

4 June 2020

Chief Commissioner Pamela Scott  
Chief Commissioner's Chambers  
Western Australian Industrial Relations Commission  
17<sup>th</sup> Floor, 111 St. Georges Tce  
Perth, WA 6000



Dear Chief Commissioner Scott

Re: APPL 1 of 2020 - State Wage Case

I note your correspondence of 26 May 2020 in relation to the Centre for Future Work submission to the Fair Work Commission's Annual Wage Review 2019-20. Specifically, I note the request for invitations as to the relevance of that submission in the Western Australian context.

The Centre for Future Work (CFW) submission makes a convincing case for the Fair Work Commission to increase the national minimum wage as a means of underpinning economy wide wages growth, preventing wage stagnation and preventing the related problem of deflation. Various arguments are put to demonstrate that there has been a structural shift in wage setting since 2013 and that national wage awards have played a critical role in maintaining moderate wages growth in recent years. They argue that in the absence of minimum wage adjustments nominal wage growth would be below 2%.

It is my opinion that the CFW submission is highly relevant and applicable in the West Australian context. That is, the same arguments apply. Although it is clear that there is considerable turmoil in the labour market as a result of the Covid-19 crisis, the risk of a wage freeze within this context is the (negative) flow-on effect that it has to wage outcomes generally and the related effect on consumer confidence and future price expectations.

Prior to COVID-19 the Governor of the Reserve Bank of Australia (RBA), Dr Lowe, was on record imploring State and Federal governments to raise wage caps to boost earnings and stimulate consumer demand. If low wage labour can secure a wage increase this may support much needed consumer demand. It may also set an important community standard with respect to pay and wage expectations.

In its 2 June 2020 Monetary Policy Decision the RBA indicated that much of the recovery will be dependent on consumer confidence. The RBA also acknowledged the significant support role presently being played by fiscal and monetary policy and indicated that the economy will likely receive ongoing fiscal and monetary support for some time. The FWG and the WA Industrial Relations Commission can assist the RBA in its support of the economy through maintaining an effective award safety net. Should there be particular capacity to pay concerns it may be that these can be dealt with via fiscal support.



In preparing this response I also took the opportunity to review the most recent ABS *Weekly Payroll Jobs and Wages in Australia* data (for the period ending 2 May 2020). Two charts based on these data are presented below. The first relates to (payroll) jobs and the second to *total* wages paid. Both charts show outcomes between the period 14 March 2020 (the start of the Covid-19 crisis in Australia) and 2 May 2020 (most recent available data)

When compared nationally, job loss has been lower in WA. For example, nationally, there has been a 7% reduction in male jobs. In WA the corresponding share is around 6%. Young adults aged 20-29 (WA and national) have been particularly hard hit in terms of job loss.

The second chart concerning total wages paid shows that, since the 14 March 2020, the decline in total wages paid has been larger in WA than nationally. Total wages paid to WA males, for example, have fallen by around 10%; nationally the corresponding decline is around 7.5%. The fall in total wages paid to females is much smaller than that experienced by males and likely reflects the fact that: (a) a larger share of women are employed part-time and thus, on average, have lower total earnings than males (i.e. they are coming off a lower base); and (b) the Job Keeper payment is a flat rate amount, irrespective of hours worked.

