



2020 State Wage Case

Chamber of Commerce and Industry WA

12 May 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

**SUBMISSION 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**) is the leading business association in Western Australia (**WA**) and has been the voice of business for 130 years. CCIWA represents employer members from across all regions and industries in Western Australia, particularly small and medium enterprises.
2. This year's State Wage Case occurs at a time when the collective focus of government, employers and unions is on ensuring that jobs and businesses survive the unprecedented impact that the COVID-19 pandemic is having on the global, national and state economy.
3. The full extent of the COVID-19 pandemic is yet to be determined, however, it is clear that all Western Australians have been affected. The measures taken by the State and Federal Governments to control the spread of COVID-19 appear to be working, but they have had a substantial impact on employment and the viability of WA businesses.
4. Despite unmatched levels of Government assistance aimed at reducing the impact of COVID-19 on both households and businesses, the WA economy is experiencing:
 - 4.1. significant numbers of job losses, with the WA Treasurer identifying that so far 80,000 workers have lost their job;
 - 4.2. unemployment levels expected to reach 10 per cent;
 - 4.3. a large proportion of the workforce who are underemployed;
 - 4.4. low levels of inflation, with the Reserve Bank of Australia (RBA) expecting price deflation in the June quarter, and inflation to be very low for the next few years.
5. In addition to fighting a pandemic, the State is also battling against the tide of recession of a magnitude that, according to the RBA, we have not that we have seen since the 1930s.
6. In this context, the assumptions that have previously guided wage setting decisions, can no longer be relied upon.
7. In the current environment, the focus of all industrial participants should be on the preservation of jobs and ensuring that WA businesses are in the best position to survive these challenging times.
8. With this focus in mind, CCIWA is encouraging the Western Australian Industrial Relations Commission (**the Commission**) to maintain the State Minimum Wage (**SMW**) and award rates of pay at their current levels.

State of the WA economy prior to COVID-19

9. It is clear that the outlook for the WA, national and global economies since the COVID-19 outbreak is vastly different to that which was anticipated at the beginning of 2020.
10. The full impact of the COVID-19 pandemic is yet to be determined and the statistical data that is frequently relied upon in the State Wage Case proceedings no longer reflects the reality of the circumstances facing WA employers and employees.
11. However, it is important to consider the health of the WA economy prior to the COVID-19 pandemic in order to appreciate our preparedness to withstand the challenges posed by it.
12. The state of the WA economy prior to the COVID-19 outbreak was succinctly summarised in CCIWA's January Economic Outlook¹ title - *"Treading water, waiting for the next wave"*.
13. As we entered 2020, WA's domestic economy was continuing to contract, with State Final Demand (**SFD**) having declined by 1 per cent over 2018/19. Business investment fell by 7.6 per cent over the same period².
14. The decline in business investment had direct repercussions for households, including fewer job opportunities, weaker wage growth and little growth in overall hours worked.
15. These factors, along with people continuing to leave WA for opportunities in other states, had weakened rates of property turnover and price growth, reducing consumption even further.
16. Weak consumer demand and prospects for economic and population growth have also weighed on business confidence.
17. There were some renewed hopes that the mining and petroleum sectors would help lift the WA economy, with new resources projects expected to boost business investment and activity in construction and manufacturing sectors.
18. In the December 2019 *WA Super-CCI Business Confidence Survey*, 66 per cent of businesses in the construction industry had expected stronger conditions over the next 12 months from December 2019 due to increased investment in the mining industry.³

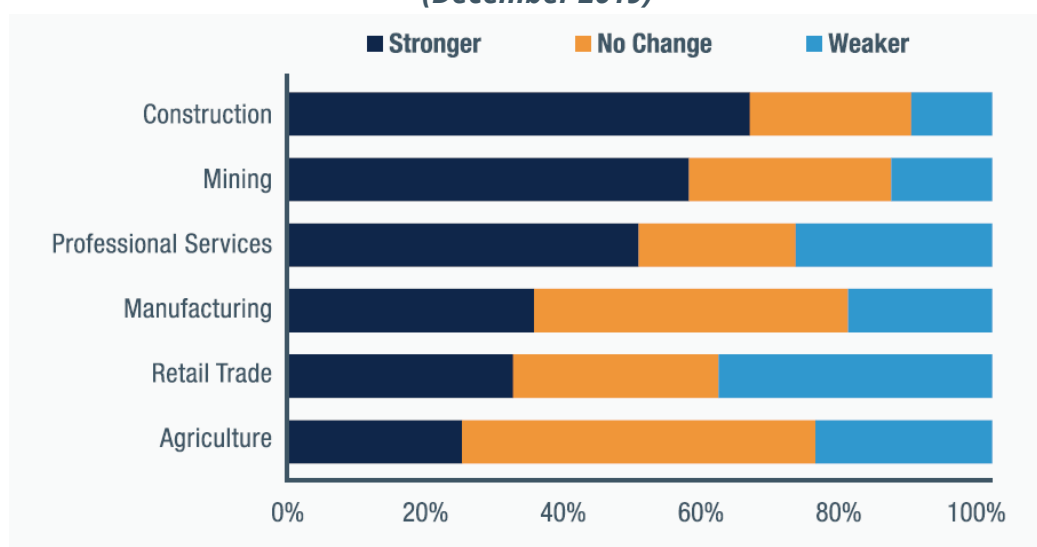
¹ CCIWA (January 2020) [*Outlook – Treading water: waiting for the next wave*](#).

² CCIWA (January 2020) [*Outlook – Treading Water: waiting for the next wave*](#), p 1.

³ CCIWA (December 2019) [*WA Super-CCI Business Confidence Survey: December Quarter 2019*](#), p1.

19. As a result, investment was forecast to increase to 3 per cent in 2019-20, 9 per cent in 2020-21 and 5 per cent in 2021-22.
20. However, the expected increase in mining related business investment was not expected to have the same impact on the WA and Australian economy as occurred in previous investment phases, with the projected investment representing approximately 20 per cent of the investment surge that occurred between 2010-11 and 2012-13.
21. Most households and businesses were not expected to benefit from a pick-up in resources investment, which was reflected in the lack of confidence experienced by businesses outside of the mining and construction sector, as shown in the graph 1.

