

# UNIONSWA

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## UnionsWA submissions on the 2020 state wage order

- *In reply to other submissions*
- *On the relevance and utility of the Centre for Future Work Submission to the FWC Annual Wage Review 2019-20*

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

## Western Australian Industrial Relations Commission

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## **1. Submission in reply**

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- 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%**.
- 1.3. UnionsWA notes the following positions on quantum made by section 50 parties and other interested stakeholders:
  - Western Australian Government (**the Minister**)
  - Chamber of Commerce and Industry of WA (**CCIWA**)
  - WA Council of Social Service Inc (**WACOSS**)
  - Professor Alison Preston, UWA Business School
- 1.4. The submission below is the UnionsWA response to issues raised in these submissions, as well as other matters raised by the Commission.

## **2. Public Submission – Professor Alison Preston, UWA Business School**

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- 2.1. In the concluding section of her submission, Professor Preston makes the following points about recovering from the COVID-19 pandemic

*In the recovery phase interventions will be required to minimise the scarring effect of time spent unemployed and to create opportunities for youth, in particular. Failure to attend to the labour market challenges facing young people will have unimaginable long-term economic costs. It is beyond the scope of this review to consider what these measures might be but it behoves governments and employers to ensure that young people are supported into work and that their investments in education and training pay off, not just in terms of suitable employment but also with respect to career paths and fair remuneration.*
- 2.2. Having investments in education and training pay off for young workers requires there to be a situation in the labour market in which wages are rising with people's aspirations. The scarring effect of time spent unemployed of is not remedied by simply 'having a job' if that job has no prospect of lifting future living standards.
- 2.3. In previous submissions, UnionsWA has referred to the work of Professor Peter Whiteford of the Social Policy Research Centre. He has argued that Australia has the lowest level of 'in-work poverty' among families with children in the OECD precisely because we have been willing to pay relatively high minimum wages.<sup>1</sup> These minimum wage rates complement, rather than compete with, the tax-transfer system. His research found that:

*The combination of Australia's relatively high minimum wages and targeted family benefits also reduces child poverty among working families by more than any other country ... We have a system which is both generous to families and in which it pays to work.*

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<sup>1</sup> Whiteford, Peter, 'Transfer Issues and Directions for Reform: Australian Transfer Policy in Comparative Perspective', *Melbourne Institute – Australia's Future Tax and Transfer Policy Conference* (June 2009) (p.57) [http://taxreview.treasury.gov.au/content/html/conference/downloads/conference\\_report/03\\_afts\\_tax\\_and\\_transfer\\_policy\\_conference\\_chap\\_3.pdf](http://taxreview.treasury.gov.au/content/html/conference/downloads/conference_report/03_afts_tax_and_transfer_policy_conference_chap_3.pdf)

- 2.4. The benefits of having work that pays are inseparable from having work at all, otherwise employees are subsidising employers – to the worker’s detriment. Research by Butterworth et.al. found that jobs with poor attributes were no better, and may have worse effects on mental health, than unemployment. They argue that

*... an employment continuum which contrasted unemployment with different employment categories including optimal jobs, inadequate jobs, jobs with poor psychosocial conditions (low decision latitude, high job demands, low social support) and jobs with low pay or few benefits. While unemployment and inadequate jobs (salary below the poverty line) were associated with significantly greater levels of depression than optimal jobs, so too were poor quality jobs that combined adverse psychosocial conditions.*

Their study found that moving from unemployment to a job with poor psychosocial quality was associated with a significant decline in mental health relative to remaining unemployed.<sup>2</sup>

- 2.5. Meanwhile, a study by Du and Leigh found that raising minimum wages can have positive effects on the health of low-wage workers and their families. They found that

*... increases in real minimum wages resulted in decreases in all absenteeism and absenteeism due to own illness, and that these health benefits can accrue to low-wage adults, not just teenagers. These effects are likely not due to changes in labor supply or job-related attributes. Instead, we find a possible mechanism: higher minimum wages improve self-reported health for lower educated workers.<sup>3</sup>*

- 2.6. The Commission should award a real and substantial increase to the WA minimum wage, in keeping with considerations in section 50A(30)(a)(i)-(iv)

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

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

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

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

Having work that pays and is worth doing, not only meets the needs of the low paid, and improves their living standards – it also ensures fairness within the living standards of the WA community as a whole. Not only in terms of wages, but also in terms of psychosocial health.

