



# 2020 State Wage Case

Chamber of Commerce and Industry WA  
Submission in Reply

5 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

**SUBMISSION IN REPLY**

BY

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

Filed on behalf of the Chamber of Commerce and Industry of Western Australia by:

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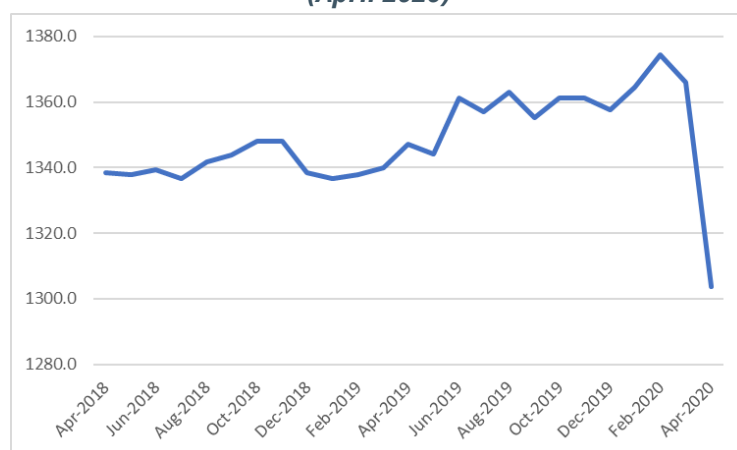
## Introduction

1. The Chamber of Commerce and Industry of Western Australia (**CCIWA**) provides the following submissions in reply, in relation to the submissions filed by:
  - 1.1. The Minister for Industrial Relations (**Minister**);
  - 1.2. UnionsWA;
  - 1.3. The Western Australian Council on Social Services (Inc) (**WACOSS**); and
  - 1.4. Professor Alison Preston.as part of the 2020 State Wage Case (**SWC**) proceedings.
2. In summary, CCIWA submits that:
  - 2.1. All parties have recognised the COVID-19 pandemic is having a significant impact on the WA economy, employers and employment;
  - 2.2. The substantial increases sought by UnionsWA and WACOSS are unsustainable in the current environment and will have a significant detrimental impact on employment;
  - 2.3. The belief of UnionsWA and WACOSS that a significant increase to the minimum wage will promote economic recovery through greater consumer spending is flawed and misguided;
  - 2.4. Professor Preston's concern that the COVID-19 pandemic will have a disproportionately adverse impact on female employees and young people is recognised, which reinforces the need to ensure that appropriate measures are taken to minimise the risk of increased unemployment and underemployment;
  - 2.5. We agree with the Minister's view that *"business viability is an important consideration in this year's State Wage Case, which is taking place in a very different climate than normal"*;
  - 2.6. The Minister has correctly identified that the information provided in the mid-year financial review does not reflect the current circumstances facing the WA economy; and
  - 2.7. The Minister's concerns regarding the adverse impact that COVID-19 is having on the economy, employers and households is apparent through the emerging data and the steps being taken by government to help mitigate this impact.

## Labour force data

3. In making this submission in reply, CCIWA relies upon data from the Australian Bureau of Statistics (**ABS**) *Labour Force* report for April 2020.<sup>1</sup> This report was released on 14 May 2020, being after the date the initial submissions were filed.
4. The information from the Labour Force report relied upon by CCIWA in making this submission in reply is summarised below.
5. The number of people employed in WA fell by 62,300 from 1.365 million to 1.303 million in the month between March and April 2020. This is in addition to the 8,400 people who lost their jobs in March.

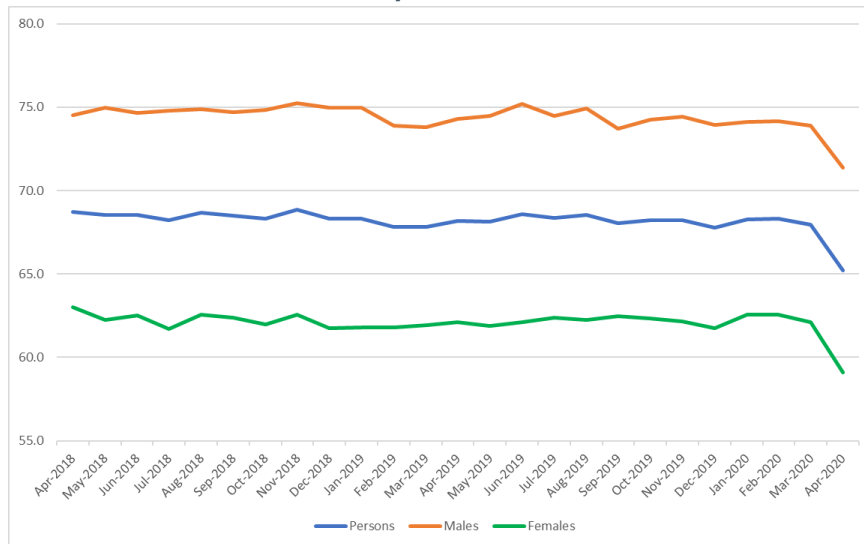
**Graph One - WA Employed Persons ('000)**  
**(April 2020)**



6. The seasonally adjusted unemployment rate for WA increased from 5.4 per cent in March 2020 to 6.0 per cent in April 2020. The unemployment rate for female employees was 6.2 per cent and 5.8 per cent for male employees.
7. However, the unemployment rate masks the impact of the COVID-19 pandemic on employment. A significant number of workers have dropped out of the labour market and there has been a massive loss of working hours, which has brought the underemployment rate to new highs.
8. The participation rate in the WA labour force declined from 68.0 per cent in March 2020 to 65.2 per cent in April 2020. This equates to 57,600 West Australians withdrawing from the labour market. For females, the participation rate declined by 3 percentage points to 59.1 per cent and in the case of males there was a 2.5 percentage points fall to 71.4 per cent. This is the lowest participation rate for WA since August 2004.

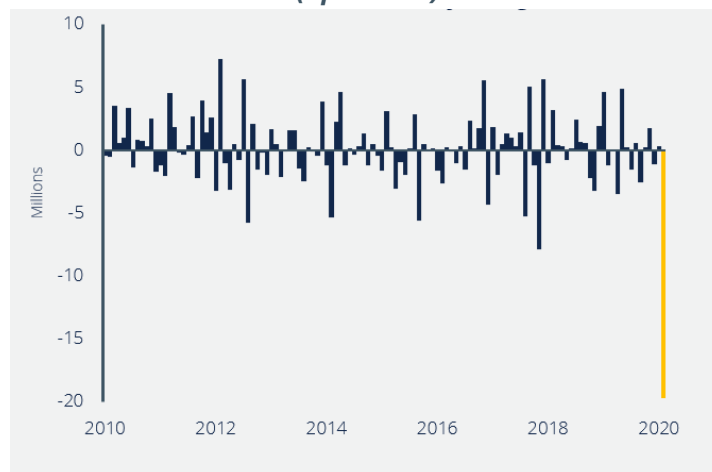
<sup>1</sup> ABS (May 2020) [Labour Force, Australia, April 2020](#). All figures quoted are seasonally adjusted data, with the exception of youth unemployment which is original data.