**Graph 1 - Industry expectations for WA's economy over the year⁴
(December 2019)**



22. However, the prospects of a post COVID-19 construction led recovery have dissipated with the decision to delay the combined \$50 billion Burrup Hub project to commercialise the Scarborough and Browse gas fields.

⁴ CCIWA (December 2019) WA Super-CCI Business Confidence Survey: December Quarter 2019, p2

23. The table below reflects the outlook for the WA economy, as at January 2020.

Table 1 - Economic Forecasts for Western Australia⁵
(January 2020)

Forecasts ¹	2018-19 ² Actual	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Economic Activity				
Household Consumption	1.0%	1.2%	1.5%	2.0%
Dwelling Investment	-3.6%	-6.0%	1.0%	3.0%
Business Investment	-7.6%	3.0%	9.0%	5.0%
State Final Demand	-1.0%	2.0%	3.0%	2.5%
Exports ³	1.4%	4.0%	1.0%	1.0%
Imports ³	-7.2%	1.0%	3.0%	2.0%
Gross State Product	1.0%	3.0%	2.0%	2.0%
Labour Market				
Unemployment	6.1%	5.8%	5.7%	5.6%
Inflation	1.3%	1.5%	1.7%	1.9%
Wages	1.6%	1.7%	1.9%	2.0%

Footnotes:

1 Forecasts are produced in terms of year-on-year growth, comparing four quarters of data to the previous four quarters of data.

2 Actual outcomes as reported in the 2018-19 State Accounts, updated with the latest State Final Demand and Balance of Payments data.

3 Exports and imports figures are for goods and services trade measured on a Balance of Payments basis.

24. In comparison with the rest of the nation, WA commenced the decade with an:

- 24.1. Unemployment rate of 5.8 per cent in January 2020 compared to the national average of 5.3 per cent. This represents an increase from 5.4 per cent unemployment in December 2019, with the WA unemployment rate being generally higher than the national average since May 2016.⁶
- 24.2. Underemployment rate of 8.9 per cent in January 2020 compared to the national average of 8.6 per cent. In the three months prior WA's underemployment rate sat at around 9 per cent, compared to a national average of between 8.3 and 8.6 per cent over the same period.⁷
- 24.3. Wage growth for WA, as measured by the Wage Price Index, rose by 1.6 per cent in annual average terms to December 2019 compared to the national average of 2.3 per cent.⁸
- 24.4. Annual inflation of 1.6 per cent in December 2019 compared to the national average of 1.8 per cent.

⁵ CCIWA (January 2020) *Outlook – Treading Water: waiting for the next wave*, p 3.

⁶ ABS (April 2020) – *Labour Force, Australia, January 2020*. All figures are seasonally adjusted data.

⁷ Ibid

⁸ WA Treasury (2020). *Wage Price Index – December 2019*.

25. WA businesses and employees have therefore entered into the challenging environment created by COVID-19 on the backfoot, when compared to the nation as a whole.

The Impact of COVID-19 on the Economy

26. It is clear that WA is no longer waiting for the next wave to stimulate the economy, but is now battling a riptide to recession.
27. The Governor of the RBA sets the scene for the challenges faced by both businesses and employees in his April 2020 economic update:

Economic forecasting is difficult at the best of times. It is even harder at times like this when we are experiencing a once in a lifetime event. Given this, I don't think it makes sense at the moment to focus on forecasts to the nearest decimal point, as we often do. Instead, I would like to focus on two broad issues:

- *the immediate outlook for the economy*
- *the nature and speed of the recovery.*

The next few months are going to be difficult ones for the Australian economy. One very obvious consequence of the efforts needed to contain the virus is that many normal activities are restricted or not permitted. This means that, for as long as these restrictions are in place, we don't have the jobs and incomes that come from these activities. On top of this, there is a high level of uncertainty about the future, which means that many households and businesses are holding back their spending and investment.

The result of both the restrictions and the uncertainty is that over the first half of 2020 we are likely to experience the biggest contraction in national output and income that we have witnessed since the 1930s.

Putting precise numbers on the magnitude of this contraction is difficult, but our current thinking is along the following lines:

- *National output is likely to fall by around 10 per cent over the first half of 2020, with most of this decline taking place in the June quarter.*
- *Total hours worked in Australia are likely to decline by around 20 per cent over the first half of this year.*
- *The unemployment rate is likely to be around 10 per cent by June, although I am hopeful that it might be lower than this if businesses are able to retain their employees on lower hours. The unemployment rate would have been much higher than this without the government's JobKeeper wage subsidy.*

These are all very large numbers and ones that were inconceivable just a few months ago. They speak to the immense challenge faced by our society to contain the virus.⁹

28. The above statement paints a bleak picture for the prospects of both the WA and National economies.

⁹ Reserve Bank of Australia (21 April 2020) [An Economic and Financial Update -Speech by Philip Lowe](#) .

29. It is important to note that the impact of COVID-19 is no longer being likened to the Global Financial Crisis (**GFC**) or the recession of the early 1990's. Instead the comparison is now being made to the economic impact arising from the Great Depression of the 1930's.
30. During the GFC, the WA economy was well placed to ride out the economic storm because of strong investment in construction for the resource industry. This lessened the negative impact on WA businesses and employees compared to other parts of Australia.
31. This time, WA is not so well placed.
32. Whilst the full impact of the COVID-19 pandemic is not yet clear, there is some statistical data which gives us some insight into the current conditions facing the WA economy.

