



2021 State Wage Case

Chamber of Commerce and Industry WA
Submission in Reply

18 May 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 2021

2021 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.
2. In summary, CCIWA submits that:
 - 2.1. The Minister and UnionsWA recognise that the COVID-19 pandemic continues to impact on WA employers and employees, with many award reliant sectors being the most affected by COVID-19 lockdowns and restrictions;
 - 2.2. Despite this, UnionsWA and WACOSS are seeking pay increases significantly higher than their national counterparts, which would result in the gap between the state and national minimum wage further increasing;
 - 2.3. The positions taken by the Minister, UnionsWA and WACOSS fails to recognise that small businesses covered by the state industrial relations system (**state system**) are already hampered by a higher minimum wage than their generally larger competitors covered by the national system;
 - 2.4. There is no rationale for the increase sought by UnionsWA and WACOSS. In an environment of low underlying inflation, low wage growth and labour market uncertainty the claims pose a risk to jobs and working hours of small business employees;
 - 2.5. The increase sought by the Minister is based on the maximum increase available under the Government's public sector wages policy. The position fails to recognise the significant difference in the capacity for WA's largest employer to increase wages compared to a small unincorporated businesses covered by the state system.

Minister's submission

3. The Minister is seeking a flat \$19.20 per week increase to the State Minimum Wage (**SMW**) and relevant award rates of pay. This equates to a 2.53 per cent increase to the SMW.
4. The increase sought by the Minister reflects the WA Government's wages policy which limits pay increases for public servants negotiated through industrial agreements to a maximum of \$1,000 per annum, equating to \$19.23 per week.¹ Based on the adult rates of pay prescribed in the *Public Sector CSA Agreement 2019* this policy equates to a maximum increase of between 0.49 to 1.89 per cent dependent upon the employee's classification.²
5. The apparent rationale for this position is that the maximum increase that can be afforded by the State's largest employer through enterprise bargaining is an appropriate basis to determine an increase to the award safety net applying to WA's smallest businesses. Clearly there is a significant difference in the capacity for the Government to increase wages for its employees when compared to small unincorporated businesses.
6. The Minister's submission argues that its position represents a fair and sustainable increase, whilst not jeopardising the State's ongoing recovery from the impact of the COVID-19 pandemic.
7. In making this statement, the Minister's submission also identifies that the performance of the WA economy has been driven by the mining and construction sectors. However, these industries are largely unaffected by SWC decision. What the Minister's submission appears to ignore is the impact of the claim on businesses covered by the state system.
8. The claim does not consider the challenges faced by the award reliant industries which have been disproportionately affected by COVID-19 restrictions.

WA Economy and Labour Market

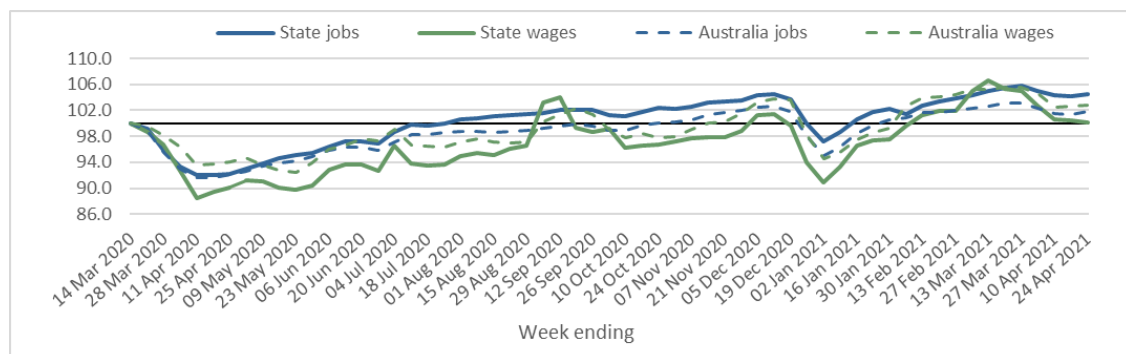
9. The Minister recognises that the WA economy has been significantly impacted by the COVID-19 pandemic and that the improvement since June 2020 has been driven by the strength of the mining sector, as well as record levels of government stimulus.

¹ Department of Mines, Industry Regulation and Safety (July 2019) *Public Sector Wages Policy Statement 2019*.

² 2019 WAIRC 00787. Based on the June 2020 rates for Class 4 (\$202,869) and Grade 1.1 (\$52,930) as prescribed in Schedule 2 – General Division Salaries.

