



**GOVERNMENT OF  
WESTERN AUSTRALIA**

*Industrial Relations Act 1979*

**IN THE WESTERN AUSTRALIAN  
INDUSTRIAL RELATIONS COMMISSION  
No. 1 of 2020  
ON THE COMMISSION'S OWN MOTION**

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**CLOSING SUBMISSION OF THE MINISTER FOR  
INDUSTRIAL RELATIONS**

**Re: 2020 STATE WAGE ORDER**

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## 1. Introduction

1. In February 2020, the Western Australian Industrial Relations Commission (WAIRC) issued Application 1 of 2020 on its own motion. The application seeks to make a State Wage order pursuant to section 50A of the *Industrial Relations Act 1979* (IR Act) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* (MCE Act) and State awards.
2. On 12 May 2020, the Minister for Industrial Relations (the Minister) filed a submission on behalf of the Western Australian Government. Given the rapidly evolving situation concerning the COVID-19 pandemic and the degree of uncertainty about the state of the Western Australian economy, the Minister did not recommend a specific position for minimum and award wage adjustments at that point in time, but reserved the right to do so at a later stage of proceedings should it be deemed appropriate.
3. The Minister's submission canvassed a variety of economic and labour market data relevant to this year's proceedings, and addressed a variety of issues the WAIRC is required to consider when making a State Wage order.
4. On 5 June 2020, the Minister filed a submission in reply in response to the submissions of the other parties participating in the 2020 State Wage Case. At the WAIRC's invitation, the Minister also commented on the submission of the Centre for Future Work in this year's Annual Wage Review, including the relevance and utility of the submission in the Western Australian context.
5. Since initial submissions were due on 12 May, a significant amount of additional economic data has become available concerning the impact of the COVID-19 pandemic on the Western Australian economy and labour market. The Minister's closing submission examines this data further, and reflects on the submissions in reply of the Chamber of Commerce and Industry of WA (CCIWA) and UnionsWA.

## 2. Updated economic and labour market data

### Labour Force – April 2020

6. On 14 May 2020, the Australian Bureau of Statistics (ABS) released the results of the monthly *Labour Force* survey for April 2020. The data reveals a considerable downturn in employment occurred between March and April 2020, with almost 600,000 jobs disappearing across Australia over the month, including more than 62,000 in Western Australia.
7. Of the 594,000 jobs that disappeared in Australia between March and April 2020:
  - 374,000 were part time jobs
  - 220,000 were full time jobs
8. In Western Australia, of the 62,300 jobs lost between March and April 2020:
  - 20,800 were full time jobs
  - 41,500 were part time jobs
9. A summary of the key figures from the Labour Force Survey are outlined below:

	WA		Australia	
	March 2020	April 2020	March 2020	April 2020
<b>Employed (000s)</b>	1,365,900	1,303,600	13,013,000	12,418,700
<b>Employed males</b>	737,100	708,200	6,856,100	6,586,800
<b>Employed females</b>	628,800	595,400	6,156,900	5,831,900
<b>No. of unemployed</b>	78,200	82,800	718,800	823,300
<b>Unemployment rate</b>	5.4%	6.0%	5.2%	6.2%
<b>Labour force</b>	1,444,100	1,386,400	13,731,800	13,242,000
<b>Participation rate</b>	68.0%	65.2%	66.0%	63.5%
<b>Youth unemployment rate</b>	12.0%	12.6%	11.5%	13.8%
<b>Underemployment rate</b>	9.7%	14.6%	8.8%	13.7%
<b>Underutilisation rate</b>	15.1%	20.5%	14.1%	19.9%

10. The above figures indicate the State and national economies underwent a sharp deterioration following the community restrictions associated with the COVID-19 pandemic.
11. While the increase in the official unemployment rate may appear more modest than first expected, this belies the true state of the jobs market in April 2020, as the unemployment rate has been masked by a large reduction in the participation rate, with many workers not showing up as being in the labour market. Of particular note, the ABS made the following comments regarding this issue:

Between the March and April 2020 surveys, Australia experienced unprecedented change in the labour market from restrictions to slow the spread of COVID-19 and government support packages to mitigate its impact on individuals, households and businesses.

A growing number of people had their hours reduced or were stood down, as social distancing and other business restrictions came into effect. Social distancing rules are likely to have impacted people's job search activities, while changes to schooling arrangements may have impacted people's availability for work, or ability to look for work.

The introduction of the JobKeeper wage subsidy and changes to the JobSeeker program, including changes to the mutual obligations for payment recipients, will also contribute to changes in the labour market responses of people in Australia in April and later months.

Given these unique labour market conditions, the increase in the unemployed (of around 100,000) and increase in the unemployment rate (1.0 pts) only partially reflect the impact on employment. More significant were the large changes in hours worked (down by 9.2%), the participation rate (down 2.4 pts to 63.5%), the employment to population ratio (down 2.9 pts to 59.6%), the underemployment rate (up 4.9 pts to 13.7%) and the underutilisation rate (up 5.9 pts to 19.9%).

Had the increase in the number of people who were not in the labour force (489,900) been a further increase in unemployment (that is, if they had been actively looking for work and been available to work) then the number of unemployed people would have increased to around 1.3 million people, and an unemployment rate would have increased to around 9.6%.