**Graph Two – WA Participation Rate  
(April 2020)**



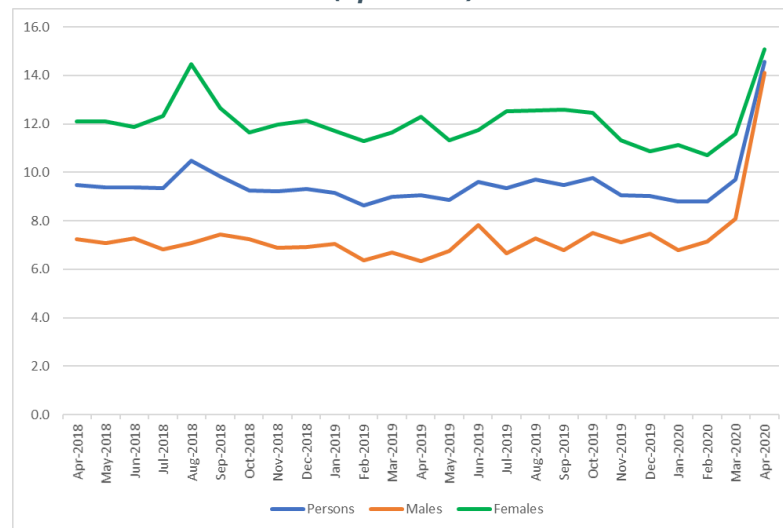
9. The number of hours workers by WA employees plunged by 20 million hours in April 2020.

**Graph Three – WA Hours Worked Monthly Change  
(April 2020)**



10. This had a negative impact on the underemployment rate, which in WA increased significantly from 9.7 per cent in March 2020 to 14.6 per cent in April 2020. Nationally, the underemployment rate increased from 8.8 per cent to 13.7 per cent between March and April 2020. For female employees the WA underemployment rate increased by 3.5 percentage points to 15.1 per cent. For males there was a 6 percentage points increase in the underemployment rate to 14.1 per cent.

**Graph Four – WA Underemployment Rate  
(April 2020)**



11. Nationally the youth unemployment rate increased from 12.6 per cent in March 2020 to 13.9 per cent in April 2020. In WA, youth unemployment increased by 0.6 percentage points to 12.6 per cent for April 2020. Notably the participation rate for young people in WA fell from 72.3 per cent to 62.1 per cent between March and April.
12. The Bankwest Curtin Economics Centre has estimated the real rate of youth unemployment is now 22.2 per cent.<sup>2</sup>

### UnionsWA submission

13. UnionsWA is seeking a 4 per cent increase to the relevant minimum rates of pay which would increase the State Minimum Wage (**SMW**) by \$29.88 from \$746.90 to \$776.78 per week.
14. We note that this claim reflects the quantum sought by the Australian Council of Trade Unions (**ACTU**) as part of the Fair Work Commission’s (**FWC**) 2019/20 Annual Wage Review.
15. The magnitude of the quantum sought by UnionsWA fails to consider the challenges facing WA employers and employees as a result of the impact of the COVID-19 pandemic. An increase of this magnitude would have a devastating impact on the employment of award reliant employees at a time when substantial job losses are occurring.

<sup>2</sup> Bankwest Curtin Economics Centre (May 2020) [Labour Market Update – April 2020](#), p4

### **State of the WA and national economy**

16. At paragraph 3.1 of its submission, UnionsWA contends that there should be a substantial increase to the minimum wage even though the WA and National economy have been severely impacted.
17. It is therefore clear that UnionsWA recognises that the COVID-19 pandemic is having a significant impact on the WA economy.
18. UnionsWA's primary argument is that a significant increase to the minimum wage will address the economic downturn arising from the impact of the COVID-19 pandemic.
19. We believe that such an argument is fundamentally flawed and misguided.
20. To support its argument, UnionsWA relies upon a 2013 short opinion piece written by Tim Harcourt. In that article Mr Harcourt expresses a view that the measures taken to tackle the challenges posed by the Great Depression resulted in a longer and deeper slump than would otherwise had occurred when compared to the approach taken by the respective Governments during the Global Financial Crisis **(GFC)**.
21. In response to this we note that:
  - 21.1. The article relied upon by UnionsWA is an opinion piece that does not identify the basis by which the author has arrived at the views expressed in the article. Consequently, it is not possible to examine the validity of this claim;
  - 21.2. UnionsWA contends that an attempt in 1931 to cut the minimum wage by 10 per cent was a key factor in the development of Mr Harcourt's opinion. We note that the Commission is not being asked to decrease the SMW and as such the concern is not relevant for the purpose of these proceedings;
  - 21.3. Mr Harcourt expresses the view that during the GFC the respective governments introduced a stimulus package that minimised the adverse economic impact on Australia.
22. With respect to the last point, we note that in response to COVID-19 the:
  - 22.1. Federal Government has introduced a \$259 billion package<sup>3</sup>; and
  - 22.2. WA Government has provided a \$1.7 billion package<sup>4</sup>;to assist households and businesses during this period and to provide the foundation for economic recovery. A stimulus package of this magnitude cannot be described as an austerity measure.

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<sup>3</sup> Treasury (2020) *Economic Response to the Coronavirus* (as at 3 June 2020)

<sup>4</sup> WA Government (2020) *Economic Response to Coronavirus* (as at 25 May 2020)



23. However, it is important to appreciate that the role of stimulus packages is to help promote economic recovery, not to replace the revenue that has been lost by businesses. Consequently, wage policy has an important role to play in ensuring that additional stress is not being placed on struggling businesses who are seeking to maintain the employment of their staff.
24. This was recognised by the then Australian Fair Pay Commission in its 2009 national wage setting decision which decided not to increase minimum wages as a result of the GFC, finding that:
- Since the 2008 Decision, the economic outlook has changed markedly. Employment growth is slowing, average working hours are falling, and the unemployment rate is expected to rise to 8.5 per cent. As in previous downturns, the impact of these changes in the labour market will be felt most acutely by low-paid, low-skilled workers.*
- These are challenging times for the Australian labour market, and caution is warranted in the setting of minimum wages. In the current environment, the ability of employers to offer sufficient work has been curtailed and there is a heightened risk that an increase in regulated minimum wages would reduce employment and working hours. One consequence of increased job losses and fewer hours of work would be significantly lower living standards for many Australians.<sup>5</sup>*
25. The impact of the COVID-19 pandemic on the WA and national economies will be greater than the effect of the GFC. The Governor of the Reserve Bank has identified that, *“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”*.<sup>6</sup>
26. This has also been reinforced by the Minister who states that since *“March 2020, businesses across the State have faced extraordinary pressures brought about by the COVID-19 pandemic and measures to contain it, with employers and employees seeking to maintain jobs and incomes in the face of a global economic emergency not seen since at least the Great Depression”*.<sup>7</sup>
27. It is clear that the role of the stimulus packages is not to provide employers with the opportunity to increase the wages of employees, it is about seeking to stem the level of unemployment that would have occurred had no measures been taken.
28. UnionsWA also contends that in order to mitigate the potential adverse impact of lower international trade there is a need to lift domestic consumption which it anticipates will occur through increased consumer spending arising from an increase to minimum wages.<sup>8</sup>

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<sup>5</sup> Australian Fair Pay Commission (July 2009) *Wage-Setting Decision and Reasons for Decision*, p8

<sup>6</sup> Reserve Bank of Australia (21 April 2020) *An Economic and Financial Update -Speech by Philip Lowe* .

<sup>7</sup> Paragraph 111

<sup>8</sup> Paragraph 3.7

29. We note the response from Mr Christmas (on behalf of the WA Department of Treasury) in relation to UnionsWA's question about the impact of scheduled wage increases on consumer demand:

*There are many factors that impact [on] consumer confidence and spending. Income is just one of those. Confidence and spending in Western Australia are more likely to be influenced by trends in employment and hours worked, and overall economic conditions, than by scheduled wage increases in the short to medium term.<sup>9</sup>*

30. The Minister's submission also identifies that "households tend to spend less and save more in an environment of elevated uncertainty (particularly surrounding job and income security)",<sup>10</sup> consequently increased wages won't necessarily generate increased spending in the current environment.

31. Mr Christmas also identified in relation to UnionsWA's question about the impact of no real wage growth on consumer confidence and discretionary spending, that:

*Any impact of flat real wages in the March quarter on consumer confidence and discretionary spending will have been overwhelmed by the impact of the announcements of restrictions on certain activities and consequent reductions in employment and hours worked in the State.<sup>11</sup>*

32. These comments support CCIWA's view that an arbitrary increase to wages is not going to stimulate the WA economy, rather it will make the employment of award reliant employees more precarious.