### **3. Submission – Western Australian Council of Social Service**

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- 3.1. UnionsWA calls attention to page 6 of the Western Australian Council of Social Service (WACOSS) submission which states the following in relation to measures of the Cost of Living:

*While a valuable indicator, CPI is fundamentally a measure of the changes in the prices of a fixed basket of goods and services, rather than changes in the minimum expenditure needed to maintain a certain standard of living. As a result, there are inherent limitations in using CPI and inflation measures alone to draw inferences about the real living cost pressures*

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<sup>2</sup> P Butterworth, L S Leach, L Strazdins, S C Olesen, B Rodgers, D H Broom, ‘The psychosocial quality of work determines whether employment has benefits for mental health: results from a longitudinal national household panel survey’, *Occup Environ Med* 2011;68, pp.806-812, <http://oem.bmj.com/content/68/11/806>

<sup>3</sup> Juan Du and J. Paul Leigh, ‘Effects of Minimum Wages on Absence from Work Due to Illness’ (November 13, 2017). Available at SSRN: <https://ssrn.com/abstract=3071132> or <http://dx.doi.org/10.2139/ssrn.3071132>

*faced by low-income households. It is for this reason that WACOSS developed the methodology and household models that it uses in its annual Cost of Living in WA reports, with a focus on a range of other important data sources as well, in our cost of living research and in this submission.*

- 3.2. The WACOSS submission includes information on ‘wage-only’ households who accessed financial counselling in 2019 (pages 30-31), in which they find that

*... these households can be seen to be spending less on health, education, and clothing, both in dollar terms and as a proportion of their general expenditure than the other households accessing financial counselling. A higher percentage of their expenditure is going towards covering food and transport. These households are on average spending \$207.36 more than the income they are bringing each fortnight. Excluding debt payments, they have only \$164.51 on average at the end of each fortnight after meeting their living expenses.*

- 3.3. They conclude that

*It is important we recognise that it costs us all more as a community when households on low incomes or in financial trouble cut back on their access to primary health care, the quality of their food and nutrition, and their recreational activities.*

- 3.4. In considering whether CPI Inflation is a proper measure of the cost of living, or whether other measures would be better, the Commission should place great weight on information provided by WACOSS. It is important that the Commission not simply use measures of the cost of living as a crude metric for a pay increase, because Section 50A(3)(a)(iv) calls for state wage considerations to

*... contribute to improved living standards for employees*

- 3.5. It is not enough to say that employees are doing alright simply because they have money left over at the end of a fortnight. There must be the prospect of an improvement in living standards from what they have previously been.

- 3.6. The Commission should also consider the point WACOSS goes onto make about low incomes, specifically that they can lead to

*... higher rates of chronic disease, greater demands on our hospitals and tertiary care systems, reduced productivity and life expectancy.*

- 3.7. The considerations in section 50A(3)(b) are

*... 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*

WACOSS shows that a minimum wage decision that results in low incomes staying low will negatively impact productivity in WA, as well as increase costs in the economy generally through pressure on health and care systems.

#### **4. Submission – Chamber of Commerce and Industry WA**

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- 4.1. On page 3 of its submission, the Chamber of Commerce and Industry WA (CCIWA) says it is *... encouraging the Western Australian Industrial Relations Commission (the Commission) to maintain the State Minimum Wage (SMW) and award rates of pay at their current levels.*

- 4.2. The Commission has stated in previous State Wage Case decisions that it is required to take an evaluative and balancing approach between competing considerations (see para 209 of 2019 decision).

Having *no* increase in the Minimum Wage and weekly rates of pay in 2020 would involve disregarding the considerations in section 50A(30)(a)(i)-(iv) altogether

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

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

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

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

The claim by the CCIWA should therefore be given no consideration.

