

# UNIONSWA

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## **UnionsWA submissions in relation to National Accounts data for March quarter 2020 and closing statement**

**Appl No. 1 of 2020  
ON THE COMMISSION'S OWN  
MOTION**

**Western Australian Industrial Relations  
Commission**

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## 1. Response in relation to National Accounts data for March quarter 2020

- 1.1. The Western Australian Industrial Relations Commission (Commission) issued an application to make a State Wage Order pursuant to section 50A of the Industrial Relations Act 1979 (WA) (IR Act) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993 (WA)* (MCE Act) and State awards.
- 1.2. On 14 May 2019 UnionsWA filed a submission requesting the Commission issue a general order pursuant to Section 50A of the Act to increase Award wages and the statutory minimum wage by 4%.

## 2. National Accounts data

- 2.1. UnionsWA contends that the March quarter National Accounts data by themselves remain too early to the full impact of the pandemic, even while the ABS has tried to incorporate extra data.
- 2.2. When considering the results for State Final Demand (SFD) among the states and territories, it can be seen that WA had an increase of 0.9%. This was the highest of all the states, and only exceeded by the ACT.<sup>1</sup>

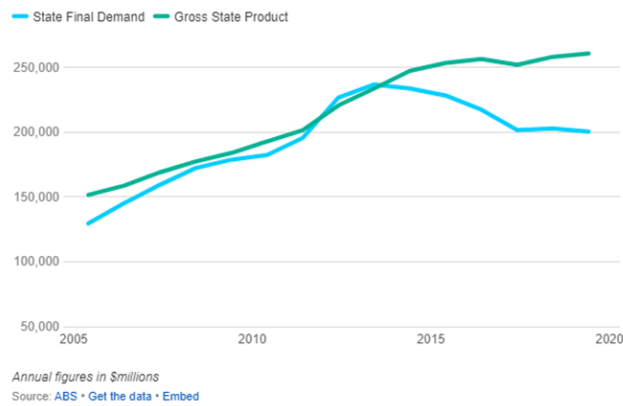
### State final demand (SFD) chain volume measures

		Seasonally adjusted, % change from Dec 19 to Mar 20								
		NSW	Vic.	Qld	SA	WA	Tas.	NT	ACT	Aust.(a)
<b>Final consumption expenditure</b>										
	General government	1.8	3.3	0.5	0.9	-0.1	0.2	0.9	4.5	1.8
	Households	-1.6	-1.2	-0.5	-1.5	-1.0	-0.9	-0.6	0.5	-1.1
<b>Gross fixed capital formation</b>										
	Private	-3.5	-1.1	-0.1	-2.3	5.2	5.4	-7.9	-1.7	-0.8
	Public	-4.8	3.4	-2.5	-0.6	6.8	6.6	-1.6	1.0	-0.7
<b>State final demand</b>		-1.5	-0.1	-0.3	-1.0	0.9	0.6	-1.2	2.1	-0.5

- 2.3. The ABS concluded that total final consumption expenditure in WA decreased 0.7%. This fall was driven by a 1.0% decrease in household consumption reflecting falls in hotels, cafes and restaurants, transport services, and clothing and footwear.
- 2.4. In the UnionsWA initial submission (para 3.4), we pointed out that the impact of low wages growth in Western Australia can be seen in the recent divergence between Gross State Product (GSP) and State Final Demand (SFD).

<sup>1</sup> ABS release, *Australian National Accounts: National Income, Expenditure and Product*, Mar 2020  
<https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/5206.0Main%20Features7Mar%202020>

WA State Final Demand has not kept up with Gross State Product in recent years



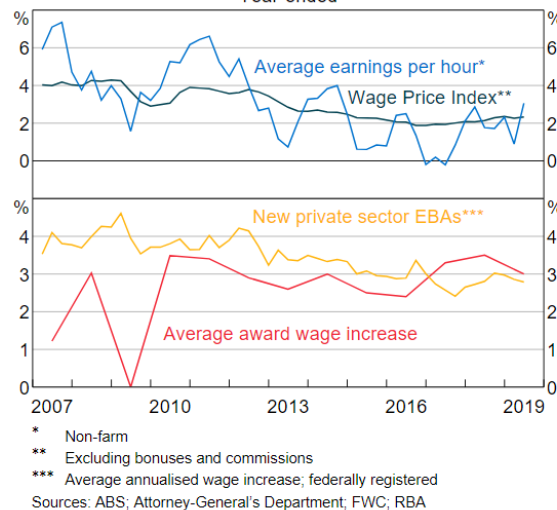
We also quoted Rebecca Cassells of the BankWest Curtin Economics Centre, on the reasons for the divergence, namely that

... “State Final Demand has been tracking downwards or flattening is because we haven't seen the household consumption that we saw prior to the sort of mid 2000s.”