10. The submission also identifies that “some sectors continue to be affected by measures introduced to contain the spread of COVID-19” and that “minimum and award wages are widely used in some of those industries.”³
11. Despite this, the submission downplays the impact of the recent lockdowns on these businesses, citing that its limited impact on major export sectors has minimised their projected impact on Gross State Product (**GSP**).⁴
12. As identified in paragraphs 31 to 46 of our initial submission, the lockdown and subsequent restrictions that occurred in January/February 2021 and April 2021 are more than just a blip in the GSP for the businesses and workers most affected.
13. The risk associated with further restrictions is highlighted in paragraph 35 of the Minister’s submission, which shows the spike in underemployment in February 2021 as a result of the five-day lockdown. This reinforces the precarious nature of the recent recovery in employment, as does the growth in part time jobs whilst full-time roles have declined.
14. The Minister’s submission also references the ABS weekly payroll jobs and wages data. Since the filing of initial submissions, the ABS has published data for the week ending 24 April 2021. The following graph shows the impact that the pandemic has had on the number of payroll jobs and total wages paid since March 2020, with continued ongoing fluctuations.

Graph 1 - Indexed number of payroll jobs and total wages, Western Australia and Australia⁵



15. This report also considers the national change in payroll jobs and total wages by industry. As shown in the following graph, payroll jobs and total wages for award reliant industries most affected by the pandemic remain below the levels recorded on 14 March 2020. The number of payroll jobs has fallen by 1.1 per cent for retail trade, 10.3 per cent for the food and accommodation services industry, and 1.5 per cent for arts and recreational services.

³ Minister Submission, para 9

⁴ Minister Submission, para 19.

⁵ ABS (11 May 2021) [Weekly Payroll Jobs and Wages in Australia](#)

Table 1 - Number of payroll jobs and total wages, percentage change by industry – Australia.

	Payroll jobs		Total wages (b)	
	Change between 10 Apr 2021 and 24 Apr 2021 (a)	Change between 14 Mar 2020 and 24 Apr 2021	Change between 10 Apr 2021 and 24 Apr 2021 (a)	Change between 14 Mar 2020 and 24 Apr 2021
Agriculture, forestry and fishing	-1.4%	-2.3%	-0.2%	4.0%
Mining	0.7%	1.1%	-0.8%	-16.6%
Manufacturing	0.6%	-2.1%	1.3%	-2.4%
Electricity, gas, water and waste services	1.0%	3.2%	0.4%	-1.5%
Construction	0.6%	-0.5%	1.3%	-0.3%
Wholesale trade	0.8%	-1.6%	0.0%	-2.9%
Retail trade	0.4%	-1.1%	-3.6%	0.9%
Accommodation and food services	0.8%	-10.3%	-2.7%	-5.9%
Transport, postal and warehousing	1.1%	-6.8%	-0.5%	-5.8%
Information media and telecommunications	2.2%	-6.7%	1.3%	1.2%
Financial and insurance services	1.1%	7.7%	1.2%	0.4%
Rental, hiring and real estate services	0.2%	-0.9%	-0.3%	3.5%
Professional, scientific and technical services	0.8%	1.6%	1.8%	4.0%
Administrative and support services	0.6%	2.0%	3.6%	6.1%
Public administration and safety	0.0%	10.3%	0.6%	8.0%
Education and training	0.4%	-1.7%	0.3%	-0.1%
Health care and social assistance	-0.4%	4.9%	-0.8%	9.1%
Arts and recreation services	0.4%	-1.5%	-0.8%	0.9%
Other services	-0.5%	-1.1%	0.1%	6.3%
All industries	0.4%	1.9%	0.3%	2.8%

a. Care should be exercised when focusing on the most recent movements in payroll jobs and wages. For more information, please see [Data limitations and revisions](#).

b. Wages estimates in some industries may include seasonal bonuses. For more information, refer to the seasonality section of [Data limitations and revisions](#).

16. The Minister has also identified that there has been significant volatility in CPI as a result of the impact of various government initiatives, which have had both a downwards and upwards impact on inflation.⁶

⁶ Minister Submission – Attachment A, p11.

17. The Minister has raised particular concern regarding the impact of the \$600 household electricity credit ending and asks the Commission to consider its forecasts for CPI excluding the electricity sub-index.⁷ The submission is asking the Commission to treat inflation for the year to March 2021 as being 1.5 per cent, despite the ABS recording only 1.0 per cent growth in inflation for Perth during this period.
18. This approach ignores that there are other factors which have put both upwards and downwards pressure on CPI. The Commission's previously expressed concerns regarding the unpacking of CPI remain true and as such preference should be given to the level of inflation reported by the ABS.