33. In making its claim that a significant increase to the minimum wage will "lift the economy out of the COVID-19 crisis"<sup>12</sup>, UnionsWA has failed to identify the basis by which they believe this will occur. However, there are several fundamental flaws with this proposition, the most obvious of which are:

33.1. The current restrictions arising out of the management of COVID-19 have restricted the opportunity for consumers to spend;

33.2. The capacity for employees to spend has been adversely impacted by a decline in employment levels and total working hours;

33.3. Given the increased uncertainty over employment security, employees are likely to use increased income to pay down debt or increase savings;

33.4. The SWC decision is estimated to directly affect only 2.2 per cent of the WA workforce<sup>13</sup> which is insufficient to have a meaningful impact on the overall level of consumer spending;

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<sup>9</sup> Response of Mr Christmas to questions from UnionsWA.

<sup>10</sup> Appendix A, page 5.

<sup>11</sup> Ibid

<sup>12</sup> Paragraph 3.7

<sup>13</sup> 2016 State Wage Case [2016 WAIRC 00358] at 138

- 33.5. The cost to employers of increased wages is greater than the additional spending it hopes to generate. For example, a \$29.88 per week increase to the SMW would increase a full time employee's take home pay by just \$19.57 per week (taking into account income tax and the Medicare levy). However, it would cost the employer \$33.21 per week when considering additional costs associated with superannuation and workers' compensation premiums.<sup>14</sup>
34. In this regard we also note the comment made by Mr Christmas in response to UnionsWA's question about the contribution of low wage growth to the economy's downside risk, in which he states:
- In these circumstances, changes in wages will have a greater influence on business viability (and therefore to overall employment levels and consequently household spending) than in more 'normal' circumstances.*
35. UnionsWA also relies on a claim made by the ACTU as part of its submission to the national 2019-20 Annual Wage Review that:
- The forms of assistance provided to business assume continued business trading and profitability, rather than a cessation of trading or total loss of profitability. The instant asset write off and accelerated depreciation announcements operate as deductions on taxes which are only paid on profits. The PAYG withholding rebate and the apprentices wage subsidy assumes business will continue to employ. These are not measures that might be expected if the Government were convinced that businesses were, or were likely to be, at the brink of collapse.<sup>15</sup>*
36. The ACTU's claims relate to a very limited aspect of the Government's stimulus package, rather than taking a comprehensive view of the range of measures that the State and Federal Governments have introduced. The majority of measures are premised on the appreciation that businesses are struggling to continue trading and maintain jobs.

### **Needs of the low paid**

37. UnionsWA asserts that a decline in total wages paid to all employees is having a negative impact on the financial security of employees.
38. We submit that financial insecurity is arising out of the loss of jobs and working hours as a result of the COVID-19 pandemic and government restrictions aimed at minimising its spread. It is not a reflection on the adequacy of the minimum wage.

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<sup>14</sup> The above calculations assume that if UnionsWA increase were applied in full that a full time employees income tax and Medicare levy would respectively be \$4,674.58 and \$807.85 per annum. Workers compensation premium is calculated based on WorkCover WA 2020/21 average recommended premium rate of 1.638 per cent, which equates to \$661.63 per annum. Superannuation would be \$3837.29 per annum.

<sup>15</sup> ACTU (March 2020) [Submission to the Annual Wage Review 2019-20](#) (20 March 2020) p64.

39. The cause of this uncertainty can be seen in the unprecedented decline in the number of jobs and working hours in the one month period between March and April 2020.
40. Both CCIWA and the Department of Treasury have expressed concerns that an increase to minimum wages would have an adverse impact on both employment and working hours, which would create higher levels of household stress.
41. This is particularly relevant given that the SWC is assumed to have a greater impact on the hospitality, retail, construction and hairdressing sectors. As identified at Table 5 of CCIWA's initial submission, the impact of reduced spending arising from COVID-19 has resulted in 92 per cent of accommodation and food services businesses, 72 per cent of retailers and 48 per cent of businesses in the construction sector reporting falls in consumer spending of 30 per cent or more.
42. For employers facing such a significant reduction in revenue, increases to the minimum wage will force them to reduce the number of working hours, either by decreasing the number of staff or providing fewer hours of work.
43. UnionsWA also notes that the March 2020 Consumer Price Index (**CPI**) for Perth showed an annual increase of 2.1 per cent, being the first increase above 2 per cent since 2018. However, its submission does not take into consideration the RBA's view that inflation is expected to turn negative in the June quarter 2020 and that further out it expects inflation to be at 1 to 1.5 per cent in 2021.<sup>16</sup> This reinforces that inflationary pressure is likely to be low.
44. UnionsWA also contends that the ABS *Household Impacts of COVID-19 Survey* provides an alternative measure of cost of living changes. CCIWA does not agree with this view as the purpose of the publication is "to provide a quick snapshot about how people in Australian households are faring in response to the changing social and economic environment caused by the COVID-19 pandemic."<sup>17</sup> UnionsWA has not identified how this publication acts as a cost of living measure, nor is it obvious as to how it can be perceived to do so.
45. UnionsWA also refers to a comment made in the WACOSS *2019 Cost of Living Report* that the income of wages households was quickly spent on covering their living costs.<sup>18</sup>

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<sup>16</sup> RBA (May 2020) [Statement - Monetary Policy Decision](#).

<sup>17</sup> ABS (May 2020) [Household Impacts of COVID-19 Survey – Explanatory Notes](#).

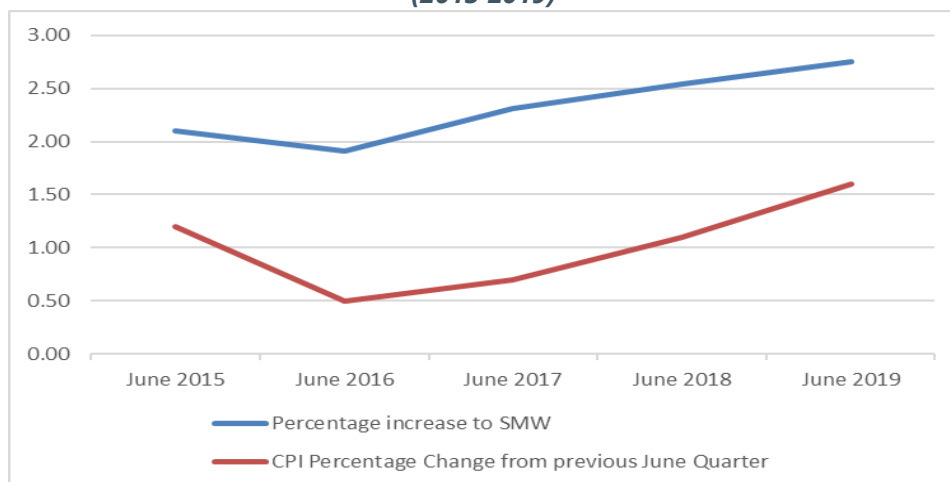
<sup>18</sup> WACOS (2019) *Cost of Living 2019*, p3

46. This statement is not supported in the hypothetical working family example provided in the report, which shows their income increased by a greater amount than their expenditure, resulting in the difference between their income and expenditure being +\$210.66 per week (as shown below).<sup>19</sup>

Working family - WEEKLY DIFFERENCE			
	2016/17	2017/18	2018/19
Total weekly income	\$1,433.03	\$1,436.94	\$1,461.00
Total expenditure	\$1,238.55	\$1,226.71	\$1,260.34
<b>Difference</b>	<b>\$194.48</b>	<b>\$210.24</b>	<b>\$210.66</b>

47. It is also not borne out through the graph below which (as identified in paragraph 82 of CCIWA's submission) shows that there has been sustained real growth in the SMW as a result of increases being substantially in excess of inflation.