- 4.3. On pages 13 to 19 of its submission, the CCIWA provides the results from its March quarter WA Super – CCIWA Business Confidence Survey (*Business Confidence Survey*), concerning the prospects of a worsening economy.
- 4.4. UnionsWA submits that the value of such a survey to the Commission’s decision is limited and should not take precedence over the data from sources such as the ABS or other government agencies.
- 4.5. The Fair Work Commission has considered the value of such surveys in the national wage case and has found them wanting. In its 2013 Decision it said
- A valuable step in assessing the representativeness of the respondents is to check the answers against other data that is known to be reliable, such as those from the ABS, where possible.*<sup>4</sup>
- 4.6. The Commonwealth Department of Education, Skills and Employment is currently conducting a survey of businesses across Australia to assess the impact of the COVID-19 pandemic. In the weeks leading up to 8 May, it found that business confidence was improving in response to positive health outcomes, implementation of government assistance, and the easing of restrictions.
- 4.7. In particular, they found that the proportion of small and medium/large businesses expecting to increase staff numbers had increased steadily.<sup>5</sup>

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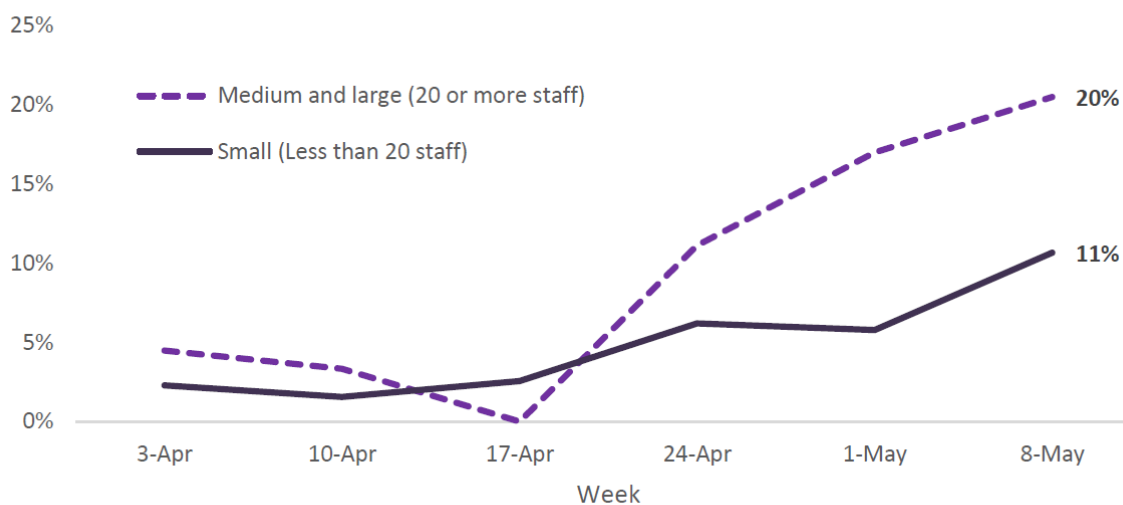
<sup>4</sup> FWC Decision Annual Wage Review 2012–13 (para 441-2)

<https://www.fwc.gov.au/documents/sites/wagereview2013/decisions/2013fwcfb4000.pdf>

<sup>5</sup> Impacts of COVID-19 on Businesses (18 May 2020)

<https://lmip.gov.au/default.aspx?LMIP/Gaininsights/COVIDInformation/ResearchandInsights>

Businesses expecting to increase staff - by business size



4.8. In subsequent surveys leading up to 15 May, it has also found that<sup>6</sup>

- *Expectations of increased staffing levels continue to rise in response to positive health outcomes, implementation of government assistance and the gradual easing of restrictions.*
- *Since the two weeks ending 17 April, the proportion of businesses expecting to increase staff in the coming months has been steadily increasing, and in the week ending 15 May stood at 17 per cent, the highest it has been since the week ending 13 March.*
- *Conversely, the proportion of businesses expecting to decrease staff numbers in the coming months remains low (5 per cent in the week ending 15 May), having declined significantly from a peak of 28 per cent in the week ending 3 April.*

4.9. The Commission, when assessing the considerations in section 50A(30)(b)-(d)

*(b) 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; and*

*(c) to the extent that it is relevant, the state of the national economy; and*

*(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;*

Should place more value on surveys from sources such as the Department, rather than Business Surveys from employer groups.