Together these measures highlight a considerable impact on people working in Australia.

12. The significant increase in the underemployment rate is likely a product of many workers working less hours than normal following the COVID-19 restrictions being put in place. This has contributed to an underutilisation rate of 20.5 per cent in Western Australia, the highest rate ever recorded.
13. The Minister notes the underemployment rate, and therefore the underutilisation rate, should start to decline with the easing of restrictions related to COVID-19 in Western Australia.
14. The BankWest Curtin Economics Centre (BCEC) has also sought to deconstruct the April 2020 Labour Force figures analysing monthly labour market flows to estimate the 'real' level of unemployment in the community. The BCEC makes the following observations in this regard:

The decrease in labour force participation – people classified as working or actively seeking work - is driven primarily by a large flow of people moving from employment to 'not in the labour force'. Many of these are workers who have been laid off, but have ended up in the 'not in the labour force' pile instead of 'unemployed'. This is because a person can only be classified as unemployed if they are actively seeking employment AND are available to work in the reference week. This has two implications – it undercounts those that are unemployed and over counts those that are not in the labour force, inflating the decreases in labour market participation.

In the month to April 2020, some 878,000 people were classified as leaving the labour force, 630,000 of whom were previously registered as employed and 247,000 as unemployed in March 2020. We expect some flow of workers leaving the labour force, but the number over the month to April 2020 was exceptional – exceeding by 510,000 the number of exits at the same time last year.

## Estimating a real unemployment rate

For a more accurate view of the 'real' level of unemployment, we take the excess flows of workers (compared with the same time last year) who move from being employed or unemployed to 'not in the labour force', and reclassify them as unemployed. We then re-estimate unemployment rates using this augmented measure.

Our estimates show that the current national unemployment rate is 9.7%, rather than 6.2%. This is an increase of 4.9ppts over the month bringing the total unemployed to 1.33 million people.

The 'real' unemployment rate for WA is estimated at 9.8% in April 2020, with the female unemployment rate in WA estimated to be 11.2% (the highest in the country) and the male unemployment rate at 8.7%.

By age, the real national unemployment rate amongst young people (15-24 year olds) is estimated to be over 20% (20.6% for males and 20.4% for females). WA is now estimated to have one of the highest real youth unemployment rates in the country, at 22.5%.

The number of underemployed persons grew from 1.2 to 1.8 million people between March and April 2020, lifting the national underemployment rate from 8.8% to 13.7%.<sup>1</sup>

15. The BankWest Curtin Economics Centre notes that as social isolation measures are lifted it is expected participation will steadily increase, causing the unemployment rate to rise (assuming labour demand/employment opportunities remain weak).

## Detailed Labour Force Report

16. On 21 May 2020, the ABS released the *Labour Force, Australia, Detailed - Electronic Delivery* report for the month of April 2020. The detailed labour force report includes information not contained in the general monthly *Labour Force* survey, which is released one week earlier.
17. Not surprisingly, the detailed labour force report reveals a deterioration in labour market conditions in Western Australia, as the impact of the COVID-19 pandemic became more apparent. Of particular note:
  - Total hours worked declined by 12.1 per cent between March and April 2020, and 15.1 per cent between February and April 2020.
  - A total of 188,500 workers (or 14 per cent of all workers in Western Australia) were still employed but worked zero hours in the reference week.
  - A further 185,500 (or 14 per cent of all workers in Western Australia) worked reduced hours because there was no work, not enough work available, or they were stood down.
18. The above figures indicate a substantial number of employees are working fewer hours than normal or no hours, despite being still employed.

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<sup>1</sup> Alan Duncan, Rebecca Cassells and Michael Dockery (2020), *BCEC Monthly Labour Market Update - April 2020*, available at: <https://bcec.edu.au/publications/bcec-monthly-labour-market-update-april-2020>.

## Weekly Payroll Jobs and Wages data

19. On 19 May 2020, the ABS released its latest instalment of statistical information on jobs and wages based on Single Touch Payroll data from the Australian Taxation Office (ATO).<sup>2</sup> The latest release includes information from 14 March 2020 up until 2 May 2020.
20. The data indicates that across Australia, payroll jobs fell by 7.3 per cent in the seven weeks to 2 May 2020, while total wages declined by 5.4 per cent.
21. In Western Australia, payroll jobs fell by 5.9 per cent, while total wages declined by 7.0 per cent. Western Australia's decline in total wages was the highest in the country, and suggests that many employees were working fewer hours than normal due to the impacts of COVID-19.
22. However, the rate of job decline has eased more recently, as the figures for the period between 25 April and 2 May indicate.

### Percentage changes by States and Territories (a)

	Change in payroll jobs between 25 April and 2 May	Change in employee jobs between 14 March and 2 May	Change in total wages between 25 April and 2 May	Change in total wages between 14 March and 2 May
NSW	-1.8%	-7.7%	-0.2%	-4.9%
VIC	-1.9%	-8.4%	-0.1%	-6.7%
Qld	0.6%	-6.1%	2.8%	-4.6%
SA	0.0%	-7.2%	2.3%	-2.9%
WA	-0.7%	-5.9%	1.9%	-7.0%
TAS	0.2%	-7.2%	4.3%	-3.2%
NT	0.1%	-4.0%	2.0%	-1.9%
ACT	-0.6%	-7.0%	2.7%	-4.3%
<b>Australia</b>	<b>-1.1%</b>	<b>-7.3%</b>	<b>0.9%</b>	<b>-5.4%</b>

(a) These estimates are revised as additional data become available. Particular care should be exercised in focusing on weekly movements in wages, which are subject to a higher degree of reporting variability and revisions.