**Graph Five - Growth in State Minimum Wage<sup>30</sup>**  
(2015-2019)



48. UnionsWA also reinforces its concerns about the gap between the SMW and average weekly ordinary time earnings (**AWOTE**). Notwithstanding CCIWA's previously held concerns regarding this comparison, the graph provided at paragraph 4.6 of its submission shows an almost \$450 per week difference between the SMW and the JobSeeker Allowance. This reinforces that unemployed workers are significantly disadvantaged when compared to employees who are paid the SMW.
49. In the current environment there is a significant risk of existing employees moving into unemployment, as demonstrated through the loss of approximately 70,000 jobs during March and April 2020.

<sup>19</sup> Ibid, p12

50. We therefore submit that in the current environment greater consideration must be given to the impact of a minimum wage increase on the employment prospects of WA workers.

***Providing equal remuneration***

51. UnionsWA contests that a 4 per cent increase to the SMW and relevant award rates of pay is necessary to reduce the gender pay gap in WA.
52. CCIWA recognises that WA continues to have a significant gender wage gap and is actively involved in developing strategies to help address this imbalance. However, we are of the view that increasing the minimum wage has no substantive positive impact on gender equity, the gender pay gap, or equal remuneration. This point is also conceded by UnionsWA which cites at paragraph 5.1 of its submission that whilst the gender pay gap has improved nationally there has been no similar improvement in WA.
53. However, it is relevant to consider the differing impact of COVID-19 on male and female employment in WA as well as total wages.
54. As identified in paragraphs 5 to 10, whilst COVID-19 is having a significant impact on all employment, the impact on the employment prospects for female employees appears to be greater than male employees. This is evident in:
  - 54.1. The higher unemployment rate, of 6.2 per cent for women compared to 5.4 per cent for men;
  - 54.2. Female employees representing more than half (53.6 per cent) of the 62,300 WA jobs lost in the month to April 2020;
  - 54.3. A 3 percentage point decline in female participation rates from 62.1 per cent in March 2020 to 59.1 per cent in April 2020. Male participation rates fell by 2.5 percentage points to 71.4 per cent over the same period;
  - 54.4. An increase in the underemployment rate by 3.5 percentage points in the month from March to April 2020 to 15.1 per cent. This remains higher than the male underemployment rate of 14.1 per cent, noting that males recorded a higher monthly increase of 6.0 percentage points.
55. The above indicates that the COVID-19 pandemic has resulted in a disproportionately greater impact on the employment prospects of female employees.
56. This would appear to correlate with a greater proportion of female employment in service based sectors, such as the hospitality and retail industries, which have been severely impacted by the restrictions arising from the COVID-19 pandemic.

57. CCIWA is concerned that an increase in minimum wages would put greater pressure on these jobs, resulting in greater earning inequity.

### **Capacity of employers to bear increased costs**

58. UnionsWA claims that government initiatives aimed at enabling businesses to return to a normal situation include the capacity to afford an expected annual minimum wage increase.
59. We disagree with this statement. The underlying purpose of the government initiatives is to help support businesses and individuals who have been adversely impacted by the community restrictions aimed at preventing the spread of COVID-19. These initiatives are focused on helping businesses survive during this period and maintain the employment of their employees.
60. This was made clear in a statement by the Prime Minister on the Government's approach to dealing with the COVID-19 pandemic in which he stated:

*"Part of that plan that we will be announcing will be to seek to hibernate Australian businesses. This will be a very innovative approach in the circumstances we find ourselves in. We will have more to say about this, but I discussed it with the Premiers and Chief Ministers today. The idea is pretty simple, there are businesses which will have to close their doors. They will have to keep them closed either because we have made it necessary for them to do so, or simply there is just not the business to keep their doors open. We want those businesses to start again. And we do not want over the course of the next six months or as long as it takes, for those businesses to be so saddled by debt, so saddled by rental payments, so saddled by other liabilities that they will not be able to start again on the other side. We want these businesses to effectively go into a hibernation, which means on the other side, the employees come back, the opportunities come back, the economy comes back. This will underpin our strategy as we go to the third tranche of our economic plan, and that will include support by states and territories of managing the very difficult issue of commercial tenancies and also dealing ultimately with residential tenancies as well".<sup>20</sup>*

61. Since then there has been significant reference to the introduction of assistance to help affected businesses hibernate in order to weather the economic storm created by COVID-19. This does not correlate with the view expressed by UnionsWA.

### **Encouraging ongoing skill development**

62. UnionsWA contends that a high increase in the minimum wage is currently required in order to attract people into apprenticeships and that the Federal Government assistance to support employers retain their apprentices provides them with the capacity to provide a significant pay increase.
63. Once again, there is a mistaken belief on the part of UnionsWA regarding the purpose of this subsidy.

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<sup>20</sup> Scott Morrison, Prime Minister of Australia (27 March 2020). [Transcript of Press Conference – Australia Parliament House](#).

64. The 50 per cent wage subsidy for small businesses was initiated by the Federal Government “to keep apprentices and trainees employed through a new Supporting Apprentices and Trainees wage subsidy”.<sup>21</sup>
65. It has been the experience of CCIWA that both this subsidy and the JobKeeper payments have been a critical part of employers’ decisions to retain their apprentices.
66. The WA Department of Training and Workforce Development has recognised the increased risk to apprentice and trainee employment, in establishing an “Out of Contract Register” for apprentices and trainees who have been displaced by the economic impact of COVID-19 to assist them in finding a new employer.
67. The list currently contains the details of 196 displaced apprentices and trainees.<sup>22</sup> CCIWA submits that were it not for the government support provided to protect the employment of this group, the number of employees on this list would be much higher.
68. Consequently, there is no basis to support the notion that employers are in a position to increase the pay of apprentices and trainees.
69. It is the unfortunate reality that without the government assistance that has been provided the number of unemployed people would be significantly greater than the already high levels being experienced.

## **WACOSS submission**

70. As in previous years, WACOSS’s claim of a 4 per cent increase in the SMW and award rates of pay reflects the quantum sought by UnionsWA.
71. In their respective submissions, neither UnionsWA nor WACOSS establish the basis for how they have arrived at their proposed increase of 4 per cent which can at best be categorised as an ambit claim.
72. The ambit nature of the claim is highlighted in WACOSS’s view that a 4 per cent increase to the minimum wage constitutes a conservative increase to the SMW, despite recognising that there is uncertainty about the likely effect of COVID-19 on employment and the broader economy.<sup>23</sup> Even prior to the COVID-19 pandemic, a 4 per cent increase to the SMW could not be considered conservative taking into account wage growth of 1.6 per cent as measured by the wage price index in the

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<sup>21</sup> Department of Education, Skills and Employment. [Supporting Apprentices and Trainees](#) (accessed 26 May 2020).

<sup>22</sup> WA Department of Training and Workforce Development. [Register of Out of Contract Apprentice and Trainees](#). As at 26 May 2020. It should be noted that an apprentice or trainee may choose not to be included in the register and as such may not be a true reflection of the number of displaced employees.

<sup>23</sup> Paragraph 4, page 4.



year to December 2019 and inflation also sitting at 1.6 per cent over the same period.<sup>24</sup>

73. WACOSS also states that it is currently *“too early to have certainty about the likely level of unemployment and the comparative strength of our economy”* but that it *“expect[s] that by next year’s State Wage Case, a much stronger picture of economic and employment outcomes will have emerged”*.<sup>25</sup> WACOSS has offered no evidence to support its claim that the economy will be in a stronger position, and based on the current information regarding the impact of the COVID-19 pandemic, this optimism is unfounded.
74. Furthermore, to the extent that the economy is in a significantly stronger position come the next State Wage Case, then it would be appropriate for the Commission to take that into consideration at that time.
75. In advocating its position, WACOSS has adopted the argument propagated by UnionsWA that a significant increase to the minimum wage will promote increased consumer spending that will in turn drive economic recovery. For the reasons specified in paragraph 25 to 34 we believe that this view is flawed.