## **5. Submission – Minister for Industrial Relations**

5.1. Page 4, para 9 of the Minister’s Submission includes the following information:

<sup>6</sup> Impacts of COVID-19 on Businesses - update on future staffing expectations (26 May 2020) <https://lmip.gov.au/default.aspx?LMIP/Gaininsights/COVIDInformation/ResearchandInsights>

On 16 March 2020, the Western Australian Government announced a \$607 million stimulus package, including a minimum 12-month freeze on household fees and charges such as electricity, water, motor vehicle charges, emergency services levy and public transport fares. A series of further initiatives have since been announced by the Western Australian Government, including:

- initiatives to assist individuals facing financial hardship;
- measures to assist residential and commercial tenants and landlords;
- payroll tax relief, grants and energy credits for small businesses;
- fee and rent waivers for business;
- land tax assistance for landlords;
- financial relief for the on-demand transport industry;
- additional resources for the health system, including influenza vaccinations;
- recruiting additional police officers and expanding police resources;
- assistance for people with a disability; and
- measures to protect against family violence.

5.2. UnionsWA also notes that 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. These are industries which are represented in the lists of state private sector awards which are on page 24 of the Minister Submission:

**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

**Table 12 – Top 10 most frequently discussed awards in calls to Wageline<sup>31</sup>**

Rank	Award
1	Building Trades (Construction) Award 1987
2	Restaurant, Tearoom and Catering Workers' Award
3	Hairdressers Award 1989
4	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
5	Metal Trades (General) Award
6	Clerks (Commercial, Social and Professional Services) Award
7	Farm Employees' Award 1985
8	Transport Workers (General) Award
9	Contract Cleaners Award 1986
10	Cleaners and Caretakers Award 1969

5.3. The Minister's Submission also notes that

*On 14 April 2020, the WAIRC issued the COVID-19 General Order on its own motion following extensive input from Department of Mines, Industry Regulation and Safety (DMIRS) Private Sector Labour Relations division (PSLR), representing the Minister, UnionsWA, and the Chamber of Commerce and Industry of WA (CCIWA).*

Other measures in WA include new stand down powers in the state industrial relations system in order to facilitate access to the Commonwealth's JobKeeper Scheme.

5.4. The Commission, when assessing the consideration section 50A(30)(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;*

Should give weight to the consideration that many WA businesses have benefitted from government support during COVID-19, and look to benefit from the reopening of the economy in the very near future.

## **6. Centre for Future Work Submission to the FWC Annual Wage Review 2019-20**

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6.1. On pages 8 to 10 of the Centre for Future Work (CFW) Submission to this year's the Annual Wage Review, UnionsWA notes its sections referring to:

- *The Growing importance of the Annual Wage Review in Australian Wages Growth*
- *Changing Seasonal Patterns in the WPI*

6.2. The CFW points out that:

*The annual adjustments to the national minimum wage, and flow-through increases to Modern Awards wage rates, have become increasingly important in influencing and supporting the overall level of wage growth in Australia's economy. This is confirmed in our submission by an analysis of several pieces of empirical data ...*