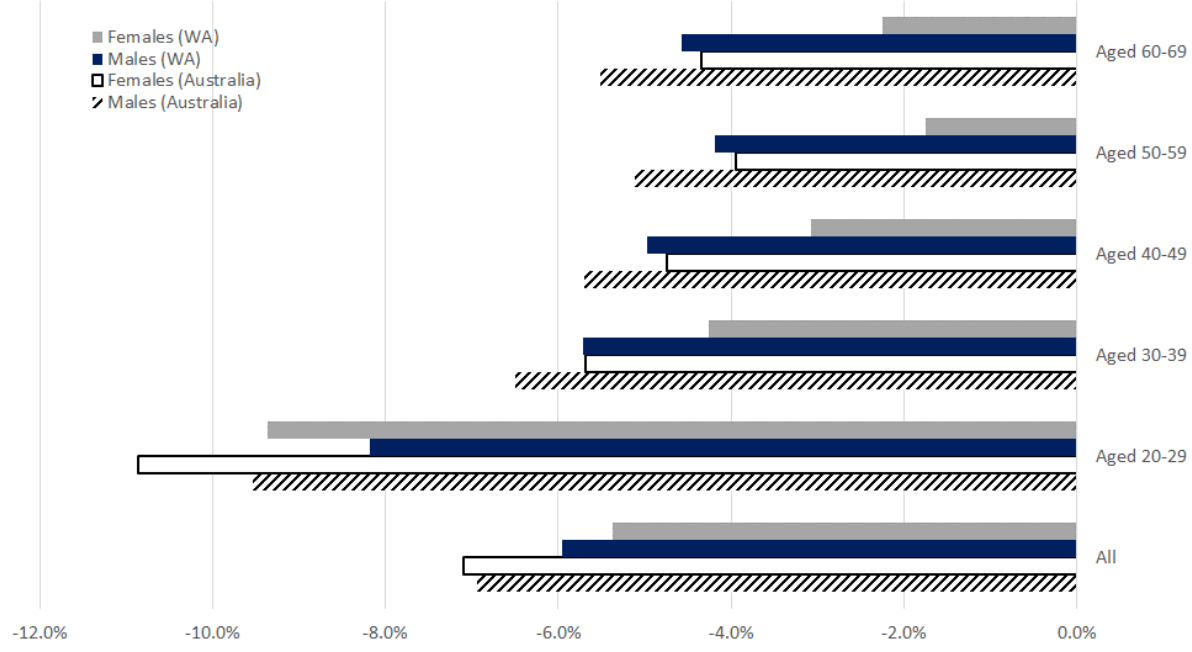
When read together the two charts suggest that job loss may have been minimised in WA via a shift to part-time work, particularly for males. This would minimise job loss but see a cut to total wages paid. The patterns may also reflect larger wage cuts in WA relative to elsewhere in Australia. Within this context the wage expectations and consumer confidence effects of the forthcoming State Minimum Wage Decision may be particularly important.

Yours sincerely



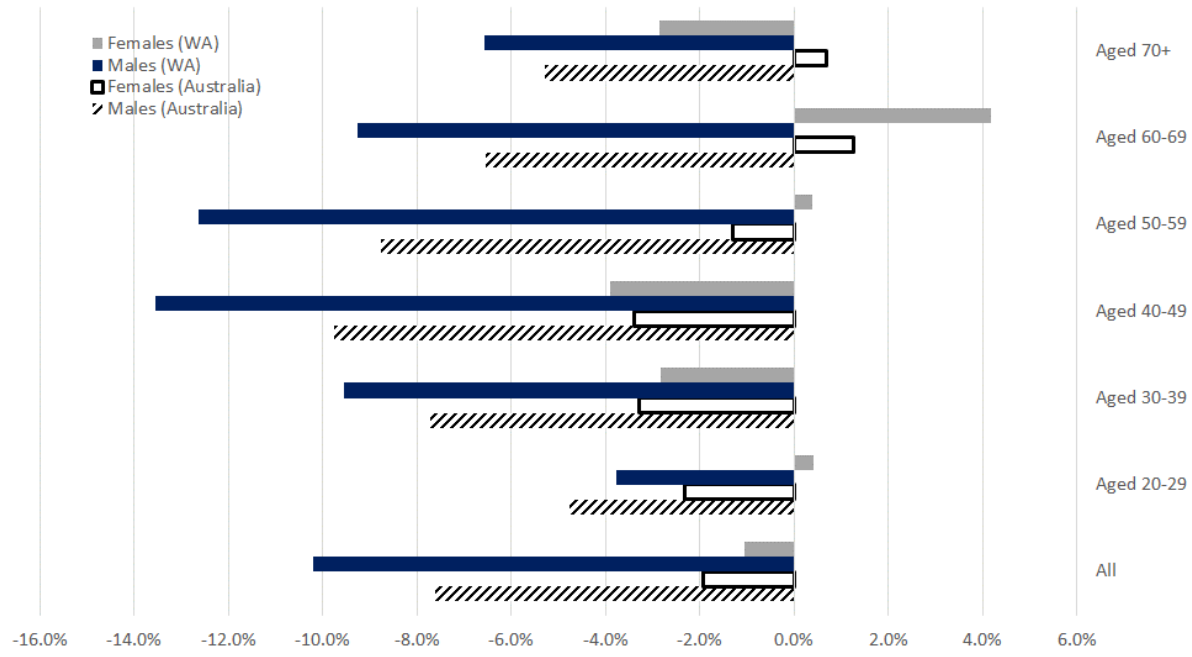
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Figure 1: % Change in Total Employment Between Week Ending 14 March 2020 and 2 May 2020; by Sex and Age; Western Australia & Australia; All Industries



Source: ABS 6160.0.55.001.do004

Figure 2: % Change in Total Wages Paid Between Week Ending 14 March 2020 and 2 May 2020; by Sex and Age; Western Australia & Australia; All Industries



Source: ABS 6160.0.55.001.do004