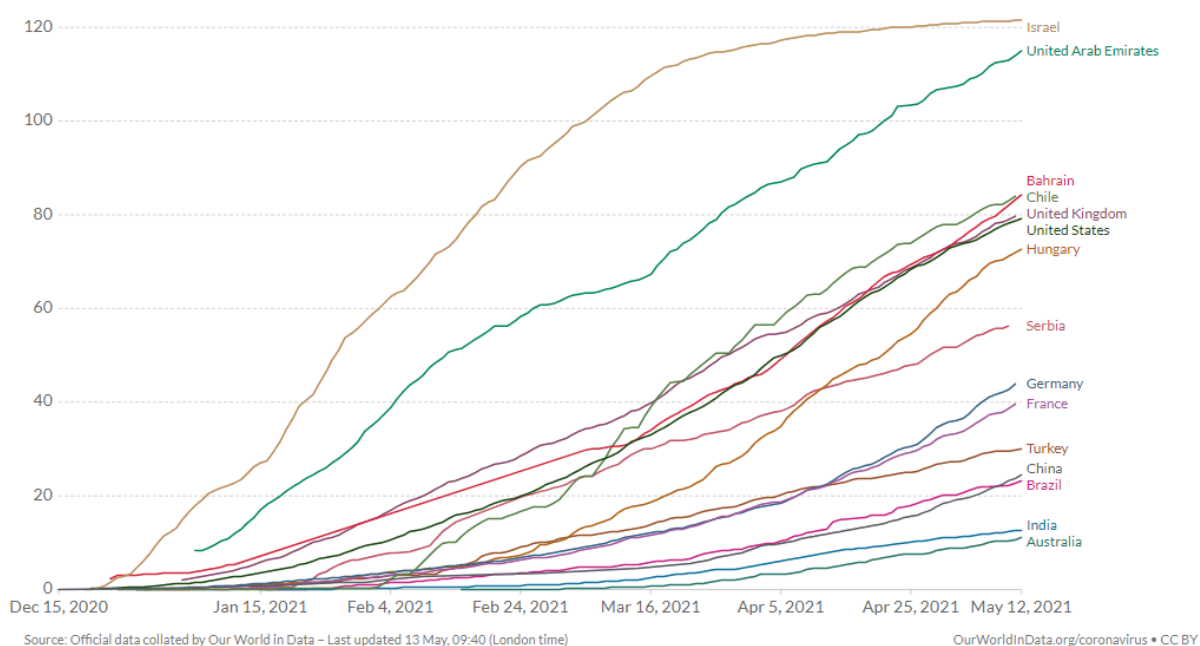
Risks to the WA economy

19. Attachment A of the Minister's submission briefly outlines potential global and domestic risks to the WA economy.
20. In particular it highlights:
 - 20.1. The dominant role played by the mining sector, meaning that the state is highly susceptible to fluctuations in commodity prices along with shifts in demand and supply; and
 - 20.2. That we continue to operate in the midst of a global pandemic. As the recent lockdowns and restrictions have shown, WA is not immune from the risks of the pandemic.
21. The submission also identifies that the International Monetary Fund has revised its predicted growth for the global economy upwards by 0.5 percentage points to reflect the combined impact of policy stimulus and the effective rollout of the vaccine in some larger economies. With respect to current situation in Australia:
 - 21.1. Whilst support measures by the Federal and State Government have had a significant positive impact on minimising employment losses, these programs have largely concluded or are scheduled to conclude. Consequently, businesses will be left to weather the storm of existing and future restrictions with limited support; and
 - 21.2. The rollout of the vaccine in Australia has been hampered by a number of factors, leaving the country further exposed to the potential for further breakouts and delaying the further relaxing of restrictions.

⁷ Minister Submission, para 38 and 39

22. As shown in the graph below, Australia lags behind many other countries in terms of the number of vaccine doses delivered, with 11.03 vaccination per 100 persons. By comparison, Israel has the highest vaccination rate of 121.54 vaccination per 100 persons⁸, the UK sits at 79.78, USA is 79.14, Canada has achieved 44.79 and China at 23.81.

Graph 2 – COVID-19 vaccine doses administer per 100 people – as at 12 May 2021⁹



Equal Remuneration

23. The Minister has identified that based on average weekly ordinary time earnings, the Gender pay gap increased between November 2019 to November 2020 by 0.5 percentage points.
24. In last year’s SWC decision the Commission concluded that the “COVID-19 pandemic has had a disproportionately greater impact on the employment prospects of female employees. This appears to correlate with the greater proportion of female employment in the service-based sectors such as hospitality and food services and other service industries”.¹⁰
25. This remains the case, with the industries with a higher proportion of female employees remaining the most affected by government restrictions. Given the impact upon these businesses, increases to award rates of pay are more likely to

⁸ Noting that most vaccines require two doses.