Employment

33. The ABS has commenced measuring the impact of the COVID-19 pandemic through analysis of data provided by the single touch payroll system.
34. The *Weekly Payroll Jobs and Wages in Australia*¹⁰ report presents this information and identifies that since 14 March (the week Australia recorded 100 COVID-19 cases):
 - 34.1. in WA there has been a 6.6 per cent decline in the number of jobs, compared to a national decline of 7.5 per cent;
 - 34.2. total wages paid to employees fell by 9.0 per cent in WA, whilst nationally they fell by 8.2 per cent;
 - 34.3. younger workers were most affected, with the number of jobs for WA employees under 20 years falling by 17.9 per cent and 10.3 per cent for those aged between 20 to 29 years;
 - 34.4. the WA industries most affected by the decline in jobs were Accommodation and Food services (31.5 per cent); Arts and Recreation Services (14.7 per cent); and Administration and Support Services (12.8 per cent).

¹⁰ ABS (5 May 2020) *Weekly Payroll Jobs and Wages in Australia, Week ending 18 April 2020*

Table 2 - Change in employee jobs and total employee wages¹¹
(week ending 18 April 2020)

	Employee jobs				Total employee wages			
	% Change between 14 March and 18 April (Change since 100th case of COVID-19)	% Change between 21 March and 18 April (monthly change)	% Change between 11 April and 18 April (weekly change)	% Change between 04 April and 11 April (weekly change)	% Change between 14 March and 18 April (Change since 100th case of COVID-19)	% Change between 21 March and 18 April (monthly change)	% Change between 11 April and 18 April (weekly change)	% Change between 04 April and 11 April (weekly change)
Australia	<i>Jobholder Location</i>							
NSW	-7.5%	-6.9%	-1.5%	-0.3%	-8.2%	-7.9%	-1.0%	-1.6%
Vic.	-7.4%	-6.7%	-1.3%	-0.2%	-7.5%	-8.3%	-1.0%	-1.8%
Qld.	-8.6%	-7.8%	-1.7%	-0.4%	-9.2%	-7.9%	-0.8%	-1.0%
SA	-6.5%	-6.1%	-0.7%	-0.7%	-8.3%	-7.5%	-1.1%	-2.3%
WA	-7.8%	-7.5%	-1.8%	-0.7%	-4.5%	-4.7%	0.0%	-1.6%
Tas.	-6.6%	-6.5%	-2.4%	0.2%	-9.0%	-8.5%	-1.0%	-2.0%
NT	-8.0%	-7.5%	-2.1%	-0.5%	-9.3%	-8.0%	-1.2%	-2.6%
ACT	-5.7%	-5.6%	-2.0%	0.1%	-9.2%	-8.4%	-1.8%	-1.6%
	-6.9%	-5.7%	-2.3%	1.3%	-7.5%	-8.2%	-4.0%	3.4%

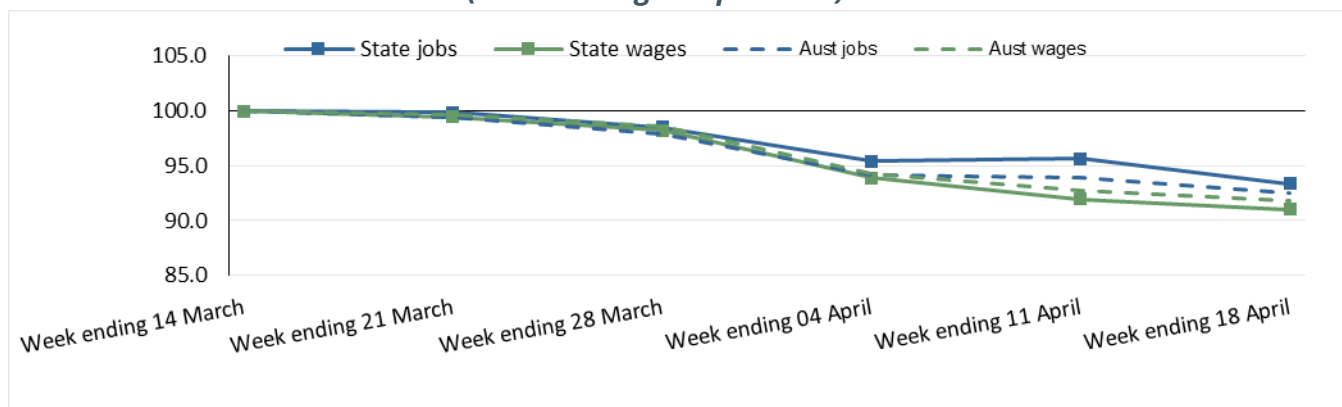
Table 3 - Change in employee jobs and total employee wages¹²

	Employee jobs				Total employee wages			
	% Change between 14 March and 18 April (Change since 100th case of COVID-19)	% Change between 21 March and 18 April (monthly change)	% Change between 11 April and 18 April (weekly change)	% Change between 04 April and 11 April (weekly change)	% Change between 14 March and 18 April (Change since 100th case of COVID-19)	% Change between 21 March and 18 April (monthly change)	% Change between 11 April and 18 April (weekly change)	% Change between 04 April and 11 April (weekly change)
Total	<i>Western Australia</i>							
	-6.6%	-6.5%	-2.4%	0.2%	-9.0%	-8.5%	-1.0%	-2.0%
	<i>Jobholder Demographics</i>							
Males	-5.5%	-5.3%	-1.6%	0.4%	-10.0%	-9.2%	-0.4%	-2.8%
Females	-7.2%	-7.1%	-3.2%	0.3%	-7.0%	-7.0%	-2.0%	-0.6%
Aged under 20	-17.9%	-16.8%	-2.4%	-4.2%	-5.9%	-3.7%	0.4%	1.4%
Aged 20-29	-10.3%	-9.9%	-3.3%	-0.4%	-8.3%	-7.6%	-1.8%	-0.7%
Aged 30-39	-5.2%	-5.3%	-2.1%	0.7%	-8.5%	-7.7%	-0.8%	-1.9%
Aged 40-49	-3.6%	-3.7%	-1.5%	1.0%	-9.0%	-8.1%	-0.5%	-2.3%
Aged 50-59	-3.1%	-3.2%	-1.4%	1.2%	-9.2%	-8.6%	-0.7%	-2.2%
Aged 60-69	-3.8%	-3.7%	-1.9%	1.1%	-8.6%	-10.6%	-0.8%	-2.1%
Aged 70+	-15.9%	-15.1%	-7.1%	-3.5%	-15.0%	-15.3%	-5.7%	-5.9%