### Jobs and wages data by sex

23. In terms of sex, female job losses have marginally exceeded male job losses across Australia between 14 March and 2 May 2020. However, total male wages have declined by significantly more than total female wages since 14 March, which is likely a product of higher average working hours for males prior to the outbreak of COVID-19 and a large reduction in earnings in certain male-dominated industries.

<sup>2</sup> ABS (2020), *Weekly Payroll Jobs and Wages in Australia, week ending 2 May 2020*, Cat. No. 6160.0.55.001.

### Changes by Sex - Australia

	Change in payroll jobs between 25 April and 2 May	Change in employee jobs between 14 March and 2 May	Change in total wages between 25 April and 2 May	Change in total wages between 14 March and 2 May
Males	-1.6%	-6.9%	0.2%	-7.6%
Females	-0.6%	-7.1%	2.0%	-1.9%
<b>All persons</b>	<b>-1.1%</b>	<b>-7.3%</b>	<b>0.9%</b>	<b>-5.4%</b>

### Jobs and wages data by age

24. In regard to age, younger workers have been the most impacted by the restrictions associated with COVID-19, with 14.6 per cent of jobs performed by employees aged under 20 disappearing in the period 14 March to 2 May 2020. However, total wages actually increased for this cohort, as the Federal Government's JobKeeper program (\$1,500 per fortnight) would have resulted in many casual and part time workers receiving higher earnings than normal.
25. It appears that employment prospects for younger workers improved in the week 25 April to 2 May 2020, as restrictions associated with COVID-19 were gradually relaxed and young people returned to the workforce.

### Changes by Age group - Australia

	Change in payroll jobs between 25 April and 2 May	Change in employee jobs between 14 March and 2 May	Change in total wages between 25 April and 2 May	Change in total wages between 14 March and 2 May
Aged under 20	4.6%	-14.6%	7.5%	16.8%
20-29 years olds	-0.5%	-10.7%	2.3%	-3.9%
30-39 years olds	-2.0%	-6.2%	0.0%	-6.0%
40-49 years olds	-1.8%	-5.3%	0.4%	-7.3%
50-59 years olds	-1.1%	-4.5%	1.0%	-5.9%
60-69 years olds	-0.5%	-4.9%	1.9%	-3.6%
70 years and over	-1.9%	-11.0%	-0.9%	-3.2%
<b>All persons</b>	<b>-1.1%</b>	<b>-7.3%</b>	<b>0.9%</b>	<b>-5.4%</b>

### Jobs and wages by industry

26. By industry, Accommodation and food services (down 27.1 per cent) and Arts and recreation services (down 19.0 per cent) suffered the highest loss of payroll jobs across Australia between 14 March and 2 May. However, in the week between 25 April and 2 May jobs in the Accommodation and food services industry increased by 5.2 per cent as JobKeeper payments commenced and some businesses expanded their takeaway operations. Similarly, total wages paid to employees in the Accommodation and food services industry increased by 6.1 per cent in the week between 25 April and 2 May.
27. In terms of wages, the Mining industry has by far suffered the largest reduction in total wages across Australia, with total wages declining by an estimated 22.2 per cent between 14 March and 2 May.



### Changes by Industry (a) – Australia

	Change in payroll jobs between 25 April and 2 May	Change in employee jobs between 14 March and 2 May	Change in total wages between 25 April and 2 May	Change in total wages between 14 March and 2 May
Agriculture, forestry and fishing	-1.2%	-7.4%	1.1%	0.3%
Mining (b)	0.0%	-6.0%	0.0%	-22.2%
Manufacturing	-2.1%	-7.0%	-1.7%	-12.0%
Electricity, gas, water and waste services	-1.5%	-1.6%	-2.1%	-3.1%
Construction	-0.8%	-6.5%	3.6%	-2.2%
Wholesale trade	-5.0%	-8.7%	-1.2%	-10.9%
Retail trade	0.7%	-6.0%	0.7%	-7.8%
Accommodation and food services	5.2%	-27.1%	6.1%	-11.8%
Transport, postal and warehousing	-3.8%	-6.7%	-2.8%	-8.7%
Information media and telecommunications	-5.3%	-9.2%	2.7%	-2.7%
Financial and insurance services (b)	0.0%	0.6%	0.0%	-1.0%
Rental, hiring and real estate services	-3.0%	-12.8%	5.1%	-6.6%
Professional, scientific and technical services	-8.0%	-11.1%	-4.3%	-9.3%
Administrative and support services	-1.3%	-9.2%	1.2%	-6.1%
Public administration and safety	0.3%	-1.7%	0.1%	-2.6%
Education and training	2.6%	-1.8%	5.0%	2.0%
Health care and social assistance	-0.6%	-1.0%	2.3%	0.9%
Arts and recreation services	0.7%	-19.0%	10.0%	5.0%
Other services	-0.2%	-10.3%	5.6%	2.6%
<b>All industries</b>	<b>-1.1%</b>	<b>-7.3%</b>	<b>0.9%</b>	<b>-5.4%</b>

(a) These estimates are revised as additional data become available. Particular care should be exercised in focusing on weekly movements in wages, which are subject to a higher degree of reporting variability and revisions.