### ***Measuring cost of living***

76. WACOSS advocates that consideration be given to the adoption of a “budget standards” approach in determining the needs of the low paid as an alternative means to measuring the cost of living.
77. In making this argument, they refer to a 2017 study conducted by the University of New South Wales (**UNSW**).<sup>26</sup> The study considered what would constitute an appropriate standard of living for particular family types, which were determined taking into account the views of a small focus group of Sydney residents.
78. However, WACOSS has not identified in its submission:
  - 78.1. how a budget standards approach would apply in the context of determining the adequacy of the SMW;
  - 78.2. to what extent such an approach is consistent with the requirements of s50A of the IR Act;
  - 78.3. the manner in which a budget standards approach would be conducted within a WA context;
  - 78.4. who would be responsible for undertaking such a review.

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<sup>24</sup> CCIWA Submission, at paragraph 24.

<sup>25</sup> Paragraph 4 & 5, page 4

<sup>26</sup> UNSW (2017) [\*New minimum income standards for healthy living budget standards for low paid and unemployed Australians.\*](#)

79. In particular, we note that WACOSS suggests that the Commission should adopt the approach adopted in the 1907 Harvester Decision<sup>27</sup> by considering the minimum wage against one or more designated household types. This is contrary to the requirement of the Commission to take into consideration the adequacy of the minimum wage based on an individual employee.
80. A key consideration of the UNSW study was to consider the adequacy of the social security system. The study concluded that the adequacy of the minimum wage exceeds that of the JobSeeker Allowance.<sup>28</sup> This is a relevant consideration given the projected increase in the level of unemployment as a result of COVID-19.

### **Cost of living in WA**

81. WACOSS refers to its 2019 Cost of Living Report to consider the capacity of five hypothetical households to provide a basic standard of living.
82. In particular WACOSS is critical of the impact of “low wage growth”<sup>29</sup> on the capacity for its single parent household and working family to meet their projected cost of living.
83. The Cost of Living report also takes into consideration the level of Government assistance received by the respective hypothetical households. The report identifies that income earned through wages grew by a significantly greater amount than that received through government payments, as shown below:

#### **Single Parent Family<sup>30</sup>**

Single parent family (Parenting Payment Single) - WEEKLY INCOME					
	2016/17	2017/18	2018/19	% increase 2017/18 to 2018/19	\$ increase 2017/18 to 2018/19
Wage (gross)	\$410.25	\$419.81	\$430.31	2.5%	\$10.50
Parenting payment	\$247.57	\$250.92	\$253.57	1.05%	\$2.65
Other regular Government Benefits	\$319.27	\$320.81	\$317.71	-0.96%	-\$3.10
Government supplements (one off payments, converted to weekly amount)	\$46.00	\$38.24	\$38.94	1.8%	\$0.70
Tax paid	\$50.13	\$52.58	\$50.19	-4.5%	-\$2.39
<b>Total household income/week</b>	<b>\$978.96</b>	<b>\$983.20</b>	<b>\$996.34</b>	<b>1.3%</b>	<b>\$13.14</b>

<sup>27</sup> (1907) 2 CAR 1

<sup>28</sup> UNSW (2017) *New minimum income standards for healthy living budget standards for low paid and unemployed Australians*, p109.

<sup>29</sup> Page 7, paragraph 6.

<sup>30</sup> WACOSS (2019) *Cost of Living 2019*, pp 9-10

Single parent family - WEEKLY EXPENDITURE					
	2016/17	2017/18	2018/19	% increase 2017/18 to 2018/19	\$ increase 2017/18 to 2018/19
Rent	\$289	\$274.83	\$279.13	1.93%	\$5.31
Food and beverage	\$204.52	\$203.82	\$208.69	2.4%	\$4.86
Utilities	\$34.58	\$36.53	\$39.27	7.5%	\$2.74
Transport	\$108.10	\$102.73	\$107.24	4.4%	\$4.51
Other - household and living costs	\$256.50	\$258.09	\$259.23	0.4%	\$1.13
<b>Total household expenditure/week</b>	<b>\$892.70</b>	<b>\$876.01</b>	<b>\$893.86</b>	<b>2.12%</b>	<b>\$18.56</b>

### Working Family<sup>31</sup>

Working family - WEEKLY INCOME					
	2016/17	2017/18	2018/19	% increase 2017/18 to 2018/19	\$ increase 2017/18 to 2018/19
Combined wages (gross)	\$1,271.42	\$1,301.32	\$1,334.03	2.5%	\$32.71
Regular government benefits	\$262.99	\$259.40	\$237.16	-1.11%	-\$2.66
Government supplements (one off payments, converted to weekly figures)	\$47.02	\$35.15	\$35.85	1.19%	\$0.70
Tax paid	\$131.40	\$139.35	\$146.04	4.8%	\$6.70
<b>Total household income/week</b>	<b>\$1,433.03</b>	<b>\$1,436.04</b>	<b>\$1,461.00</b>	<b>1.67%</b>	<b>\$24.06</b>

Working family - WEEKLY EXPENDITURE					
	2016/17	2017/18	2018/19	% increase 2017/18 to 2018/19	\$ increase 2017/18 to 2018/19
Rent	\$316.63	\$300.69	\$306.00	1.77%	\$5.31
Food and beverage	\$295.07	\$294.34	\$301.19	2.34%	\$6.85
Utilities	\$53.30	\$57.37	\$60.52	5.5%	\$3.15
Transport	\$141.76	\$139.27	\$144.32	3.6%	\$5.05
Other - household and living costs	\$431.80	\$435.03	\$438.31	0.75%	\$3.28
<b>Total household expenditure/week</b>	<b>\$1,238.55</b>	<b>\$1,226.71</b>	<b>\$1,250.34</b>	<b>1.93%</b>	<b>\$23.64</b>

<sup>31</sup> Ibid, p11.

84. The above tables show that the wage increase for the hypothetical families of 2.5 per cent for the 2018/19 financial year was in excess of the growth in their total expenditure per week of 2.12 per cent and 1.93 per cent respectively.
85. Consequently, WACOSS's concern that these families have not seen an improvement in their standard of living should be directed towards the changes in the level of Government assistance they receive and not the adequacy of minimum wage increases.
86. The Cost of Living Report also demonstrates the stark difference in the standard of living between those who are employed and the unemployed. Whilst the income of both the single parent and working family households exceeded their expenditure, this was not the case for the hypothetical unemployed person.
87. WACOSS also provides analysis of costs associated with housing, food, and utilities and household fees and seeks that these be given greater consideration beyond other cost of living components.
88. In last year's proceedings the Commission reinforced its long-held view that:  
*We do not see it as desirable to consider each year the relative impact of components of the CPI unless there are exceptional circumstances. To do so would provide instability and fuel regular arguments about the virtues of and trends in each component. What is helpful is that there is a measure which is known and relatively stable.*<sup>32</sup>
89. We do not believe that the information provided by WACOSS in respect to these matters constitutes an exceptional circumstance. In particular we note that the data relied upon by WACOSS largely predates the COVID-19 pandemic.
90. Importantly, the submission made with respect to food, and utility and household costs, is focused on low income households, and does not specifically consider how these observations apply to employees on the minimum wage.
91. With respect to regional cost of living, we make the same observation, that WACOSS is seeking to unpack specific cost of living measures. It also ignores the role of the Location Allowance General Order which is designed to compensate for the higher cost of living that may be associated with specific regional areas.

### **Financial stress**

92. WACOSS refers to the statistical report for the national 2019/20 Annual Wage Review, which includes data from the *Household, Income and Labour Dynamics in Australia Survey* on the level of household stress experienced by all employee households compared to low-paid employee households.