Ms Cassells said she feared coronavirus could see the gap between the two measures widen.<sup>2</sup>

- 2.5. UnionsWA continues to argue that attention must be paid to lifting domestic consumption, and that consumption must come from the incomes of households in WA. Increases to minimum and award wage rates must play their parts, not least because, as we also noted in our initial submissions (para 3.2) drawing on data from the Reserve Bank of Australia (RBA), without the relatively strong minimum wage increases which have been implemented since 2017, overall wage growth in the Australian labour market would still be extremely low:<sup>3</sup>

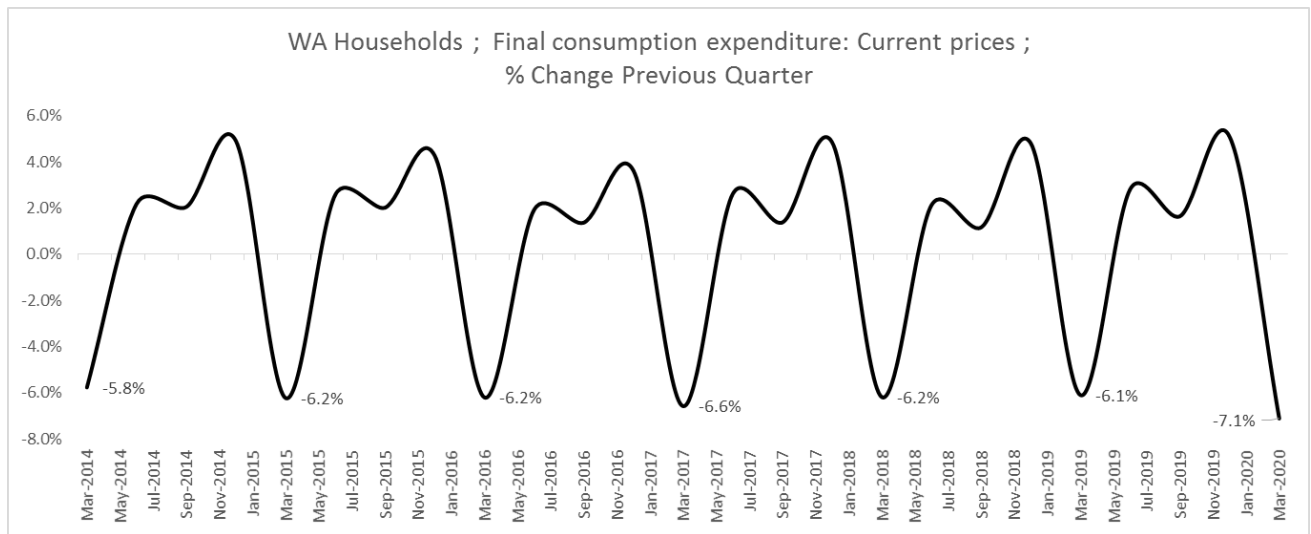
Graph 4.15  
**Wages Growth**  
Year-ended



<sup>2</sup> ‘WA's decision to keep its mines open amid coronavirus may have saved Australia's economy’, ABC News (10 May 2020) <https://www.abc.net.au/news/2020-05-10/keeping-wa-mines-open-in-coronavirus-may-save-australian-economy/12227448>

<sup>3</sup> RBA ‘Statement on Monetary Policy – November 2019’ <https://www.rba.gov.au/publications/smp/2019/nov/inflation.html>

2.6. When looking at the Household Consumption Component of SFD for WA (current prices) it can be seen that there was a -7.1% decline from the end of December 2019 to the end of the March Quarter of 2020. However it should also be noted that it is not unusual to have a decline in Household consumption during the March Quarter, as can be seen from previous years.<sup>4</sup>



2.7. UnionsWA notes that on 3 June, the Federal Treasurer Josh Frydenberg released a Statement to accompany the March Quarter National Accounts which argues for an optimistic interpretation:<sup>5</sup>

*“With restrictions easing, we are seeing some encouraging signs across the economy.*

*As the RBA Governor said last week in evidence to the Senate Committee on COVID-19 ‘with the national health outcomes better than earlier feared, it’s entirely possible that the economic downturn will not be as severe as earlier thought.’*

...