(b) The Mining industry and Finance industry estimates for the week ending 2 May are based on a higher degree of imputation (given the high proportion of employees paid on a monthly basis) and closely reflect data from the previous week. It is expected this data will be subject to larger than usual revision in subsequent releases.

### Jobs and wages by region – Western Australia

28. A regional breakdown for Western Australia between 14 March and 18 April reveals that the Bunbury and Wheatbelt regions recorded larger increases than the State as a whole.

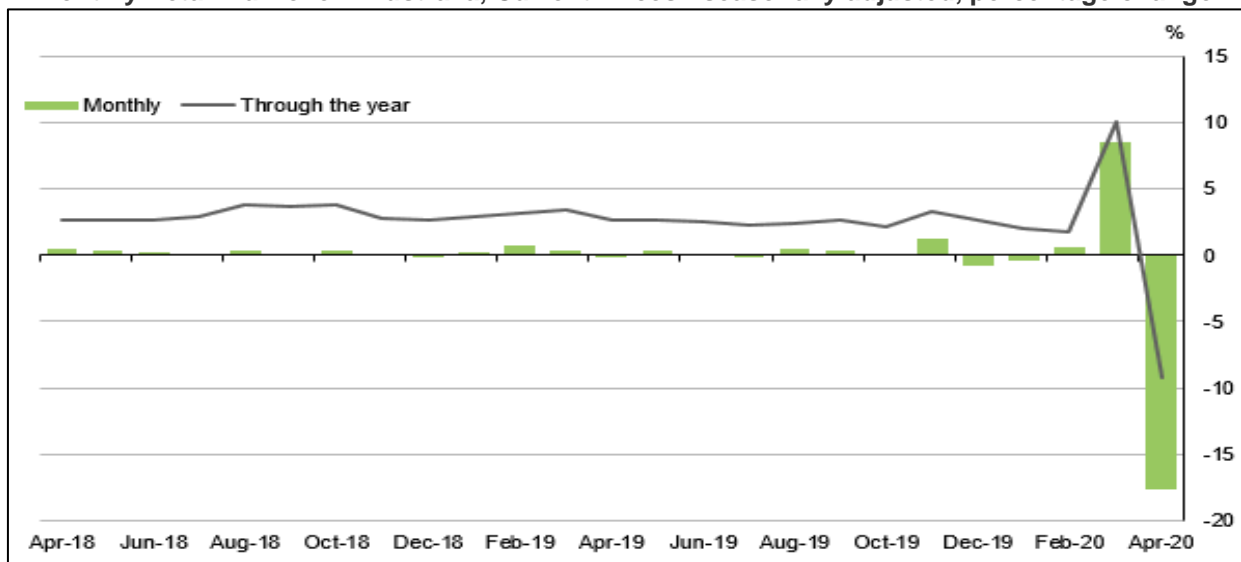
#### Change by region – Western Australia

	Change in payroll jobs between 14 March and 18 April
<b>Western Australia</b>	<b>-5.8%</b>
Bunbury	-8.5%
Mandurah	-4.5%
Perth – Inner	-6.7%
Perth - North East	-4.8%
Perth - North West	-5.1%
Perth - South East	-4.9%
Perth - South West	-4.6%
Western Australia - Wheatbelt	-7.4%
Western Australia - Outback (North)	-4.9%
Western Australia - Outback (South)	-5.8%

## Retail Turnover

29. On 4 June 2020, the ABS released the *Retail Trade* publication for the month of April 2020. The available data reveals that retail turnover fell by 17.7 per cent across Australia between March and April 2020, following a rise of 8.5 per cent in March (led by panic induced buying) and a rise of 0.6 per cent in February.
30. All states and territories recorded a fall in retail turnover in the month of April 2020, including Victoria (-21.1 per cent), New South Wales (-17.5 per cent), Queensland (-15.7 per cent), Western Australia (-16.8 per cent), South Australia (-14.6 per cent), Tasmania (-17.5 per cent), the Australian Capital Territory (-14.9 per cent), and the Northern Territory (-7.7 per cent).
31. By sub-category, declines in retail turnover were recorded in Food retailing (down 17.4 per cent), Cafes, restaurants and takeaway food services (down 35.4 per cent), Clothing, footwear and personal accessory retailing (down 53.6 per cent), Other retailing (down 14.4 per cent), Department stores (down 14.9 per cent) and Household goods retailing (down 0.1 per cent).