¹¹ Ibid

¹² Ibid

**Graph 2 – Indexed number of employee jobs and total employee wages,
Western Australia and Australia¹³
(week ending 18 April 2020)**



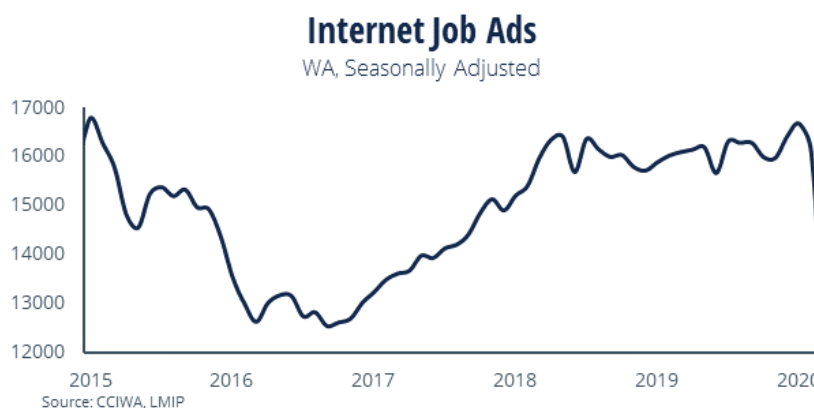
35. This shows an unprecedented decline in the level of employment over an exceedingly short period of time. Whilst WA has fared better in terms of the decline in the number of jobs, the fall in total wages paid to all employees indicates that this has been offset by a higher proportion of underemployed workers who have had their hours of work reduced as a result of reduced demand for goods and services.
36. These underemployed workers are at greater risk of becoming unemployed unless business conditions change before the government assistance aimed at preserving employment ceases.
37. The WA Treasurer has identified that he is expecting to see large increases in unemployment levels over the coming months and has identified that so far approximately 80,000 have been lost.¹⁴
38. The impact on employment is also reflected in the Internet Job Vacancy data for March 2020 which identified that job adverts in WA fell by 20 per cent from the previous month and 19.4 per cent over the preceding 12 months.¹⁵

¹³ Ibid

¹⁴ ABC News Online (16 April 2020) [Unemployment figures are lagging the true pain in Western Australia amid the coronavirus lockdown](#).

¹⁵ Labour Market Information Portal (April 2020) [Internet Job Advertisements – March 2020](#)

**Graph 3 – Internet Job Adverts
(March 2020)**



39. Seek has also reported a 65.3 per cent decline in the number of job adverts in the first week in April 2020 compared to the same time last year. They have identified that, compared to the same time last year, the number of national job adverts fell by:
 - 39.1. 12.6 per cent for the week ended 8 March;
 - 39.2. 17.3 per cent for the week ended 15 March;
 - 39.3. 41.3 per cent for the week ended 22 March;
 - 39.4. 64.6 per cent for the week ended 29 March;
 - 39.5. 65.3 per cent for the week ended 5 April.¹⁶
40. The RBA is currently basing its monetary policy decisions on the assumptions 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. It also notes that a lower unemployment rate is possible if the reduction in labour demand is accompanied by a larger reduction in average hours worked, rather than by people losing their jobs.¹⁷
41. This means that any reduction in unemployment rates is likely to be offset by an increase in the level of underemployment.

Retail Trade

42. Retail Trade figures for March 2020¹⁸ show the unsettling effect that COVID-19 is having on the economy.

¹⁶ Seek (9 April 2020) [SEEK Employment Snapshot](#).

¹⁷ RBA (May 2020) [Statement - Monetary Policy Decision](#).

¹⁸ ABS (May 2020) [Retail Trade, Australia – March 2020](#)

43. In WA, retail turnover increased by 9.9 per cent in March 2020 (seasonally adjusted) from the previous month, with the key drivers including food retailing (+25 per cent), liquor retailing (+26 per cent) supermarket and grocery store retailing (+24 per cent) and pharmaceutical, cosmetic and toiletry goods retailing (+19 per cent). This reflected consumers' initial reaction to the threat of COVID-19, which resulted in a significant increase in the purchase of staple products. This appears to have since dissipated.
44. However, there were also significant contractions in other areas due to declining trade arising from government restrictions and/or safety measures to reduce the risk of infection. These included clothing trade (-37 per cent); cafes, restaurants and catering services (-22 per cent); and takeaway food services (-11 per cent).

Table 4 – WA Retail Turnover¹⁹
(March 2020)

	Feb-20	Mar-20	
Western Australian Retail Turnover, Seasonally Adjusted	\$ Millions		m/m %
Other specialised food retailing	88.9	123.2	39%
Liquor retailing	132.1	166.4	26%
Food retailing	1253.1	1572.1	25%
Supermarket and grocery stores	1032	1282.5	24%
Other retailing n.e.c.	151.3	183	21%
Pharmaceutical, cosmetic and toiletry goods retailing	158.9	189.3	19%
Other retailing	394.6	464.7	18%
Electrical and electronic goods retailing	173.1	203.5	18%
Other recreational goods retailing	55.9	65.6	17%
Hardware, building and garden supplies retailing	172.7	196.5	14%
Household goods retailing	467.6	519.5	11%
Total (Industry)	2945.3	3236.5	10%
Furniture, floor coverings, houseware and textile goods retailing	121.7	119.6	-2%
Newspaper and book retailing	28.5	26.7	-6%
Department stores	170.9	152.8	-11%
Takeaway food services	194	173.2	-11%
Footwear and other personal accessory retailing	70.4	59.4	-16%
Cafes, restaurants and takeaway food services	495.5	409.3	-17%
Cafes, restaurants and catering services	301.5	236.1	-22%
Clothing, footwear and personal accessory retailing	163.6	118.1	-28%
Clothing retailing	93.2	58.7	-37%