⁹ Our World Data (13 May 2021) [COVID-19 vaccine doses administer per 100 people](https://ourworldindata.org/coronavirus)

¹⁰ 2020 WAIRC 00361 at 146

have a negative impact of working hours, further disadvantaging award reliant employees.

Operating conditions for WA businesses

26. In considering the operating conditions for WA businesses, the Minister has provided information relating to gross operating surplus plus gross mixed income for the 2019-20 financial year.
27. It is important to note that this data takes into account the nine months of the 2019-20 financial year prior to the COVID-19 pandemic with the impact of increased restrictions largely limited to the final quarter of the year.
28. It is also important to note that this data does not take into consideration the size of an organisation or its potential to be impacted by the SWC. As identified in paragraph 89 of CCIWA's initial submission, there is significant divergence between the profitability of incorporated and unincorporated businesses. Over the past five years, in real terms:
 - 28.1. total business gross operating profits have increased by 8.4 per cent per year on average; and
 - 28.2. total unincorporated business gross operating profits have increased by only 1.5 per cent per year on average.

Fairness, living standards and the needs of the low paid

29. The Minister has identified that it is important to ensure that the SMW and minimum award wages affords employees with dignity and security.
30. However, the submission does not identify:
 - 30.1. Why the current safety net does not achieve that objective; or
 - 30.2. How the proposed increase will achieve it.
31. The submission does not provide any justification for how a \$19.20 per week increase to the SMW and award rates of pay will meet the needs of the low paid.
32. Rather, we are concerned that an increase which greatly exceeds inflation and average wage growth will reduce the job security of award reliant employees.

Employees unable to bargain

33. The Minister's submission identified that industrial agreements are utilised by a limited number of sectors, and that smaller unincorporated businesses in the retail and hospitality sectors are not using industrial agreements at present.
34. A significant contributor to this outcome is that the state system does not provide an agreement making option that is appropriate for small businesses. This is a matter that the Government could address through reforms to the industrial relations system.
35. The Commission should not be asked to penalise employers because the industrial relations framework does not provide for a system of agreement making that allows small businesses and their workers negotiate improved wage outcome in exchange for terms and conditions of employment that reflect the need of the enterprise.

Additional Matters

36. CCIWA does not object to the Minister's:
 - 36.1. proposal for the inclusion of a rate of pay for two-year apprenticeships; or
 - 36.2. revised industry/skill list.

UnionsWA submission

37. UnionsWA is seeking an increase to the SMW and award rates of pay of 4 per cent or \$30.40 per week, whichever is the greater.
38. We note that a 4 per cent increase to the SMW equates to a \$30.40 per week. It is therefore unclear why UnionsWA have framed the claim in this manner, and it is incumbent upon them to clearly articulate their intent in doing so.
39. This claim is higher than the 3.5 per cent increase sought by the Australian Council of Trade Unions (**ACTU**) as part of the Fair Work Commission's 2020/21 Annual Wage Review (**AWR**).
40. UnionsWA does not identify the basis for how they have arrived at their proposed increase, which can at best be categorised as an ambit claim. This claim would ultimately disadvantage the small businesses employees, with fewer working hours and less job opportunities.

State of the WA economy

41. UnionsWA contends that given the improvement in the economy since the commencement of the COVID-19 pandemic there should be a substantial increase in minimum wages.
42. This position fails to take into consideration that recent growth in the WA economy followed a sudden and sharp decline which has left the State's economic activity remaining below the levels expected prior to the pandemic.
43. It also ignores that the rebound is largely due to the success of the mining sector (which now accounts for 43 per cent of the WA economy) and significant levels of government stimulus. The growth in the economy is not uniform, with many award reliant industries still struggling as a result of the impact of COVID-19 restrictions.
44. This view is reinforced by the Reserve Bank of Australia (**RBA**), which has identified that *"recovery is expected to remain uneven"*.¹¹
45. UnionsWA has picked up on the RBA's view that increase in consumption would assist in reducing unemployment and increasing wage growth. However, it is important to note that it is the RBA's view that increased consumption will help drive wage growth through lower unemployment. The RBA is not suggesting that arbitrated wage outcomes be the source of increased consumption. Rather, government stimulus continues to play a significant part in increasing consumption levels by promoting growth in employment and increased spending in targeted areas.
46. With respect to the issue of wage freezes, the RBA has identified that:
*"Information from the Bank's business liaison program indicates that more temporary wage cuts have been unwound since December. However, wage freezes remain fairly widespread across industries, with over a quarter of firms in the Bank's business liaison program reporting that a freeze was in place in April. The near-term outlook has strengthened a little, though, with fewer firms expecting to have wage freezes in place in coming months. Consistent with this, more firms also report expecting stronger wages growth in the year ahead."*¹²
47. As a result of the ongoing impact of the pandemic, it is clear that a sizable proportion of businesses still have wage freezes in place, but that will ease off as economic conditions improve. This is an expected outcome to sudden economic crisis, with cost control measures easing as economic conditions improve. However, the high proportion of businesses which continue to implement wage