Monthly Retail Turnover - Australia, Current Prices - seasonally adjusted, percentage change



32. The results coincide with many businesses closing their physical stores during April due to restrictions relating to social distancing. The closure of physical stores in some industries led to a rise in online retail turnover, which contributed 11.1 per cent to total retail turnover throughout Australia in original terms in April 2020, up from 7.1 per cent in March 2020. In April 2019, online retail turnover contributed 5.7 per cent to total retail.
33. Scanner data from supermarkets and other grocery stores reveal that national spending declined in many of the product categories that had substantial rises in March 2020, including canned meat and seafood (down 56.0 per cent), pasta and rice (down 52.4 per cent), canned and dry soup mix (down 48.4 per cent), and toilet paper and other paper products (down 43.5 per cent).
34. While there were falls compared to the previous month, on an annual basis the majority of the above product categories rose. The results compared to 2019 indicate that social distancing measures led to an increase in food being consumed at home. While many food categories are up on April 2019, spending at cafes and restaurants saw large falls in both March and April 2020.

## Job advertisements

### Internet Vacancy Index

35. On 20 May 2020, the Commonwealth Department of Education, Skills and Employment released the monthly Internet Vacancy Index (IVI) report for April 2020.<sup>3</sup>
36. Over the last quarter, new job advertisements in Western Australia fell by an unprecedented 30.1 per cent (equivalent of around -4,500 per month). This compares with a National decline of 34.7 per cent (or around -50,000 job advertisements per month).
37. Job advertisements for Western Australia have fallen by 35.6 per cent (or -5,700 adverts per month) when compared to this time last year and now stand at an all-time series low of 10,300 adverts.
38. Historically there is a strong correlation between falls in recruitment and a following rise in the unemployment rate. Current falls in job advertising suggests further rises in unemployment in the coming months – though the influence of JobKeeper Payments will continue to have an effect in cushioning this impact to some extent.

### SEEK

39. SEEK advises the impact of COVID-19 has amplified since the start of March 2020, with the pandemic having had an extreme impact on the job market.
40. Nationally, new job ads posted on SEEK during April were down by 65.6 per cent year-on-year, while they were down 49.9 per cent month-on-month.<sup>4</sup> Seek advises that the rate of decline is easing. Job ad data from the first two weeks of May shows marginal improvement, suggesting the employment market may have turned a corner.
41. By state, New South Wales and Victoria continue to be hardest hit in April with job advertising down 52.4 per cent and 56.3 per cent respectively compared to March. Western Australia (down 42.4 per cent), South Australia (down 43.9 per cent), Northern Territory (down 41.9 per cent) and Australian Capital Territory (down 25.2 per cent) showed the lowest level of declines.
42. In terms of industry, the Mining, Resources & Energy sector is holding up reasonably well, showing a decline of 11 per cent for the month, which is the lowest level of decline across all industries. Retail & Consumer Products (down 55 per cent) and Hospitality & Tourism (down 59.6 per cent) have suffered due to the significant restrictions imposed on their license to operate.
43. Western Australia appears to have been the least affected of the states with a lower level of job ad decline in April, down -42.4 per cent month-on-month. Early May data also points to Western Australia potentially being the first state on the road to recovery. The Construction, Mining, Resources & Energy and Trades & Services sectors are showing increased job opportunities.

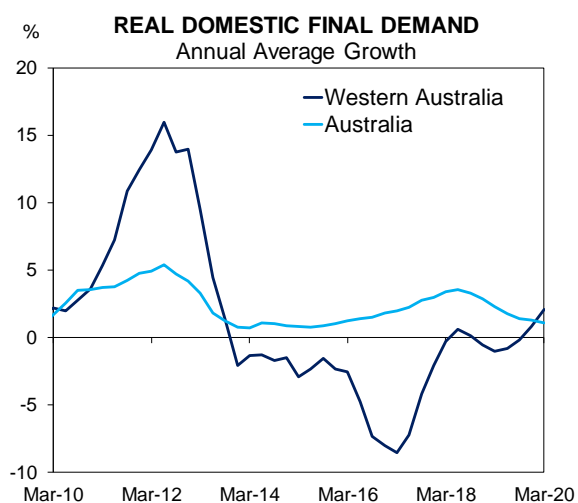
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<sup>3</sup> Commonwealth Department of Education, Skills and Employment (2020), Internet Vacancy Index, April 2020 (Trend data). Available at: <https://lmip.gov.au/default.aspx?LMIP/GainInsights/VacancyReport>

<sup>4</sup> SEEK (2020), *May Employment Report*, available at: [www.seek.com.au/about/news/may-employment-report](http://www.seek.com.au/about/news/may-employment-report)