*Today’s National Accounts show once again that in the face of a one in 100 year global pandemic the Australian economy has been remarkably resilient.”*

2.8. While the economic situation in both WA and Australia continues to evolve, what evidence there is that can be drawn from National Accounts data shows that the national and state economies are doing better than expected. The problems can be identified through using this data are problems of domestic demand and household consumption. These should be addressed by a real and substantial increase in minimum and award wages, as argued by UnionsWA and WACOSS. They will not be addressed by a frozen or deferred increase.

<sup>4</sup> ABS release, *Australian National Accounts Mar 2020* Table 30. State Final Demand, Detailed Components: Western Australia (Original data)

<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Mar%202020?OpenDocument>

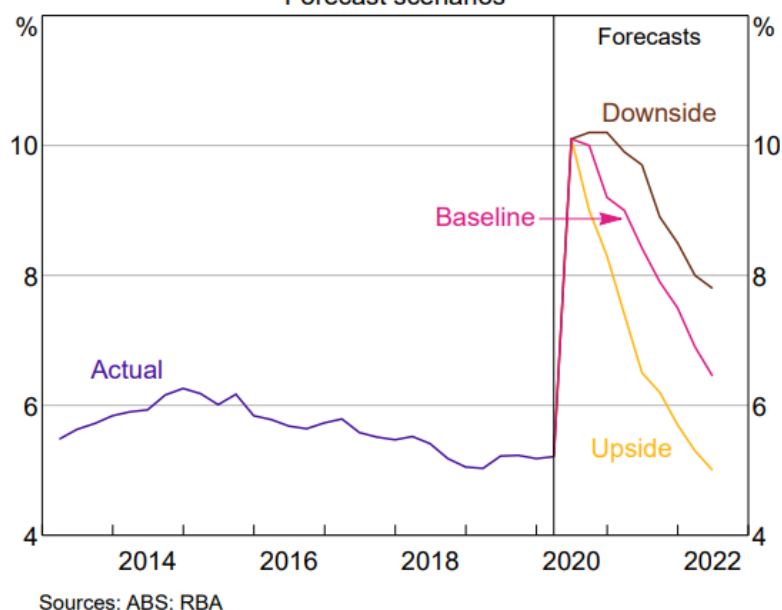
<sup>5</sup> The Hon Josh Frydenberg MP ‘National Accounts - March Quarter 2020’, 3 June 2020

<https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/national-accounts-march-quarter-2020>

### 3. Closing statement

- 3.1. While other parties have attempted to argue that the COVID-19 situation are so exceptional that minimum and award rates must be frozen or deferred, they have not made a compelling case. Generalised assertions about business viability, combined with ‘surveys’ of dubious reliability, cannot address the range of considerations for the Commission outlined in section 50A(3).
- 3.2. The only minimum wage claims that address those considerations are those of UnionsWA and WACOSS for a 4% increase to award rates. Only an increase in wages will address the circumstances of meeting and improving the positions of the low paid, having fair wage standards, and address the needs of both the WA and national economies.
- 3.3. Businesses in both WA, and Australia generally, will be extremely ill served by a decision that does nothing to lift domestic demand and household consumption. Because despite it only being for the March Quarter 2020, the National Accounts data does show that household consumption is the missing factor in lifting the Australian economy out of the COVID-19 crisis.
- 3.4. In its May 2020 *Statement on Monetary Policy*, the RBA released the following chart showing three scenarios for the economic trajectory of employment: a baseline, an upside, and a downside.

**Graph 6.4**  
**Unemployment Rate**  
Forecast scenarios



- 3.5. The most recent national unemployment rate for April 2020 is 6.2%, with WA at 6%. Economist Jason Murphy has pointed out that this puts the Australian employment situation closer to the upside than the downside.<sup>6</sup>
- 3.6. In his testimony to Senate Select Committee on COVID-19 on 28 May 2020 RBA Governor Philip Lowe argued that, for a post COVID-19 recovery

<sup>6</sup> Jason Murphy, ‘Is the economy already getting better? Let’s look at the data’ *Crikey*, 9 June 2020 <https://www.crikey.com.au/2020/06/09/economy-getting-better-australia/>

*“... as a country, we'll need to turn our minds to how best to move out of that shadow and form an agenda that makes Australia a great place for businesses to expand, to invest, to innovate, and to hire people”*

He goes onto commit that the RBA will

*“... maintain its expansionary settings and monetary policy. Progress is being made towards full employment, and we are confident that inflation will be sustainably within the two to three per cent target band.”*

- 3.7. An increase in the minimum wage and awards would contribute to the recovery that the RBA, and both the Federal and State governments are predicting. The increase offers an efficient means of promoting spending and employment in the economy, because it will go into the hand of those people most likely to spend in the service industries prominently represented in the most frequently accessed awards as submitted by the Minister.