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<sup>32</sup> 2019 WAIRC 00290 at 237

93. The report includes the following tables<sup>33</sup>:

**Table 12.1: Financial stress experienced by all employee households**

<b>Financial stress indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Unable to raise \$3000 in a week for something important	5.1	5.0	4.7	4.5	5.0
Could not pay electricity, gas or telephone bills on time	8.1	8.0	7.3	7.3	7.3
Could not pay the mortgage or rent on time	3.5	3.4	3.4	2.9	3.9
Pawned or sold something	1.9	2.3	2.3	2.1	2.5
Went without meals	1.7	1.7	1.5	1.7	2.0
Could not afford to heat home	1.3	1.6	1.2	1.6	1.6
Sought assistance from welfare/community organisation	1.1	1.0	0.9	1.1	1.1
Sought financial help from friends or family	8.0	7.3	6.7	6.1	7.2
<b>Any stress</b>	<b>15.8</b>	<b>15.8</b>	<b>14.5</b>	<b>13.4</b>	<b>14.7</b>
Low stress (1–2)	12.0	12.4	11.0	9.9	10.6
Moderate stress (3–4)	3.1	2.4	2.8	2.6	3.0
High stress (5 or more incidences of financial stress)	0.8	1.0	0.8	0.9	1.0
Observations	4794	4765	4993	5014	4996

Note: Employee households are those households whose main source of income is from wages or salary. Both partners in a couple family household, the lone parent in a lone parent household and the lone person of a lone person household must report financial stress for that particular household to be considered as such. Observations from multi-family households, other related family households and group households are excluded.

Source: *Household, Income and Labour Dynamics in Australia Survey, Waves 14–18.*

**Table 12.2: Financial stress experienced by low-paid employee households**

<b>Financial stress indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Unable to raise \$3000 in a week for something important	13.7	11.9	11.3	12.3	12.6
Could not pay electricity, gas or telephone bills on time	13.9	14.4	13.6	14.2	15.0
Could not pay the mortgage or rent on time	8.3	8.0	6.5	5.5	7.5
Pawned or sold something	4.3	4.4	5.2	4.3	4.9
Went without meals	5.1	4.2	3.1	2.7	3.8
Could not afford to heat home	2.6	4.2	2.9	3.3	3.6
Sought assistance from welfare/community organisation	3.4	2.8	2.3	2.8	3.6
Sought financial help from friends or family	16.7	15.8	13.5	11.2	13.4
<b>Any stress</b>	<b>31.3</b>	<b>30.9</b>	<b>28.4</b>	<b>27.0</b>	<b>28.2</b>
Low stress (1–2)	21.3	22.4	19.5	19.1	17.7
Moderate stress (3–4)	7.9	5.8	6.8	6.1	7.9
High stress (5 or more incidences of financial stress)	2.0	2.8	2.0	1.8	2.6
Observations	913	896	963	1014	1000

Note: Employee households are those households whose main source of income is from wages or salary. Both partners in a couple family household, the lone parent in a lone parent household and the lone person of a lone person household must report financial stress for that particular household to be considered as such. Observations from multi-family households, other related family households and group households are excluded. Low-paid employee households are defined as those households in the bottom quintile of equivalised disposable household income for employee households. Disposable household income is equivalised using the 'modified OECD' method where each person in the household is given a score (1 for the first adult, 0.5 for subsequent adults and 0.3 for each child under the age of 15) and the income is divided by the sum of these scores.

Source: *Household, Income and Labour Dynamics in Australia Survey, Waves 14–18.*

<sup>33</sup> Fair Work Commission (2020) *Statistical report—Annual Wage Review 2019–20* pp71-72

94. The data shows that in 2018, 28.2 per cent of low paid employee households experienced some form of financial stress based on the indices listed in the tables, compared to 14.7 per cent of all employees. Notably the proportion of employees experiencing:
- 94.1. moderate stress was 7.9 per cent of low paid employee households compared to 3.0 per cent off all employee households;
  - 94.2. high stress was 2.6 per cent of low paid employee households compared to 1.0 per cent of all households.
95. The overwhelming majority of low paid employee households (71.8 per cent) did not report incidents of financial stress. This suggests that, for most award reliant employees, the minimum wage is adequately performing its intended function.
96. The above statistics also indicate that all household types have the potential to be subject to some level of financial stress. The cause of financial stress can arise from a range of factors which may not be directly relevant to the adequacy of rates of pay. Increases to the minimum wage will therefore not eliminate financial stress and other targeted measures, such as access to low interest loans or deferral of debt, may have a more significant role to play in helping employees address these issues.

### ***Wage inequality***

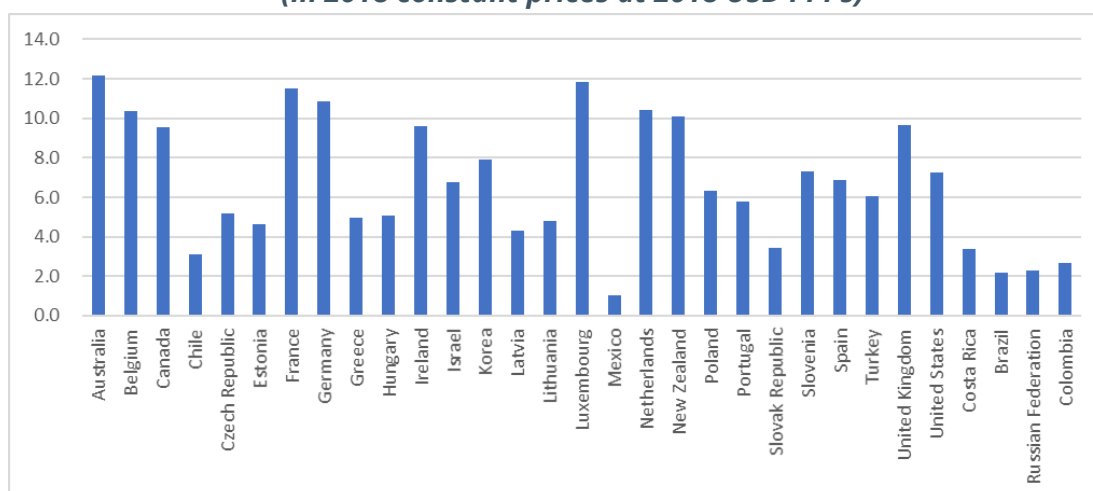
97. WACOSS submits that increases to the minimum wage can be an effective mechanism to address wage inequality.<sup>34</sup>
98. To support its argument for a significant increase to the minimum wage, WACOSS refers to the difference between the SMW and Average Weekly Ordinary Time Earnings (**AWOTE**).
99. The graph referred to in page 32 of their submissions shows the growth in AWOTE and the SMW between 2005 and 2019. Most noticeably it shows that there has been a steady growth in the SMW, whilst AWOTE increased at a significantly higher rate during WA's construction led mining boom. Since 2015 AWOTE has grown at a more subdued rate, that is in line with growth in the minimum wage.
100. The Graph also shows that in 2019, AWOTE in WA fell marginally from \$1780.80 in May 2019 to \$1,777.80 in November 2019, whilst there was uplift in the minimum wage.
101. The significant decline in employment and working hours is likely to further reduce this gap, as an increased proportion of fulltime employees transition to part time hours and employment levels fall.

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<sup>34</sup> Page 34, paragraph 1

102. From an international perspective, employees in Australia continue to enjoy the highest real minimum wage of any other country, as shown in the graph below.<sup>35</sup>

**Graph Six – Real Hourly Minimum Wages  
(in 2018 constant prices at 2018 USD PPPs)**



103. Consequently, the gap between the minimum wage and average earning is not a poor reflection on the adequacy of the SMW, but identifies the strong earning potential of WA employees.

104. This is also reflected in the fact that the award rates of pay, that are also adjusted as a result of the SWC decision, provide for minimum rates significantly above the SMW.