## National Accounts

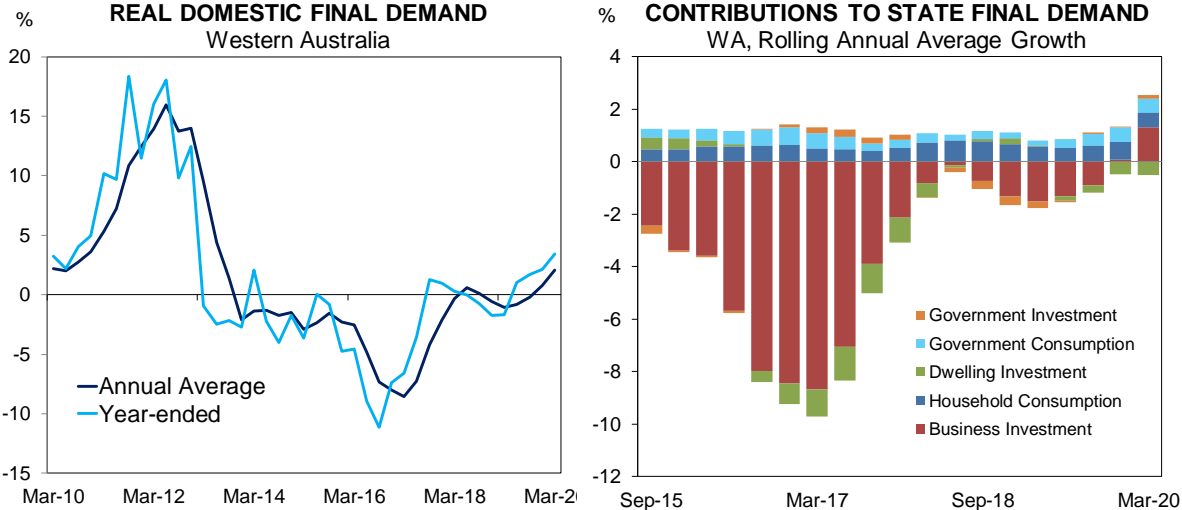
44. On 3 June 2020, the ABS released National Accounts data for the March quarter 2020, which includes State Final Demand (SFD) and national Gross Domestic Product (GDP).
45. The data revealed some impact of COVID-19 on the State's domestic economy (particularly in terms of household consumption), although these impacts are likely to be more pronounced in the June quarter.
46. Western Australia's SFD actually grew by 0.9 per cent in the March quarter, the strongest of all states, driven by a rise in business investment as iron ore miners increased their spending. Consequently, annual growth strengthened both in average (2.1 per cent) and year-ended (3.4 per cent) terms.
47. While the March quarter was stronger than expected, the impacts of COVID-19 during the June quarter will heavily weigh on activity. As such, annual SFD is expected to contract in 2019-20. This is consistent with the modelling underpinning the 28 May Economic and Fiscal Update (EFU) released by the Treasurer in State Parliament, which estimated a 1.7 per cent decline in SFD in 2019-20. However, given that restrictions have eased at a faster pace than originally anticipated, the EFU estimate may not be as bad as projected.
48. Coupled with the release of trade data for the March quarter, the National Accounts data provides some offset to the weakness in net export volumes for the quarter.
49. At the national level, domestic demand declined by 0.5 per cent in the March quarter but grew by 1.1 per cent annually. GDP fell by 0.3 per cent (the first decline in nine years); while annually, it grew by 1.7 per cent. As GDP will almost certainly decline in the June quarter 2020, Australia will officially enter its first recession in 29 years later in the year.
50. Reflecting these results, annual domestic activity in Western Australia strengthened above the national level for the first time since September 2013.



	Quarter	Annual	Year-ended
	%	%	%
New South Wales	-1.5	0.7	-0.7
Victoria	-0.1	1.6	0.9
Queensland	-0.3	1.1	0.6
<b>Western Australia</b>	<b>0.9</b>	<b>2.1</b>	<b>3.4</b>
South Australia	-1.0	0.1	-1.0
Tasmania	0.6	2.6	1.2
Northern Territory	-1.2	-7.0	-2.8
Australian Capital Territory	2.1	2.8	4.2
<b>Australia - Domestic Demand</b>	<b>-0.5</b>	<b>1.1</b>	<b>0.5</b>
<b>Australia - GDP</b>	<b>-0.3</b>	<b>1.7</b>	<b>1.4</b>

**STATE FINAL DEMAND**

- 51. **SFD** grew by 0.9 per cent in the March quarter, the third instance of quarterly growth over the past year.
- 52. Quarterly growth was mainly supported by business investment contributing 1.3 percentage points (pp) to growth. The largest offset was within the household sector (consumption (-0.5 pp) and dwelling investment (-0.2 pp)).
- 53. Consequently, annual average growth strengthened to 2.1 per cent, the strongest since 2012-13 (see Chart 2). This pick up was driven by business investment (1.3 pp), with the contribution from household consumption remaining steady (0.6 pp).
- 54. Annual growth to March was tracking in line with the Department of Treasury’s (WA Treasury’s) Mid-year Review forecast (2.25 per cent) for SFD overall. Notwithstanding that, the impact of COVID-19 is expected to be particularly large in the June quarter, with a very substantial decline in SFD expected.



- 55. **Household consumption** fell by 1.0 per cent in Western Australia in the March quarter 2020, the largest decline since the GFC. Despite an increase in ‘food’ during the quarter (related to panic buying, contributing 0.6 pp), social distancing and travel restrictions resulted in falls to ‘Hotels, cafes and restaurants’ (-0.5 pp), ‘Clothing and footwear’ (-0.4 pp), ‘Transport services’ (-0.4 pp) and ‘Operation of Vehicles’ (-0.2 pp).
- 56. Notably, Hotels, cafes and restaurants fell by 7.8 per cent in the quarter, the largest decline since September 1996.
- 57. While annual average growth in household consumption moderated only slightly to 1.0 per cent, year-ended growth (which is more reflecting of current trends) fell sharply to 0.1 per cent, the weakest since March 2009.
- 58. **Business investment** grew by 7.4 per cent in the March quarter, which was not surprising given strong quarterly growth in private new capital expenditure.