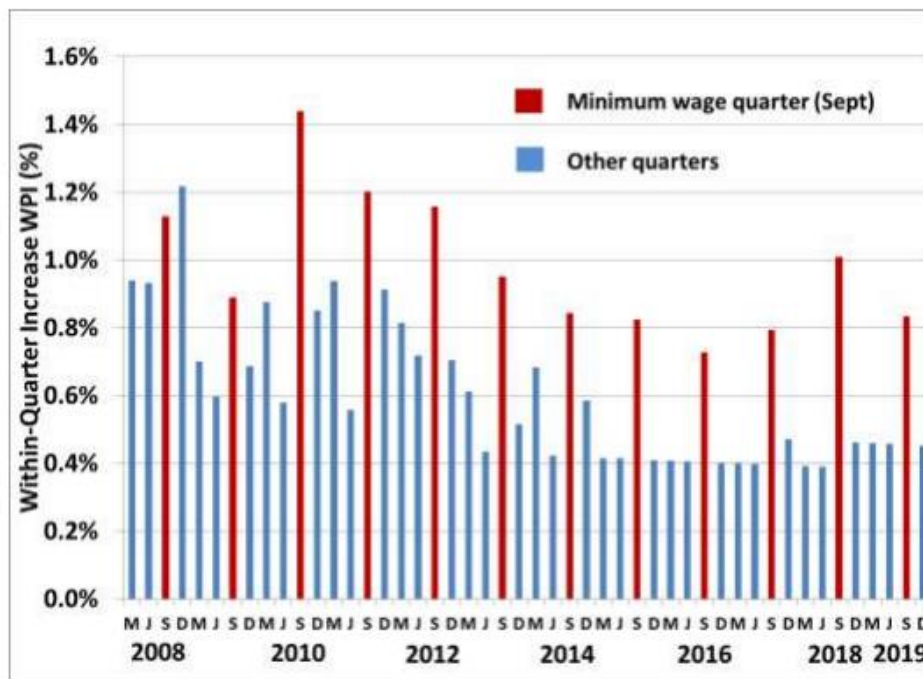
6.3. The CFW goes onto cite ABS figures for the Wage Price Index (WPI), which show

*There is a strong seasonal pattern in the WPI arising from the concentration of wage increases around 1 July (the beginning of each financial year). Thus the original (unadjusted) WPI series regularly shows a large jump in the September quarter (the quarter which includes July 1). Changes in the national minimum wage also come into effect on 1 July, and this further accentuates that seasonal spike in wage growth.*

The submission then refers to the following chart:



Figure 4. Seasonal Pattern of WPI Increases



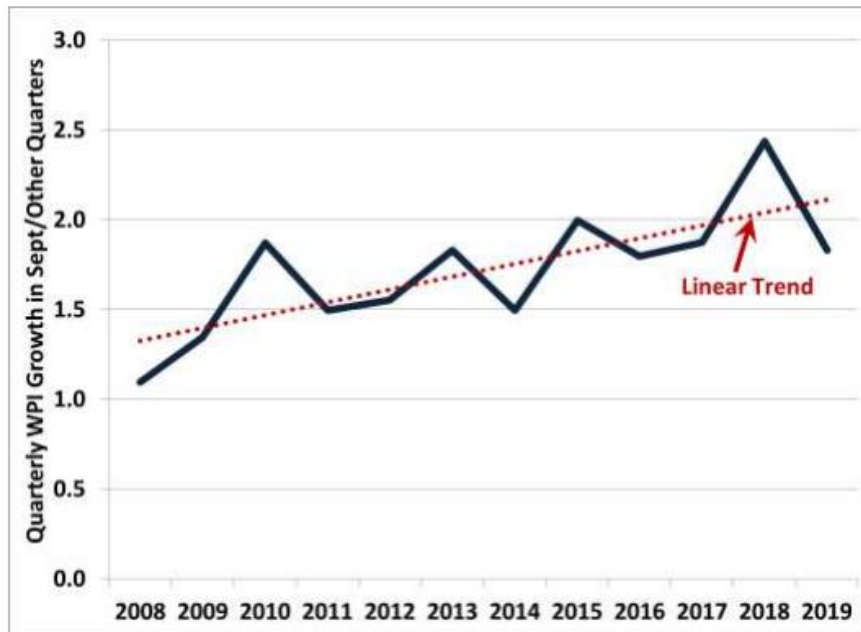
Source: Author's calculations from ABS Catalogue 6345.0; unadjusted data.