105. For example, the base rate of pay for a shop assistant under the *Shop and Warehouse (Wholesale and Retail Establishment) Award* is currently \$811.60 per week, being \$64.70 per week above the SMW.

106. The higher minimum wages provided through awards therefore limit the effectiveness of comparing the minimum wage against AWOTE, given that the operation of the award system means that very few employees are paid at the SMW.

### **Impact of COVID-19**

107. In considering the impact of COVID-19, WACOSS submits that:

107.1. An increase in the minimum wage will enable increased consumer spending to generate the economic activity needed for businesses to continue to prosper; and

107.2. As a result of government assistance the viability of employers has been maintained.

<sup>35</sup> OECD (2020) Real Minimum Wages

108. CCIWA believes that these views are ill founded and we rely on the comments made in this document in response to the submission made by UnionsWA.

## **Professor Preston**

109. Professor Preston’s submission seeks to provide information in relation to the WA labour market, with a view to identifying those groups which are most vulnerable.

110. Whilst Professor Preston identifies that the data contained in the report provides limited consideration of the impact of the COVID-19 pandemic on employment, she notes that it is *“expected to drive a significant increase in unemployment and underemployment rates and put downward pressure on wages”*.<sup>36</sup>

111. The submission identifies that based on the ABS *Weekly Payroll Jobs and Wages in Australia* report, between 14 March and 18 April 2020 the two groups most affected by the impact of COVID-19 are young workers under the age of 20 years and older workers over the age of 70 years.

112. This concern is reflected in the current edition of this report which shows that in WA there has been a 14.5 per cent reduction in the number of jobs for employees under the age of 20 years and 9.7 per cent reduction for those over the age of 70 between 14 March and 2 May 2020.<sup>37</sup>

113. CCIWA is concerned that:

113.1. Younger workers have a higher risk of becoming long term unemployed given their lack of skills and experience in a labour market where there is a surplus of more qualified workers;

113.2. Older workers who are displaced are more likely to leave the workforce rather than seek new employment.

114. Our concern regarding younger workers is shared by Professor Preston who has identified that *“the risk is that, in the recovery phase, young people become locked into unemployment and are unable to get a foot in the labour market”*.<sup>38</sup> However, we do not share Professor Preston’s views that the retainment of older workers acts as a barrier to youth employment. Instead, the focus should be on creating the right environment to promote job creation.

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<sup>36</sup> Page 2, paragraph 1

<sup>37</sup> ABS (May 2020) [Weekly Payroll Jobs and Wages in Australia, Week ending 2 May 2020](#)

<sup>38</sup> Paragraph 2, page 14.



115. We also note Professor Preston's concerns that when considering the level of male and female underutilisation rates following the GFC, *"women are at particular risk during recessionary periods and that, following the last economic downturn, women in WA were particularly hard hit relative to their counterparts nationally"*.<sup>39</sup>
116. This statement reinforces our concern about the need to take necessary steps to preserve jobs and working hours. We believe that through these proceedings, this can be best achieved by maintaining the minimum wage at its current level.
117. This is particularly relevant given the median job search duration in WA of 20 weeks, extending to 112 weeks for the long term unemployed identified in Professor Preston's submission.<sup>40</sup> It is anticipated that this period will rise further given the impact of COVID-19 on the job market.

## Minister's submission

118. The Minister has not adopted a specific position in relation to the review of the SMW or award rates of pay given the rapidly evolving situation concerning the COVID-19 pandemic and the degree of uncertainty about the state of the Western Australian economy.
119. However the Minister *"recognises that business viability is an important consideration in this year's State Wage Case, which is taking place in a very different climate than normal"*. He also says that he *"supports the WAIRC taking a pragmatic approach to wage setting in the current environment..."*<sup>41</sup>.
120. CCIWA acknowledges the Minister's view that this year's SWC is occurring in a highly dynamic environment which is already having a demonstrable negative impact on employment.
121. We also agree with the Minister's view that *"many businesses are operating in uncharted waters and there is a significant degree of uncertainty as to when conditions will return to normal"*.<sup>42</sup> We further agree with the Minister's view that the COVID-19 pandemic is having a profound impact on the State's economic prospects, although whether the effect will be limited only to the short term is yet to be seen.

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<sup>39</sup> Paragraph 3, page 11.

<sup>40</sup> Page 16.

<sup>41</sup> Paragraphs 87 and 88.

<sup>42</sup> Paragraph 5

### **WA economy and labour market**

122. The Minister's submission includes an overview of the state of the economy based on the *2019-20 Government Mid-Year Financial Projections Statement (Mid-year Review)*. The Minister correctly identifies that the mid-year review data predates the COVID-19 pandemic and as such it is a reflection of the state of the WA economy prior to the current challenges.
123. The information provided in the Minister's submission points to a sluggish WA economy as we entered into the COVID-19 pandemic.
124. The *Economic Conditions and Outlook* provided by the WA Department of Treasury (**Treasury**) in Attachment A of the Minister's submission identifies several risks posed to the WA economy as a result of the COVID-19 pandemic.
125. In its overview, Treasury reinforces CCIWA's concerns about the effect of the COVID-19 pandemic on the state of the WA economy. Treasury identifies that the outbreak of the virus presents an unprecedented downside risk to the State's economic outlook, with activity in the domestic economy likely to be significant lower than projected.<sup>43</sup>
126. In particular, we note Treasury's concerns that:
- 126.1. Spending is likely to be impacted by Government restrictions, social distancing, job losses and/or a fall in earnings, and significantly lower consumer confidence;<sup>44</sup>
  - 126.2. Households are more likely to spend less and save more in an environment of elevated uncertainty;<sup>45</sup>
  - 126.3. Residential construction will remain subdued for an extended period given lower household confidence, job losses, and restriction on migration which will result in lower population growth;<sup>46</sup>
  - 126.4. Travel restrictions have created significant risks to service export sectors including the tourism and education sectors;<sup>47</sup>
  - 126.5. Business investment will decline both in terms of delayed investment in the resource sector and general industry as restrictions and lower consumer demand impact upon profitability.<sup>48</sup>
127. The expected decline in business investment is particularly concerning given that this limits the potential for future employment growth.

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<sup>43</sup> Page 1, paragraph 6 and 8.

<sup>44</sup> Page 5, paragraph 10

<sup>45</sup> Page 5, paragraph 11

<sup>46</sup> Page 6, paragraph 4

<sup>47</sup> Page 7, paragraph 3

<sup>48</sup> Page 6, paragraph 9 to 11

128. Treasury also points out that the COVID-19 pandemic has resulted in a rapid deterioration of the global economy “with many countries expecting to experience their worst economic contractions since the first half of the 20th century”. Treasury points to the International Monetary Fund’s (IMF) 6.3 per cent downgrade of its global growth forecast as an outcome far worse than the GFC and the worst since the Great Depression.<sup>49</sup>
129. Treasury also points to the IMF’s *Global Economic Forecast*<sup>50</sup>, which shows that it expects annual GDP growth for Australia to fall by 6.7 per cent in 2020, compared to an expected decline of 3.0 per cent globally and 6.1 per cent for the advanced economies generally.
130. Treasury states that WA’s iron ore sector provides some optimism for the WA economy, with ongoing demand for iron ore supplies to China. However, recent concerns regarding our trade relationship with China cast a shadow over this optimism.
131. This was recently reinforced in an article in China’s *Global Times* newspaper which warns that whilst “China is the only choice for Australia’s massive commodity exports, Australia is not necessarily the only option for China. There are also other countries like Brazil that can supply huge amounts of iron ore, coal or LNG to China”.<sup>51</sup>

### **Operating conditions for WA business**

132. The Minister correctly identifies that “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 a significant number of businesses will currently be experiencing financial stress as a result of COVID-19”.<sup>52</sup> However, we note that the available information continues to grow and is presenting a uniformly pessimistic picture.
133. In considering Gross Operating Surplus (GOS) across WA industries, the Minister identified that between June 2018 to June 2019, whilst a number of industries recorded an improvement, declines were recorded in others.
134. Table 4 of the Minister’s submission identifies that the retail trade industry had recorded 3 per cent growth in GOS. This compared to construction which recorded a 14.3 per cent fall and the accommodation and food services industry which experienced a 2.6 per cent decline. Across all WA industries there was a 3.4 per cent increase in GOS, whilst nationally this growth was 2 percentage points higher at 5.4 per cent.<sup>53</sup>

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<sup>49</sup> Page 2, paragraph 4.

