



2020 State Wage Case

Chamber of Commerce and Industry WA

Response to question regarding relevance of Centre
for Future of Work submission

5 June 2020



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

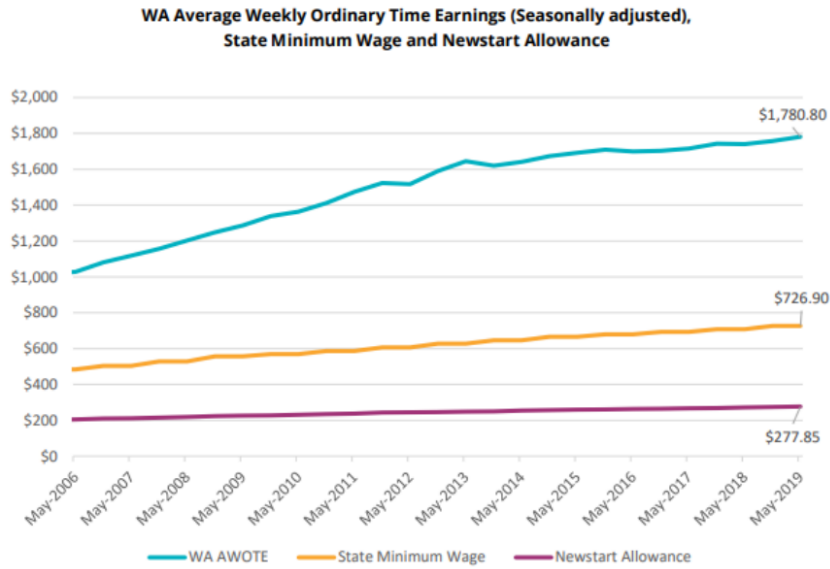
**RESPONSE TO QUESTION REGARDING RELEVANCE OF SUBMISISON BY THE CENTRE
FOR FUTURE OF WORK**

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Date of Filing: 2 June 2020

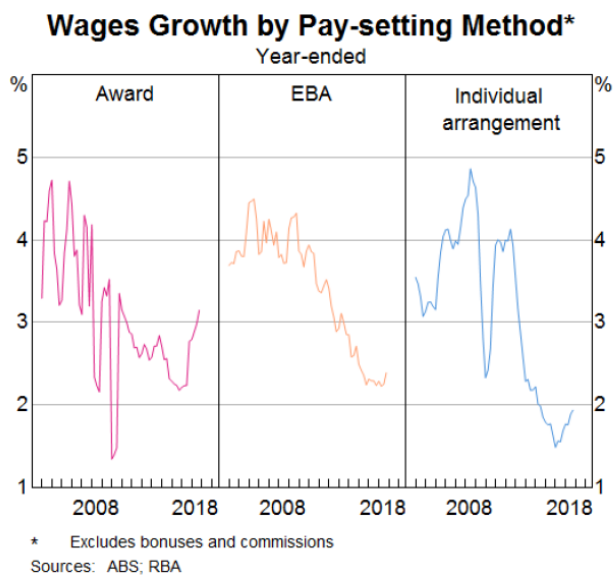
1. The Chamber of Commerce and Industry of Western Australia (**CCIWA**) thanks the Commission in Court Session (**Commission**) for the opportunity to respond to the question regarding the relevance and utility of the Centre for Future Work (**CFW**) submission to the Fair Work Commission's Annual Wage Review with respect to the 2020 State Wage Case (**SWC**).
2. We note that in its submission the CFW identifies that it is an "*independent and non partisan*" organisation. A cursory examination of the submission indicates that this is not the case, with the views expressed in the submission clearly reflective of its advisory committee, which includes nine members representing various unions.
3. The core argument presented by the CFW would appear to be that increases to the minimum wage are the primary driver for wage increases generally and that in the event that there is no increase to the minimum wage, then wage growth generally will diminish leading to deflation.
4. A fundamental concern with the CFW submission is that it assumes increases to award rates of pay are the primary factor in determining broader wage growth. Whilst it is generally recognised that increase to award rates can have a flow on effect to enterprise agreement negotiations, it is not the sole factor in determining wage outcomes. Other factors such as the state of the economy, business performance, and the demand and supply of labour will have a significant, and frequently greater, impact on wage outcomes. CFW has not sought to consider the impact of these matters on wage growth.
5. CFW argue that the impact of wage case decisions can be seen in September Wage Price Index figures, with unadjusted data showing a higher increase in that quarter. Whilst they note that other factors may have an influence, such as July marking the commencement of the financial year, they have not examined what impact this and other factors may have.
6. The failure by CFW to take other factors into account is a significant failure in their submission and indicates a lack of academic rigour when considering the motivators for wage growth.
7. CFW argument is also at odds with the submission of UnionsWA who argue that a significant increase to the SMW is needed to address the growing inequality between the minimum wage and average earnings.
8. At paragraph 4.6 of its submission UnionsWA includes a comparison of Average Weekly Ordinary Time Earnings (**AWOTE**) growth against the State Minimum Wage, as shown below.



Source: ABS 6302.0, WA Department of Commerce, Australian Department of Human Services

9. The above graph identifies that AWOTE grew at a higher rate during the construction led resources boom in WA before levelling out of recent years, whilst the SMW has been growing at a more consistent rate.
10. This graph indicates that economic performance has a greater impact on wage growth than increases to the AMW or award rates of pay.
11. The graph provided at page 16 of CFW's submission also shows little correlation between increases in award wages and wage growth generally, with the movement appearing to be more reflective of changes within the economy.

Figure 7. Wages Growth by Pay-Setting Method, 2000-2018



Source: Reproduced from Bishop and Cassidy (2019).

12. CFW argument that a positive increase to award rates of pay is needed to prevent deflation is also not made out.
13. As is common throughout their submission CFW has not taken into consideration the range of factors that impact on prices growth. It is our view that this submission lacks the rigour generally expected of an academic led paper in reaching the conclusions presented by it.
14. Disturbingly the submission also fails to take into consideration the impact of significant increases to the award rates of pay on employment.
15. With respect to the criteria the Commission is required to consider as part of the SWC we note that the proposition that increases to award rate of pay influence wage outcome for agreements has no correlation with criteria under s50A(3) and (4). It would also appear to be at odds with s50A(3)(a)(v) *“to protect employees who may be unable to reach an industrial agreement”*. The CFW argument appears to suggest a significant increase to the minimum wage is necessary to support those who are in a position to reach an enterprise agreement.
16. CCIWA is of the view that the CFW submission to the Fair Work Commission’s Annual Wage Review has no relevance and utility for the purpose of the SWC.