59. Annual average business investment growth strengthened to 7.5 per cent in the March quarter 2020, the strongest since the March quarter 2013, with year-ended growth lifting substantially to 18.4 per cent (from 8.5 per cent in December), the strongest result since 2012.
60. **Dwelling investment** fell by 4.6 per cent in the March quarter, due to a decline in alterations and additions (detracting 4.8 pp), slightly offset by a rise in new dwelling investment (0.2 pp). In annual average terms, dwelling investment declined by 11.5 per cent in the March quarter, with a fall in both new investment (-8.4 pp) and alterations and additions (- 3.0 pp).
61. **Government consumption** fell by 0.1 per cent in the March quarter, due to lower spending at the state and local government level (-0.2 pp), partly reflecting the transition away from State-provided disability services towards the NDIS. Annual average growth held relatively steady at 2.8 per cent (underpinned by Commonwealth spending), while year-ended growth dropped to 1.5 per cent.
62. **Government investment** increased by 6.8 per cent in the quarter, driven by state and local government spending on vehicle purchases and investment in rail infrastructure (partly offset by spending by the Commonwealth). Annual average growth lifted to 3.7 per cent, due to general spending at all three levels of government.

	Growth		Contributions to Growth		MYR Forecast
	Quarter %	Annual %	Quarter % points	Annual % points	2018-19 %
Household consumption	-1.0	1.0	-0.5	0.6	1.25
Business investment	7.4	7.5	1.3	1.3	6.0
Dwelling investment	-4.6	-11.5	-0.2	-0.5	-7.0
Government consumption	-0.1	2.8	0.0	0.5	1.5
Government investment	6.8	3.7	0.3	0.2	10.5
<b>State Final Demand (SFD)</b>	<b>0.9</b>	<b>2.1</b>	<b>0.9</b>	<b>2.1</b>	<b>2.25</b>
Merchandise exports	-6.1	1.2	n.a.	n.a.	4.0
Merchandise imports	3.1	n.a.	n.a.	n.a.	2.0

## TRADE

63. **Merchandise exports** fell by 6.1 per cent in the March quarter, the largest decline in three years. Annual average growth was 1.2 per cent.
64. **Merchandise imports** grew by 3.1 per cent in the March quarter, while WA Treasury's proxy of merchandise imports estimates an annual decline of 3.4 per cent.<sup>5</sup>
65. Services trade experienced substantial falls in the March quarter, impacted by COVID-19 related travel restrictions (which commenced 1 February and gradually widened). **Services exports** (which includes international education and tourism) fell by 14.6 per cent, while **services imports** (which captures spending by Western Australian residents overseas) dropped by 13.4 per cent.

<sup>5</sup> While the quarterly suppression of merchandise imports data was lifted in September, the ABS has continued to confidentialise the historic series. As such, annual growth rates cannot yet be calculated.

### 3. Further comment on submissions in reply

#### CCIWA

66. At paragraph 33 of its submission in reply, CCIWA makes a number of statements regarding the deterioration of the Western Australian economy and the likely impacts of this. In particular, CCIWA notes:
- The current restrictions arising out of the management of COVID-19 have restricted the opportunity for consumers to spend;
  - The capacity for employees to spend has been adversely impacted by a decline in employment levels and total working hours;
  - Given the increased uncertainty over employment security, employees are likely to use increased income to pay down debt or increase savings;
  - The SWC decision is estimated to directly affect only 2.2 per cent of the WA workforce, which is insufficient to have a meaningful impact on the overall level of consumer spending.
67. The Minister broadly concurs with the above observations, which are consistent with WA Treasury's assessment of the impact that restrictions associated with COVID-19 have had on the State's economic outlook.
68. However, whilst not disagreeing that the outcome of the State Wage Case is unlikely to have any meaningful impact on the overall level of consumer spending, the Minister contends the State Wage order affects more than 2.2 per cent of the Western Australian workforce, particularly when consideration is given to employees covered by State awards, who are also impacted by any adjustment made to rates of pay.
69. At paragraph 134 of its submission in reply, CCIWA notes the particularly subdued figure for Gross Operating Surplus and Gross Mixed Income in the construction industry, which declined by 14.3 per cent in 2018-19.
70. While the construction industry has faced challenging conditions in recent years, the Minister's notes the Western Australian Government has just announced a \$444 million housing stimulus package to deliver a major boost to State's COVID-19 economic recovery, and support the building and construction sectors.
71. The new major housing package will provide a much-needed boost to Western Australia's economy, and provide a pipeline of work for building companies and local tradespersons. The social housing component will also go a long way to helping those in need get into a quality home.

