UnionsWA has not developed this argument, we state that:

23.1. In ensuring that Western Australians have a system of fair wages and conditions of employment, Australia (and consequently Western Australia) has the highest minimum wage of any other country. However, a fair system of wages and employment conditions needs to take into consideration the interests of both workers and businesses. In the current environment a fair minimum wage is one that recognises that the interests of both groups are advanced by minimising the pressure on jobs.

23.2. UnionsWA has not demonstrated that the current minimum weekly rate of pay does not provide for a fair wage standard in the context of living standards prevailing generally in the community. Further, increased unemployment and underemployment levels coupled with substantial declines in business revenue are likely to put downward pressure on average wage growth.

23.3. Meeting the needs of the low paid is best achieved through a decision that minimises loss of employment and working hours. The submission by WACOSS demonstrates that working households are in a significantly better position than those who are reliant solely on government assistance. It is also noted that the RBA expects price deflation in the June quarter, and inflation to be very low for the next few years.

23.4. The existing minimum rates of pay have resulted in improved living standards for employees, with the Commission having provided substantial real wage growth over the past five years.

## Effective date of any increase

24. CCIWA is firmly of the opinion that in the current circumstances, the Commission should maintain the current rate of the SMW and award rates of pay. However, if the Commission is of a view to grant an increase, we submit that:
  - 24.1. The effective date of any such increase should be deferred to the first pay period commencing on or after 19 October 2020; and
  - 24.2. Any increase should be a flat dollar amount.
25. Whilst s50A(5) of the IR Act provides that a state wage order must take effect on 1 July in the year that it is made, it does not require that any increase take effect from that date. This approach was adopted in the 2009 State Wage Case in which the resulting order:
  - 25.1. Delayed the operative date for increases in the award rates of pay to the first pay period on or after 1 October 2009; and
  - 25.2. Prescribed a minimum weekly rate of pay effective from 1 July 2009 which reflected the 2008 SMW, with an increased SMW which took effect on the first pay period on or after 1 October 2009.
26. We submit that If the Commission grants an increase, it should delay the effective date of any increase to 19 October 2020 in order to allow employers to:
  - 26.1. Factor in the increased wage costs, noting that the challenges posed by COVID-19 will result in the SWC decision being handed down later than normal this year;
  - 26.2. Take into consideration the impact of the State and Commonwealth Budgets on their business, which are to be handed down on 8 and 6 October 2020 respectively;
  - 26.3. Consider the impact of the cessation of the JobKeeper subsidy on 27 September 2020;
  - 26.4. Assess the ongoing impact of the COVID-19 pandemic on their business operations.
27. Each of the above factors effects the operation of WA businesses and their decision to employ. A delay to the effective date of any increase granted by the SWC to 19 October 2020 will allow employers to consider the overall impact of all of these factors in determining their ongoing ability to maintain existing staffing levels.

## Final Comments

28. Whilst the full extent of the COVID-19 pandemic is yet to be determined, its impact on the WA economy, employers, employees and the general community has been widespread.
29. Prior to the COVID-19 pandemic the WA economy was continuing to contract, with SFD having declined by 1 per cent over 2018/19 and business investment falling by 7.6 per cent over the same period<sup>10</sup>.
30. There was some hope that investments in the mining and petroleum sectors would help lift the WA economy, with new resources projects expected to boost business investment and activity in the construction and manufacturing sectors. However, the prospects of a construction led recovery post COVID-19 have diminished, with the combined \$50 billion Burrup Hub projects being delayed.
31. The resource sector remains an important part of the WA and Australian economy, which has helped minimise the negative economic impact of the COVID-19 pandemic. Nonetheless, continued demand for the State's natural resources is not reflected in the experiences of other WA industries, particularly the retail, accommodation and food services, and residential construction sectors.
32. The restrictions established to control the spread of COVID-19 have had a significant impact on WA businesses with 80 per cent of employers experiencing reduced income levels.<sup>11</sup>
33. This has had a significant impact on employment prospects for WA workers, with the recent Labour Force report showing that between the month of March and April 2020:
  - 33.1. 62,300 jobs were lost;
  - 33.2. the number of hours worked by WA workers fell by 20 million hours;
  - 33.3. the underemployment rate increased from 9.7 per cent to 14.6 per cent;
  - 33.4. 57,600 people exited the labour market bringing the participation rate to its lowest level since August 2004 (65.2 per cent);
  - 33.5. the unemployment rate increased to 6.0 per cent.<sup>12</sup>
34. Women and younger workers have been the most significantly affected.

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<sup>10</sup> CCIWA (January 2020) *Outlook – Treading Water: waiting for the next wave*, p 1.

<sup>11</sup> CCIWA (2020) *COVID-19 Business Impact Survey: Snapshot*.

<sup>12</sup> ABS (May 2020) *Labour Force, Australia, April 2020*.

35. However, the impact of the COVID-19 pandemic would have been higher had it not been for the stimulus packages introduced by government, such as the JobKeeper subsidy.
36. Whilst there has been a massive reduction in working hours, the JobKeeper subsidy has minimised the loss of jobs with 44 per cent of businesses identifying that its announcement influenced their decision to retain staff.<sup>13</sup>
37. This is reflected in the Commonwealth Treasury prediction that without the JobKeeper payments the national *“unemployment rate would be 5 percentage points higher and would peak at around 15 per cent”*.<sup>14</sup> The Reserve Bank has forecast that the unemployment rate will peak at around 10 per cent over coming months and will remain above 7 per cent at the end of next year.
38. In the current environment preserving jobs is essential to improving the living standards of WA employees and the community more generally.
39. We believe that the SWC decision plays a significant part in helping to achieve this. Whilst modest increases to the minimum wage have generally been considered not to have a detrimental impact on employment, it has also been identified that *“where the State does not experience economic growth... the effect of the increases in the minimum wage will be greater than in times of growth”*.<sup>15</sup>
40. The Australian economy is heading towards its first recession since the early 1990's and the prevailing view is that it will be the worse downturn since the Great Depression. Whilst the mining industry helped WA maintain positive growth during the March quarter 2020, this is not expected to continue. Household consumption and dwelling investment are already in decline, and business investment is likely to follow suit as the impact of the COVID-19 pandemic continues into the June quarter.
41. In this context, CCIWA believes that the interests of the low paid are best served by maintaining the SMW and relevant award rates of pay at their current levels.

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<sup>13</sup> Australian Bureau of Statistics (7 April 2020) [Business Indicators, Business Impacts of COVID-19, April 2020](#).

<sup>14</sup> Hon Josh Frydenberg (14 April 2020) Media Statement - [Jobkeeper payment supporting millions of jobs](#).

<sup>15</sup> 2016 State Wage Case [2016 WAIRC 00358] at 179.