<sup>50</sup> Page 2

<sup>51</sup> Global Times (12 May 2020) [Potential tariffs not punishment but wake-up call to Australia](#)

<sup>52</sup> Paragraph 45

<sup>53</sup> ABS (November 2019) [Australian National Accounts: State Accounts, 2018-19](#). Table 10

135. This information demonstrates that entering into the COVID-19 pandemic, the GOS of WA businesses was lower than the national average, and that two key industries affected by the SWC had suffered a significant decline in GOS.

136. However, these figures do not take into account an organisation's size or their potential to be impacted by the SWC.

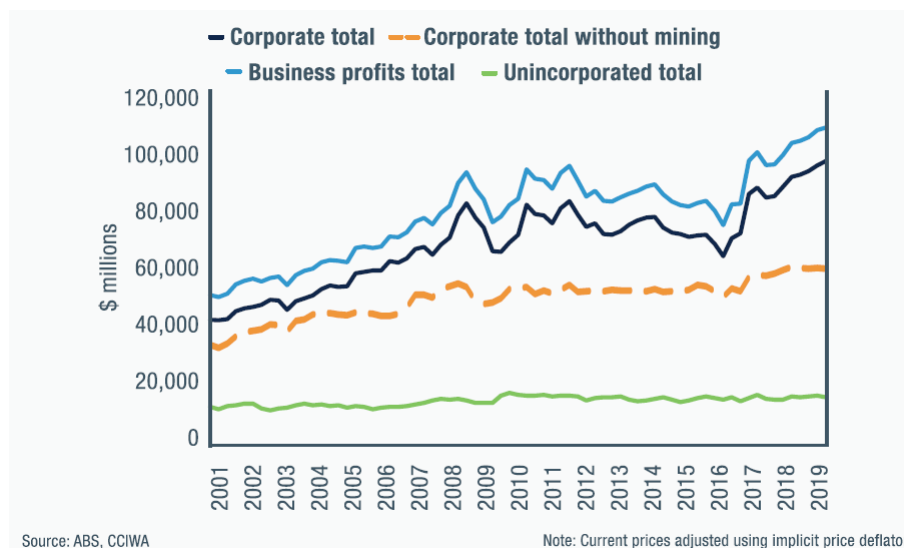
137. As shown in the graph below there has been a significant divergence between the profitability of large businesses and SMEs in Australia. Over the past five years, in real terms:

137.1. total business gross operating profits have increased by 4.1 per cent per year on average;

137.2. when the mining industry is removed, total business profits have increased at 2.8 per cent per year on average; and

137.3. total unincorporated business<sup>54</sup> gross operating profits have increased by only 1.6 per cent per year on average.

**Graph Seven - Real gross operating profit - Australia<sup>55</sup>**

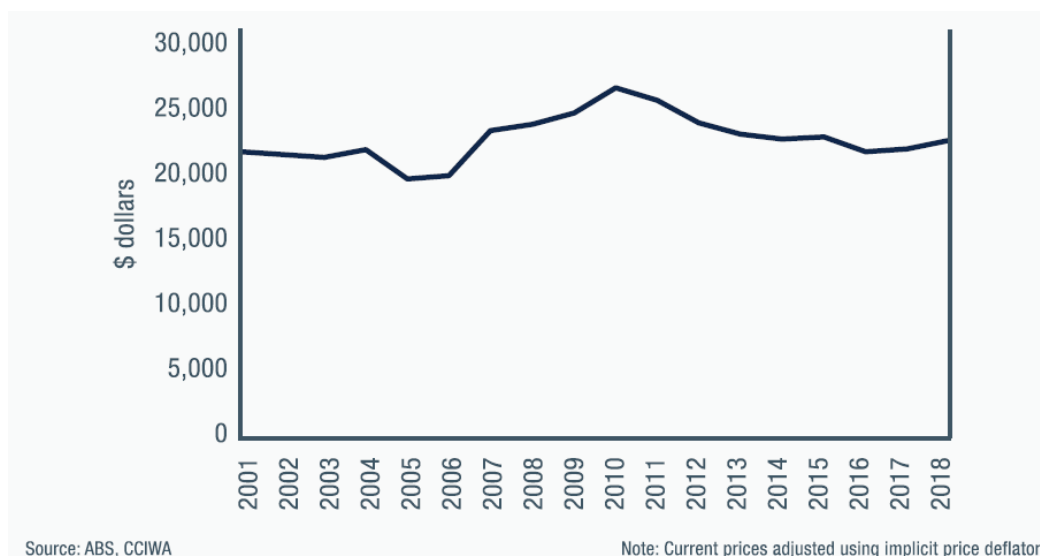


<sup>54</sup> It is assumed that unincorporated businesses are predominately small businesses.

<sup>55</sup> CCIWA (July 2019) Outlook – Invested in the WA economy, p 11

138. For small business owners this has resulted in a low or negative return on their investment. Since 2001, the profit earned by an average unincorporated business in Australia has increased at just 0.2 per cent per year on average.

**Graph Eight - Mean unincorporated business profit in Australia, Real**



139. Consequently, unincorporated businesses have entered the COVID-19 pandemic in a weaker position than their larger incorporated competitors.

### **Statement of principles**

140. The Minister proposed a number of changes to the SWC principles, of which the most significant are:
- 140.1. Remove Principle 5.1 in relation to test case standards; and
  - 140.2. Amending Principle 6 to allow for allowance to be adjusted by operation of a prescribed formula within an award.
141. CCIWA has no objection to the removal of Principle 5 and subsequent deletion of 3.1.3.
142. Whilst CCIWA has not formed a view with respect to the merit of the inclusion of formulas in state awards to automatically increase allowances, we do not object to the amendment of the Principle 6 to facilitate them.
143. The other amendments are intended not to result in changing the existing requirements on the basis that the wording changes reflect more contemporary use of language or the provisions are replicated elsewhere. In reviewing the Minister's proposed changes it is not obvious that they alter the current operation of the existing Principles. CCIWA's position is neutral on this point.

### ***Cost of living measures***

144. CCIWA notes the comments made by the Minister in relation to cost of living measures and agrees with his conclusion that the Consumer Price Index remains the key indicator.

### ***Issues concerning state awards***

145. CCIWA notes the issues raised by the Minister in relation to ten state awards that contain either adult or junior wage rates which are below the prescribed minimum rate of pay.

146. The analysis at Attachment E of the Minister's submission identifies that the issue relates to specific provisions within the individual awards. When the award rates of pay are calculated in the manner prescribed within the award, the resulting amount falls below the relevant minimum weekly rate of pay.

147. There is not a common reason across all of the awards as to why certain rates fall below the relevant minima, and as such the solution will need to be determined on an award by award basis.

148. Given that this matter has not previously been addressed by the relevant parties, we believe that it is appropriate that it is resolved through the s40B review process. Given that the Commission is currently reviewing a number of private sector awards under this provision, we submit that it would be appropriate to include the awards specified in Attachment E as part of this process for the purpose of ensuring that they do not contain wages less than the minimum award wage.

149. We believe that the review should be limited to s40B(1)(a) to allow for relatively quick resolution of this matter.

150. This would allow for parties with a specific interest in those awards to be involved in determining the most appropriate means for correcting these deficiencies.