**Table 11 – Top 10 most frequently accessed award summaries prepared by Wageline<sup>30</sup>**

	Award
1	Restaurant, Tearoom and Catering Workers' Award
2	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
3	Hairdressers Award
4	Building Trades (Construction) Award 1987
5	Clerks (Commercial, Social and Professional Services) Award
6	Metal Trades (General) Award
7	Cleaners and Caretakers Award 1969
8	Electrical Contracting Industry Award
9	Farm Employees' Award 1985
10	Hotel and Tavern Workers' Award

- 3.8. An increase in the minimum wage and awards would more likely result in an increase in employment and hours worked in WA. Therefore a smaller increase, or a freeze, would damage the chances of a recovery

- 3.9. The RBA’s position, and that of the Federal Treasurer referenced earlier, indicate that both the WA and National economies have responded well to the measures that have been developed and implemented to respond to the pandemic.

By contrast, no reliable evidence has been provided to show that an increase in the minimum wage will result in negative employment effects. This is not the case in ‘normal’ times, and no evidence has been provided that it is the case now.

- 3.10. Only a real and substantial increase to minimum and award rates will all address all the considerations of section 50A(3) of the *WA Industrial Relations Act*. That increase should be 4%.

## 4. Conclusion

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1.1. UnionsWA is advocating that the Commission increase Award wages an increase by 4%.

Below is summary of our positions under the statutory considerations in section 50A of Industrial Relations Act.

*(3) In making an order under this section, the Commission shall take into consideration —*

*(a) the need to —*

*(i) ensure that Western Australians have a system of fair wages and conditions of employment;*

UnionsWA is asking the WA Commission to address the still widening gap between low paid workers and the rest of the workforce in WA.

*(ii) meet the needs of the low paid;*

UnionsWA maintains that the needs of the low paid, and particularly the need to improve the standards of the low pay – require an increase to the WA minimum wage not just at CPI, but beyond it. As a measure of the cost of living, the measure of CPI inflation does not capture the living costs of low wage workers, particularly under the impact of COVID-19.

*(iii) provide fair wage standards in the context of living standards generally prevailing in the community*

UnionsWA submits that minimum wage workers should not be slipping behind average wages in the community, otherwise they will find it harder to maintain living standards – particularly during an economic crisis.

*(iv) contribute to improved living standards for employees;*

UnionsWA submits that the present system of wage subsidies will be no substitute for regular, ongoing wage increases, particularly if the Federal government moves to take them away.

*(v) protect employees who may be unable to reach an industrial agreement;*

UnionsWA contends that an increase in the state minimum wage in WA is more likely to assist workers who are less likely to negotiate decent increases for themselves, and are bearing the full brunt of the COVID-19 crisis.

*(vi) encourage ongoing skills development; and*

UnionsWA argues that a substantial wage increase that seeks to address the disparity between minimum rates and median weekly earnings will play its part in making apprenticeships more attractive thereby encouraging greater skills development. It also notes that assistance has been provided by government to ensure that apprentices and trainees can continue with employers.

*(vii) provide equal remuneration for men and women for work of equal or comparable value;*

UnionsWA asks the WA Commission to reject all submissions which contend that the gender pay gap is simply due to men ‘earning more in higher wage jobs’, and thus can be redressed during a downturn

by men losing their previous income. The minimum wage needs regular and substantial increases in order to satisfy this consideration.

- (a) *the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;*
- (b) *to the extent that it is relevant, the state of the national economy;*

UnionsWA contends that a substantial increase to the WA minimum wage will be ‘pro-cyclical’ in present economic circumstances both in WA and Australia. It will substantially contribute to State Final Demand, in a situation where WA will have to rely on domestic spending rather than that provided by outside arrivals.

*(d) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;*

UnionsWA contends that an across the board institutional decision to lift wages is needed. The resulting household and consumer spending will be vital to lift the economy out from COVID-19.

*(e) for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;*

An increase of 4%, balances the range of factors that the Commission must take into account. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications.

*(f) relevant decisions of other industrial courts and tribunals; and*

*(g) any other matters the Commission considers relevant.*

UnionsWA contends that, while the COVID-19 crisis has been an unprecedented event, the economy is still forecast to recover. This means that the need for consumer spending will be as strong as ever. Historical examples such as the Great Depression demonstrate that freezing or cutting wages will be the worst possible response to the present situation: prolonging the pain rather than lifting us out of it.