¹⁹ Ibid

Inflation

45. The RBA expects inflation will remain below 2 per cent over the next few years.
46. It has identified that in the March quarter 2020, CPI inflation rose to 2.2 per cent, but it is expected to turn negative — that is, move into deflation — temporarily in the June quarter, due to falls in oil prices, the introduction of free child care and deferrals of various price increases.
47. Further out, the RBA expects inflation to be at 1 to 1½ per cent in 2021 and will gradually pick up further from there.²⁰

Impact of COVID-19 on Businesses

48. In order to understand the impact of COVID-19 on WA businesses, CCIWA has recently undertaken a comprehensive survey involving approximately 900 employers.²¹
49. The information from this survey provides a snapshot of how WA businesses are responding to the challenges posed by COVID-19 and the impact that it is having on employees and the broader community.
50. The survey identifies that over 80 per cent of WA businesses are experiencing reduced consumer spending, with 61 per cent of businesses experiencing reduced revenue of 30 per cent or more.
51. The impact of reduced consumer spending is disproportionately affecting industries which have a higher proportion of businesses covered by the State industrial relations system, including accommodation and food services; retail trade; and construction.

²⁰ RBA (May 2020) [*Statement - Monetary Policy Decision*](#).

²¹ CCIWA (2020) [*COVID-19 Business Impact Survey: Snapshot*](#).

**Table 5 - Impact of COVID-19 on Customer Levels
(as at 5 May 2020)**

To what extent has your business experienced a reduction in customer levels over the past 3 weeks?						
Industry	10% reduction	20% reduction	30% reduction	40% reduction	+50% reduction	My business has not experienced a reduction in customer levels
Accommodation & Food Services	4%	4%	0%	4%	88%	0%
Education & Training	0%	17%	11%	6%	61%	6%
Information Media & Telecommunications	9%	0%	18%	0%	64%	9%
Real Estate Services	0%	14%	43%	0%	43%	0%
Utilities Services	13%	25%	0%	13%	50%	0%
Transport, Postal & Warehousing	15%	0%	8%	31%	38%	8%
Retail Trade	3%	18%	23%	18%	33%	5%
Agriculture, Forestry & Fishing	0%	4%	16%	12%	40%	28%
Professional, Scientific & Technical Services	12%	12%	12%	4%	42%	19%
Health Care & Social Assistance	13%	7%	3%	30%	27%	20%
Construction	16%	16%	12%	12%	24%	18%
Manufacturing	9%	12%	15%	10%	27%	27%
Wholesale Trade	14%	14%	0%	29%	14%	29%
Mining	6%	9%	18%	12%	18%	38%
Financial & Insurance Services	21%	14%	14%	0%	21%	29%
Total*	9%	11%	13%	11%	37%	19%

52. The impact on WA businesses is unsustainable. This is particularly the case for the 92 per cent of accommodation and food service businesses and the 72 per cent of retailers who have reported falls in consumer spending of greater than 30 per cent.
53. However, employers are attempting to adapt to the changing circumstances with 84 per cent of respondents intending to change their operations in order to respond to COVID-19, as shown in the table below.

**Table 6 – Business Adaptation in Response to COVID-19
(as at 5 May 2020)**

Does your business intend to change or adapt operations in order to respond to COVID-19?			
Industry	Yes	No	Unsure
Agriculture, Forestry & Fishing	90%	3%	6%
Mining	82%	11%	7%
Manufacturing	85%	9%	7%
Utilities Services	100%	0%	0%
Construction	81%	5%	14%
Wholesale Trade	78%	11%	11%
Retail Trade	87%	7%	7%
Accommodation & Food Services	60%	30%	10%
Transport, Postal & Warehousing	88%	6%	6%
Information Media & Telecommunications	86%	7%	7%
Financial & Insurance Services	100%	0%	0%
Real Estate Services	100%	0%	0%
Professional, Scientific & Technical Services	94%	0%	6%
Education & Training	96%	0%	4%
Health Care & Social Assistance	98%	0%	2%
Arts & Recreation Services	75%	13%	13%
Total*	84%	9%	8%

**Includes respondents that did not provide industry details*

54. Employers are also attempting to implement measures aimed at helping maintain the employment of their staff. As shown in the table below business are adopting a range of measure in response to the economic and safety challenges.

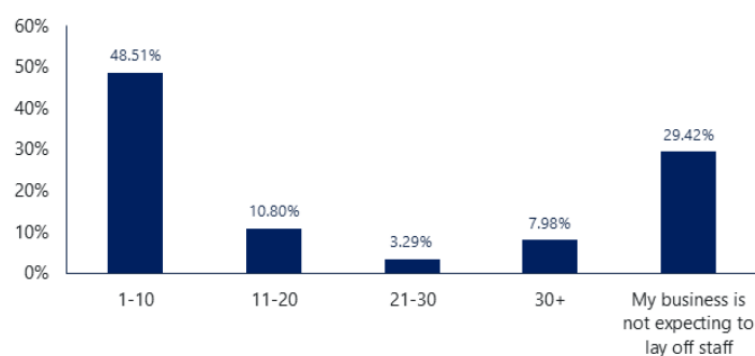
**Table 7 – Measures to Maintain Employment
(as at 5 May 2020)**

What measures is your business implementing or considering to maintain employment? You may select more than one option.							
Industry	Working from home	Staggered working hours	Reduced working hours	Encouraging staff to access leave entitlements	Provision of additional leave	Upskilling staff	Other (please specify)
Agriculture, Forestry & Fishing	55%	42%	42%	52%	6%	19%	19%
Mining	73%	31%	53%	53%	16%	18%	20%
Manufacturing	68%	45%	64%	60%	15%	9%	12%
Utilities Services	40%	40%	50%	30%	10%	0%	10%
Construction	57%	40%	62%	53%	12%	14%	28%
Wholesale Trade	67%	50%	56%	50%	11%	11%	11%
Retail Trade	18%	33%	64%	51%	9%	7%	22%
Accommodation & Food Services	15%	0%	50%	35%	10%	0%	50%
Transport, Postal & Warehousing	38%	56%	69%	63%	25%	6%	19%
Information Media & Telecommunications	86%	0%	21%	36%	7%	7%	14%
Financial & Insurance Services	88%	25%	19%	38%	25%	6%	25%
Real Estate Services	89%	11%	78%	67%	22%	11%	11%
Professional, Scientific & Technical Services	85%	24%	50%	47%	9%	9%	15%
Admin & Support Services	50%	50%	25%	0%	25%	25%	25%
Public Administration & Safety	100%	100%	100%	0%	0%	0%	0%
Education & Training	67%	17%	67%	46%	8%	17%	8%
Health Care & Social Assistance	78%	32%	56%	66%	24%	20%	20%
Arts & Recreation Services	75%	25%	38%	38%	0%	0%	38%
Total	58%	31%	56%	51%	13%	10%	21%