## UnionsWA

72. At paragraph 5.2 of its submission in reply, UnionsWA notes *“the WA government has announced that, from 6 June, restrictions on business operations will be further relaxed as part of Phase 3 of its COVID-19 WA roadmap. Many of the additional businesses being permitted to reopen will be in the hospitality, health, and recreation industries.”*
73. The Minister agrees that the lifting of restrictions on business operations as part of Phase 3 will undoubtedly be of benefit to many businesses in the hospitality, health and recreation industries. Indeed, Western Australia’s success at containing the spread of COVID-19 has enabled restrictions to be lifted sooner than originally anticipated.
74. However, the Minister also notes many of those businesses that have reopened are still operating at less than full capacity, and are still feeling the effects of the events of the last few months. A number of these businesses will have experienced significant short-term pain, which may take years to fully recover from.
75. While the easing of restrictions in Western Australia is undoubtedly a positive development, the Minister still contends a substantial wage increase would be onerous for many small business employers and submits that a more modest outcome would be appropriate in the current environment.



## 4. Update on easing of restrictions relating to COVID-19

76. Western Australia's successful efforts to contain the spread of COVID-19 has allowed the State Government to gradually ease a number of restrictions that were put in place. The following section briefly outlines those restrictions that have been lifted in recent weeks.

**Phase 1** (from 27 April) allows:

- indoor and outdoor non-work gatherings of up to 10 people;
- outdoor personal training without shared equipment;
- recreation activities in compliance with travel restrictions and the 10-person rule (such as private picnics in the park, fishing, boating, hiking and camping);
- home opens and display villages open (in compliance with 10-person rule and appropriate record keeping and hygiene practices).

**Phase 2** (from 18 May) allows:

- indoor and outdoor non-work gatherings of up to 20 people;
- weddings and funerals up to 20 people inside or 30 people outside;
- cafes and restaurants with meal service, including within pubs, bars, clubs and hotels, of up to 20 patrons;
- regional travel restrictions relaxed;
- non-contact community sports of up to 20 people;
- outdoor or indoor fitness classes with minimal shared equipment (20 people maximum);
- public pools (1 outdoor and 1 indoor) permitted to open (20 people maximum);
- places of worship; community facilities and libraries allowed to reopen (20 people maximum);
- businesses looking to reopen need to complete an official COVID Safety Plan;
- employees encouraged to return to work unless unwell or vulnerable.

**Phase 3** (from 6 June) allows:

- non-work indoor and outdoor gatherings of up to 100 people per single undivided space, up to 300 people in total per venue over multiple spaces;
- weddings and funerals of up to 100 people;
- food and licensed premises may operate with only seated service, food courts can reopen with seated service;
- all beauty services can resume;
- saunas, spa and massage may reopen;
- gyms, health clubs and indoor sport centres can offer normal range of activities;
- contact sport and training; playgrounds, skate parks and outdoor gym equipment permitted to be used;
- zoos, cinemas, galleries, museums and concert venues permitted to open (with limits of 100 people indoors and 300 people total per venue);
- travel permitted throughout the State (excluding access into remote Aboriginal communities).

**Phase 4** will be assessed and finalised in due course.

## 5. Conclusion

77. The Minister acknowledges that this year's State Wage Case is occurring in a rapidly changing environment. Significant uncertainty regarding the longer-term impact the COVID-19 pandemic will have on Western Australian employers and employees undoubtedly creates a challenge when determining an appropriate outcome for minimum and award wages in this year's State Wage Case.
78. The global economy has undergone a tumultuous shock brought about by a pandemic the scale of which we have not witnessed in generations. This has required the State and Federal Governments to implement extraordinary measures to contain the spread of the coronavirus and protect the Western Australian community from its devastating consequences.
79. The Minister notes that a number of businesses in the retail, hospitality and recreation industries have been forced to close their doors in recent months, resulting in a loss of revenue and considerable financial pressures for affected employers.
80. Encouragingly, Western Australia's success at 'flattening the curve' and containing the spread of COVID-19 has enabled businesses to re-open sooner than expected, and many restrictions have been lifted earlier than first anticipated.
81. While business confidence is expected to improve in the coming months, it will take some time for conditions to return to pre-COVID-19 levels. In particular, the unemployment rate is expected to deteriorate further as people re-join the labour force and government stimulus measures are gradually withdrawn.
82. Some businesses will have undertaken emergency measures to protect their interests in the short term, such as negotiating lease payment freezes and loan repayment deferrals. Many of these arrangements will expire in the latter half of the year, which may have cash flow implications for those affected employers.
83. It is also possible that a second wave of COVID-19 infections could occur within Australia, possibly necessitating a reintroduction of social distancing restrictions and business closures. While it is sincerely hoped such an occurrence does not eventuate, it is nonetheless a risk that cannot be completely ruled out.
84. Heading into 2020 conditions were gradually improving in Western Australia, with domestic economic growth forecast to accelerate, business investment recovering and employment projected to pick up. However, recent events have dramatically altered the landscape.
85. The Minister submits that in times of severe economic stress, such as we are currently experiencing, a more modest increase in minimum and award wages is justified. This will enable the many small and family employers in the State industrial relations system to recalibrate and focus on growing their business, whilst ensuring maximum employment opportunities for Western Australian workers.
86. The Minister also contends the decision of the Fair Work Commission in the Annual Wage Review will be a particularly relevant consideration in this year's State Wage Case, as it is desirable there be a certain degree of parity in minimum wage outcomes for employers and employees in the State and national industrial relations systems in these unprecedented times.