6.4. CFW argues this chart indicates the importance to wages growth of annual wage adjustments in the national minimum wage, and in Modern Awards, which also occur on 1 July. They go onto observe that:

*It is also clear that the relative gap between wage growth in the September quarter, and other quarters of the year, has increased in recent years. As visible in Figure 4, the highlighted 'red' bars (when the national minimum wage was raised, and corresponding adjustments made to Modern Awards) are more prominently raised above the pattern set in other quarters of the year.*

6.5. The importance of these of the September quarter adjustments can be seen in the CFW's next chart 'which plots (over the same 12-year period) the ratio of recorded wage growth in the September quarter, to the average of wage growth in the other quarters'.

Figure 5. September Quarter Wage Growth Premium

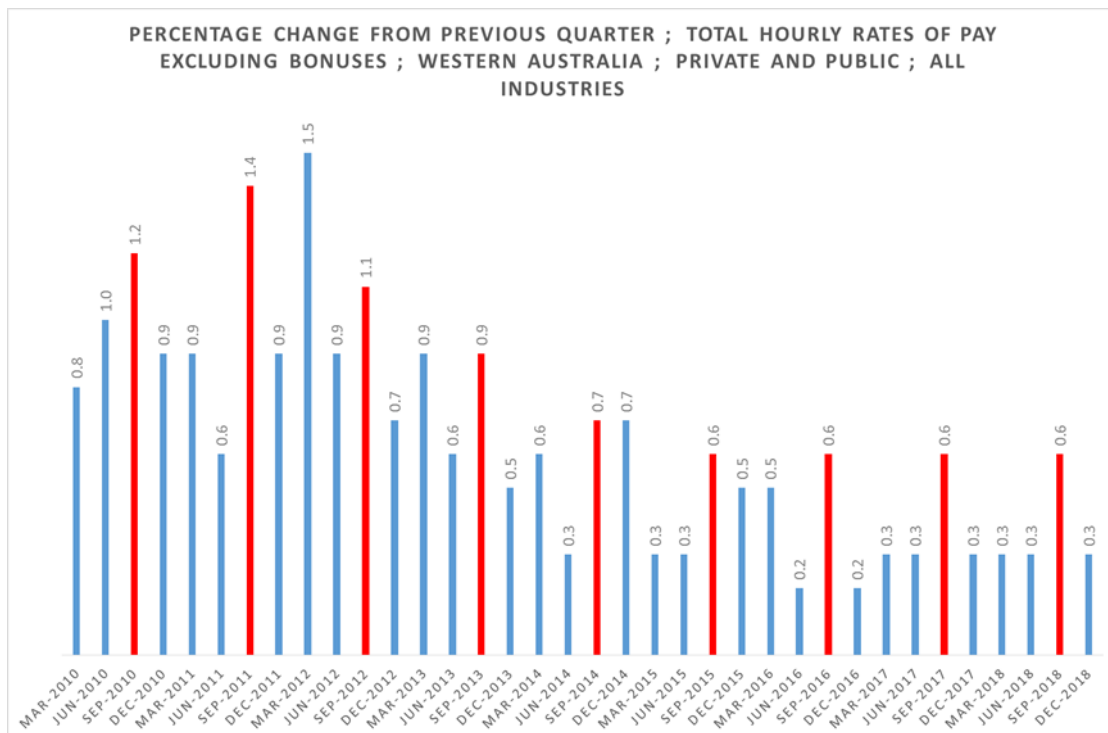


Source: Author's calculations from ABS Catalogue 6345.0 as explained in text.