55. However, despite the overwhelming majority of businesses seeking to modify their business and the way work is performed, the extent of the impact of COVID-19 on business conditions means that 71 per cent of employers expect to have to lay off staff members.

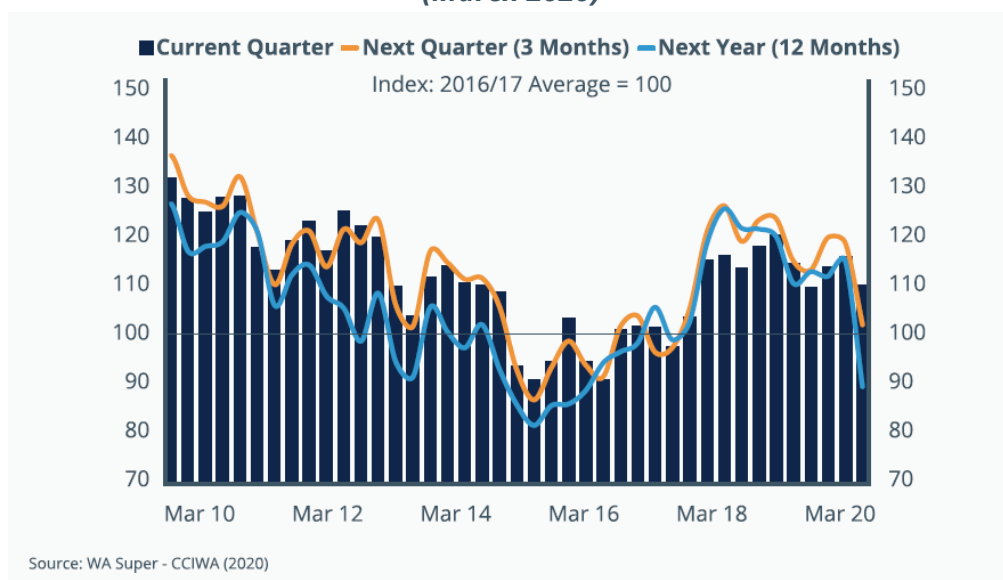
**Graph 4 - Impact on Workforce
(as at 4 May 2020)**

IF YOUR BUSINESS EXPECTS TO LAY OFF STAFF IN THE COMING WEEKS AND MONTHS, HOW MANY EMPLOYEES DO YOU EXPECT WILL BE IMPACTED?



55. The recent March quarter *WA Super – CCIWA Business Confidence Survey (Business Confidence Survey)*²² also shows a sharp decline in business confidence with 91 per cent of WA businesses currently affected, or expecting to be affected, by the COVID-19 pandemic.
56. The Business Confidence Survey identifies that 86 per cent of businesses expect the WA economy to worsen or remain unchanged over the next 3 months whilst 61 per cent are expecting challenging business conditions over the next 12 months.

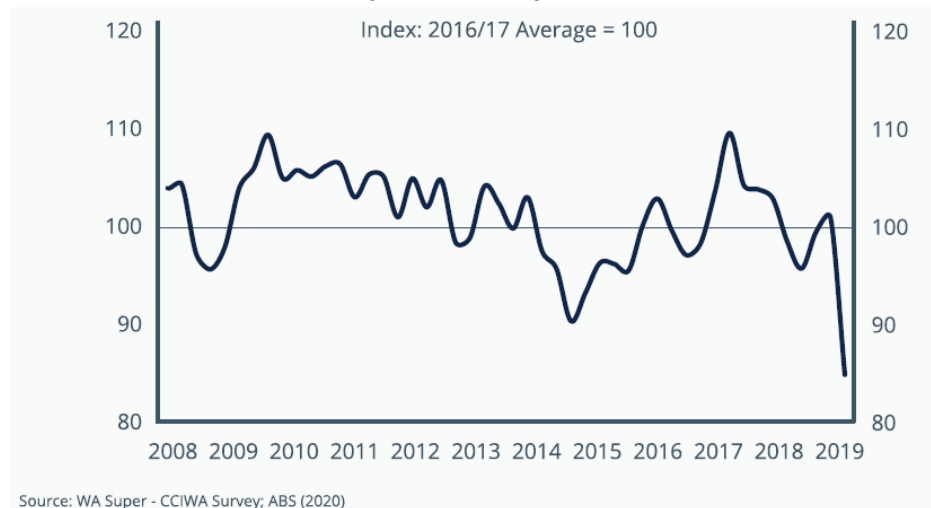
Graph 5 – Business Confidence (Current, 3 month and 12 month expectations)
(March 2020)



57. Businesses in every sector of the WA economy have reported heightened levels of concern about future economic conditions, with a higher proportion of businesses in agriculture (93 per cent), retail (83 per cent), and accommodation and food services (67 per cent) expecting weaker economic conditions over the next year.
58. The Business Confidence Survey also shows that recent improvements in profit expectations have disintegrated in the March 2020 quarter, with 52 per cent of businesses expecting their profit levels to fall over the next three months. This is a record low in profitability expectations.

²² CCIWA (2020) *WA Super – CCIWA Business Confidence Survey: March Quarter 2020*

**Graph 6 – Profitability Index (Expectation for business profits for the next quarter)
(March 2020)**



59. The Business Confidence Survey also identifies that 75 per cent of employers expect their workforce to contract or remain unchanged over the next three months. This is higher in the retail trade (91 per cent), construction (83 per cent) and manufacturing (78 per cent) industries.²³
60. While recent stimulus packages from both the State and Federal Governments go some way to support the survival of many WA businesses over the coming months, the economic implications of current containment measures cannot be understated.
61. Further, many sectors are expecting that the biggest impacts on their business will be felt after these stimulus measures come to an end. When the JobKeeper payments end in September there is significant concern that unemployment will increase significantly, noting that current impact on employment is not limited solely to government restrictions.
62. The experiences of WA businesses are also reflected nationally, with the ABS survey on the business impacts of COVID-19²⁴ identifying that 69 per cent of Australian businesses are seeing reduced demand for goods and services as a result of COVID-19.
63. As shown below, businesses are being impacted by both reduced demand and government restrictions, with the accommodation and food services sector being the hardest hit.

²³ Ibid

²⁴ Australian Bureau of Statistics (7 April 2020) [Business Indicators, Business Impacts of COVID-19, April 2020](#).

**Table 8 – Adverse business impacts by industry
(April 2020)**

Anticipated adverse business impacts due to COVID-19, by industry division^{(a)(b)}

	Reduced demand for goods or services	Supply chain uncertainty	Staff shortages	Reduced cash flow	Reduced access to credit or additional funds	Reduced ability to pay operating expenses	Government restrictions	Uncertain financial markets
	%	%	%	%	%	%	%	%
All Businesses	69	41	15	72	24	41	53	44
Mining	38	33	31	38	17	17	52	51
Manufacturing	82	59	9	75	33	57	53	65
Electricity, Gas, Water and Waste Services	44	32	24	40	8	18	43	32
Construction	73	58	8	77	31	35	39	42
Wholesale Trade	81	66	34	69	27	46	66	56
Retail Trade	61	59	27	62	16	41	47	42
Accommodation and Food Services	84	48	17	88	38	70	84	41
Transport, Postal and Warehousing	69	37	10	69	27	46	42	20
Information Media and Telecommunications	78	35	1	67	33	34	36	35
Financial and Insurance Services	41	18	8	45	18	19	37	62
Rental, Hiring and Real Estate Services	66	25	32	63	25	37	46	47
Professional, Scientific and Technical Services	62	23	2	65	16	31	40	47
Administrative and Support Services	80	34	20	81	12	61	74	46
Education and Training	79	17	21	88	25	57	79	30
Health Care and Social Assistance	57	33	32	68	16	23	73	27
Arts and Recreation Services	83	18	27	84	24	71	94	34
Other Services	73	43	5	86	30	48	61	52

(a) Proportions are of all businesses.

(b) Businesses could select more than one option.

64. According to CCIWA's Consumer Confidence survey, there has been a steep decline in consumer confidence arising from heightened fears about COVID-19 and the impact of containment measures.²⁵
65. The survey identified that more than two out of three (71%) consumers expect conditions to worsen or remain unchanged over the next twelve months.

²⁵ CCIWA (2020) *CCIWA Consumer Confidence Survey: March Quarter 2020*

Role of JobKeeper in supporting employment

66. To help address the impact of the COVID-19 restrictions, respective governments have introduced a range of stimulus packages, the most substantial being the JobKeeper scheme that was announced by the Commonwealth Government on 30 March 2020.
67. The \$130 billion JobKeeper scheme provides a subsidy to eligible employers who have been significantly impacted by COVID-19, to help them continue to employ their employees.
68. To be eligible, the employer must be:
 - 68.1. a business whose turnover has fallen by more than 30 per cent (or 50 per cent where the business has an aggregate turnover of more than \$1 billion); or
 - 68.2. a registered charity (excluding universities and non-government schools) whose turnover has fallen by more than 15 per cent.
69. The subsidy is intended to both preserve jobs and maintain the employees' connection to their employment. It is anticipated that the JobKeeper payment will support the jobs and livelihoods of around six million Australian workers.²⁶
70. The scheme appears to be having its desired effect with close to 730,000 employers reportedly registering for JobKeeper payments covering approximately 4.7 million workers.²⁷
71. The ABS survey on the business impacts of COVID-19 has identified that 44 per cent of businesses reported that the announcement of the JobKeeper scheme influenced their decision to continue to employ staff. As shown in the graph below, the extent to which the JobKeeper payments have influenced employment decisions varies significantly by industry.²⁸

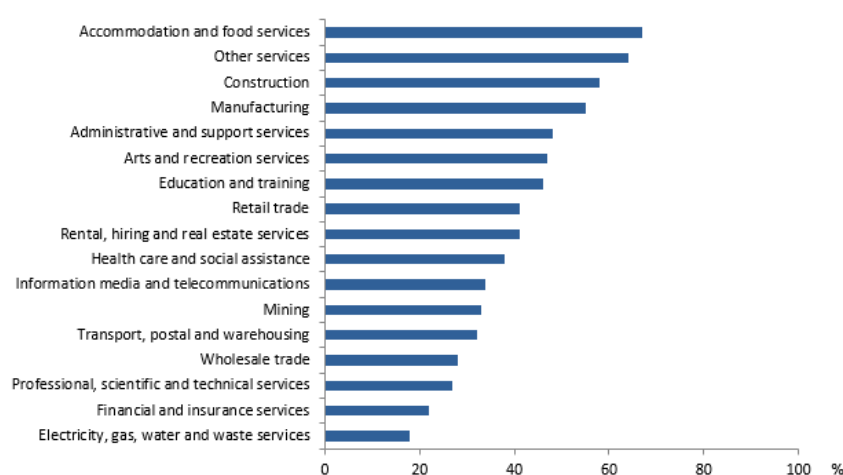
²⁶ Hon Josh Frydenberg (8 April 2020) [*Coronavirus Economic Response Package Omnibus \(Measures No. 2\) Bill 2020 - Second Reading Speech*](#).