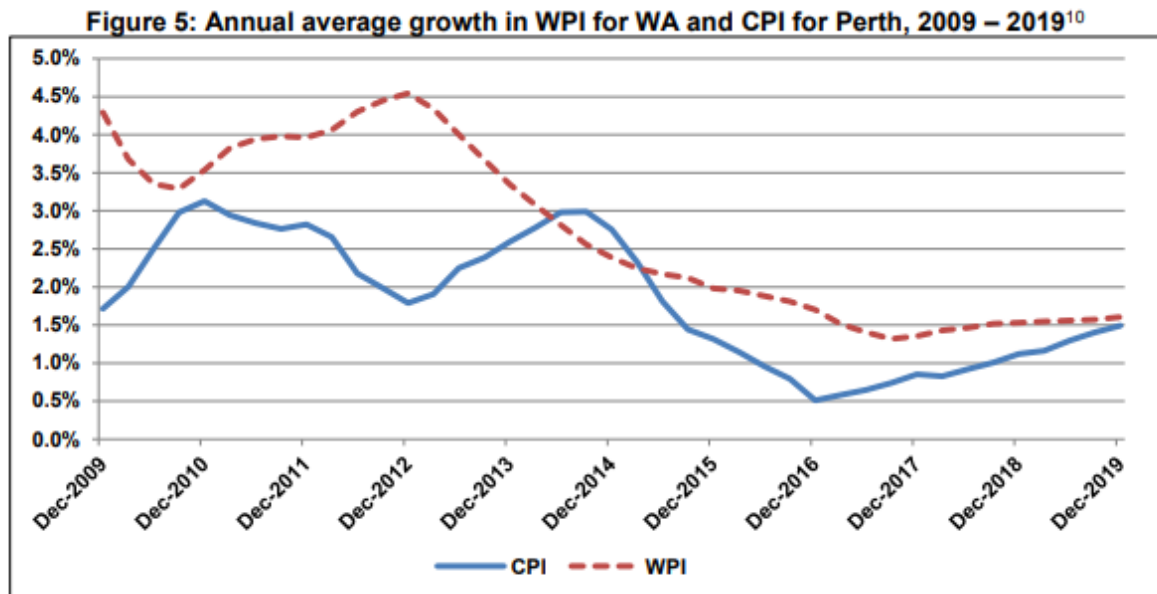
6.6. The CFW argues that:

*Since 2015 the premium has averaged 2.0 (and peaked at almost 2.5 in 2018, coincident with the strong 3.5% increase in the minimum wage implemented that year). In other words, since 2015, unadjusted wage growth recorded in the quarter that includes the annual wage review adjustments has been twice as strong as wage growth at all other times of the year.*

6.7. In its Submission in Reply to the 2019 State Wage Case, UnionsWA produced the following Chart regarding the similarly timed WPI increases for Western Australia.



- 6.8. While these results do not disaggregate state and national minimum wage decisions, they should be considered in the light of the low wage growth in WA, and the convergence between WPI and CPI noted in the Minister’s submission in their Figure 5.



- 6.9. The CFW submission makes the point that there is a ‘growing relative importance of those annual wage review adjustments to the overall pattern of wage growth across the labour market.’ This observation is also relevant for the WA context, given that we have a state minimum wage that potentially impacts award workers in the awards in the hospitality, retail, building trades, hairdressing, metal trades, transport, cleaning, clerical and agricultural sectors, as well as many award free workers.
- 6.10. This makes the CFW submission both relevant and useful for the Commission’s considerations in the light of Section 50A(3)(a)(iv)
- ... contribute to improved living standards for employees
- 6.11. We would also draw your attention to page 18 of the CFW submission which states
- Wage increases so close to zero, at a moment of immense macroeconomic instability, pose a clear and present danger to the ability of Australia’s economy to negotiate the challenging months and years ahead. One of the greatest risks of a severe economic downturn is deflation: that is, a generalised fall in nominal price levels. Deflation causes consumers to further defer purchases (as they await even lower prices in the future); it causes the real burden of debts to explode; and it wreaks havoc with investment expectations and intentions. Deflation is typically associated with depression – and Australia already enters this downturn perilously close to it.*
- 6.12. This is also relevant and useful for the Commission’s considerations in the light of Section 50A(3)(b)
- ... 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

Declining to increase the minimum wage in WA, or only increasing it by a small amount, runs the risk of actively encouraging deflation in the current WA economy.

## 7. Conclusion

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7.1. 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.