²⁷ ABC News Online (6 May 2020) [*JobKeeper deadline looms with millions of workers set to be locked out*](#)

²⁸ Australian Bureau of Statistics (7 April 2020) [*Business Indicators, Business Impacts of COVID-19, April 2020*](#).

**Graph 7 – Impact of JobKeeper on Employment Decisions
(April 2020)**

Employment decisions influenced by the JobKeeper Payment scheme, proportion of businesses by industry^(a)



(a) Proportions are of all businesses.

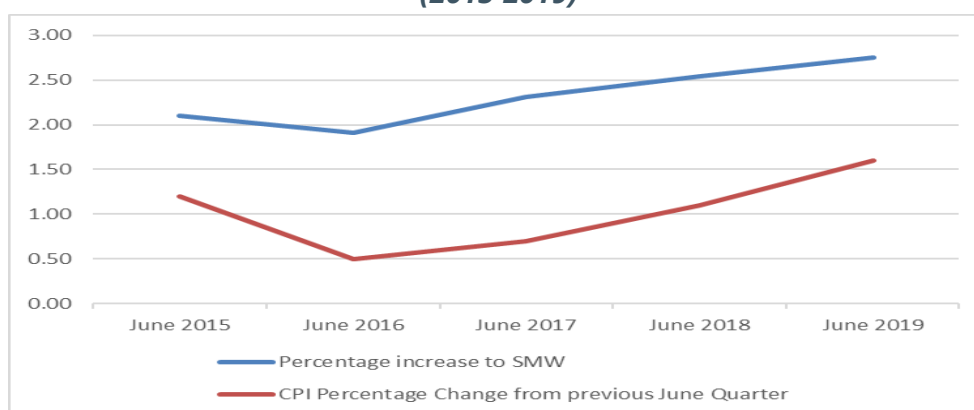
72. For the purpose of these proceedings it is worth noting that 67 per cent of employers in the accommodation and food services industry reported that the JobKeeper payments influence their employment decisions.
73. The Commonwealth Treasury has predicted that without the JobKeeper payments the national *“unemployment rate would be 5 percentage points higher and would peak at around 15 per cent”*.²⁹
74. It is therefore clear that JobKeeper payments are appropriately targeted at helping to preserve employment during a period of significant uncertainty.
75. However, the subsidy is a temporary measure that is intended to operate until 28 September 2020, after which it will cease.
76. A question that needs to be considered is what the impact on employment will be when the JobKeeper scheme and other government assistance ceases. CCIWA is deeply concerned that unless business conditions have significantly improved the unemployment and underemployment rates will significantly increase.
77. It is therefore important to ensure that all mechanisms that impact employment are appropriate used. In times of significant economic upheaval even modest increases to the minimum wage would reduce employment.

²⁹ Hon Josh Frydenberg (14 April 2020) Media Statement - [jobkeeper payment supporting millions of jobs](#).

The need for a fair minimum wage

78. In making the State Wage Order the Commission is required to take into consideration the requirements imposed upon it by the IR Act, with particular regard to section 50A.
79. Section 50A(2) provides the Commission with the discretion to adjust minimum rates of pay, taking into account the provisions prescribed in s50A(3), which are discussed below.
80. An important consideration is the need to ensure a system of fair wages and conditions of employment, which provide fair wage standards in the context of living standards generally. We believe that in the current environment, where employers are facing a substantial downturn in business conditions and there has been a significant loss of jobs, a fair wage system is one that that minimises the potential for further job losses.
81. In the context of high levels of unemployment and underemployment, the needs of the low paid are best promoted through a wage system that helps preserve employment. Whilst persons receiving the Jobseeker allowance are currently in receipt of a temporary supplement, there remains a significant gap in living standards between workers on either the SMW or award rates of pay and those who are unemployed. Further, there is a significant risk to existing employees who lose their job that they will not secure new employment in the short or medium term. This is particularly relevant to younger workers who have been disproportionately affected by job losses.
82. With inflation expected to move into negative territory before settling at low levels, the living standards of the low paid will not be negatively affected as a result of maintaining the SMW and award rates at the current level. This is particularly the case given the sustained level of real wage growth in minimum wage rates as a result of previous State Wage Orders.

**Graph 8 – Growth in State Minimum Wage³⁰
(2015-2019)**



83. As identified in this submission, the COVID-19 pandemic is having a significant impact on the state of the WA and national economies.
84. The lack of capacity for employers to bear the cost of any minimum wage increases is a significant factor in the current environment. As reinforced in this submission there has been investment by governments in providing financial support to employers to assist them in preserving jobs in light of the controls established to minimise the spread of COVID-19. As the Commonwealth Treasury and RBA have identified, without that support unemployment would be significantly higher than the projected level of 10 per cent.
85. An increase to minimum wages at this time would be detrimental to the efforts that have been made to protect jobs, as we seek to recover from the economic impact of the COVID-19 pandemic.
86. We note the previous views expressed by the Commission that adjusting the minimum wage is a blunt instrument to promote gender equity. This fact is not changed by COVID-19. While the effects of COVID-19 on the gender pay gap warrant consideration, these effects are yet to be fully seen. It would therefore not be appropriate to consider this matter during this process and at this time.
87. CCIWA reinforces that the focus of all industrial participants at this time should be on the preservation of jobs and ensuring that WA businesses are in the best position to survive these challenging times.

³⁰ Source: WAIRC and ABS (6601.0). Comparison of percentage increase to State Minimum Wage compared to Perth Consumer Price Index percentage change from June quarter in the preceding year.

State Wage Case Principles

88. Section 50A(d) of the IR Act required the Commission to set out a statement of principles **(Principles)** to be applied and followed in relation to the setting wages, salaries, allowances or other remuneration of employees.
89. As a result of the limited coverage of the private sector awards there are few applications to amend these instruments, which has resulted in the Principles not frequently being utilised.
90. Notwithstanding this, CCIWA believes that it is necessary for the maintenance of a robust set of Principles to guide applications to vary wages, allowances and other relevant matters should such applications arise.
91. CCIWA is not proposing any changes be made to the existing Principles as part of these proceedings.