¹¹ RBA (2021) *Statement of Monetary Policy – May 2021*, p1

¹² Ibid, p69. Reference to specific graphs has been removed

restraint is a clear indication that for many sectors trading conditions remain difficult.

48. UnionsWA also contends that the RBA is mistaken in its conclusions regarding the limited impact of wage case decisions on average wage growth. UnionsWA proposes that it is because the amounts granted through the SWC and AWR have been too small. UnionsWA provides no evidence to support this contention. Preference should therefore be given to the RBA's considered analysis that the impact of wage case decisions is determined by number of employees affected by these decisions, and the greater role CPI currently has in influencing wage outcomes:

"The share of wage rises between 2–3 per cent has increased to now account for almost half of all wage changes. This may indicate some degree of anchoring to CPI outcomes and/or the Bank's inflation target. Decisions by the Fair Work Commission, which sets awards and minimum wage outcomes, are heavily influenced by the CPI. A little over 20 per cent of employees have their pay determined directly by awards, and it is estimated pay outcomes for a further 10–15 per cent of employees (covered by either enterprise agreements or individual contracts) are indirectly influenced by awards. Information from the Department of Employment's EBA database suggests around 7 per cent of employees covered by EBAs have wage outcomes linked to the CPI, while two-fifths of a selection of firms in the Bank's liaison program indicated the CPI was a primary determinant of wage-setting. Furthermore, survey evidence from unions also suggests that inflation outcomes and expectations are an important consideration. This evidence suggests the indexing or anchoring of wage outcomes to CPI may be an important dynamic in explaining current wage outcomes."¹³

49. We note that the graph produced at paragraph 3.13 of UnionsWA submission has not been updated to reflect the available data from 2020 and as such may not reflect current circumstances.

Needs of the low paid

50. UnionsWA claims that there can be no dispute that the Australian economy is currently expanding. This is not accurate. The economy is currently recovering from the significant economic shock caused by the COVID-19 pandemic which continues to negatively impact many award reliant industries through ongoing restrictions.
51. The ABS's weekly payroll and jobs data demonstrates that there continues to be significant variations in both the number of payroll jobs and total wages paid. The graph at paragraph 4.4 of the UnionsWA submission shows that, both nationally and in WA, the number of payroll jobs within small and medium sized enterprises

¹³ RBA (2017) [Insights into Low Wage Growth in Australia](#), pp18-19. Reference to specific graphs has been removed

(SME) has been subject to significant levels of variation. In WA, the number of payroll jobs within SMEs noticeably dropped during the January/February lockdown and have been falling sharply since 27 March 2021. By comparison, payroll jobs for large employers have been far less volatile.

52. In considering the total wages data, it should be noted that this refers to the “total value of wages for the week” and is based on the “sum of all daily rates for all jobs for the week”.¹⁴ As a result fluctuation in this data largely takes in account changes in the number of payroll jobs and the number of hours worked. It does not act as a measure for wage increases.
53. UnionsWA statement at paragraph 4.16 appears to misconstrue this data, in claiming that “weekly Payroll jobs shows that WA has a labour market in which employers have market power, therefore workers are being paid less than the full value of their output given that employment is rising but wages are not”.
54. As shown in the following graph, there is a strong correlation between payroll jobs and total wages data, noting that total wages data also takes into account fluctuation in working hours.

Graph 3 – Payroll jobs and total wages – Australia¹⁵



55. It is also well recognised that caution should be had in applying US labour market theories to the Australian context.

¹⁴ ABS (21 April 2020) [Weekly Payroll Jobs and Wages in Australia methodology](#)

¹⁵ ABS (11 May 2021) [Weekly Payroll Jobs and Wages in Australia](#).

Effect of delayed implementation

56. UnionsWA contends that employees were disadvantaged as a result of the delayed implementation of last year's SWC decision. To substantiate this, they rely on the September quarter CPI.
57. Relying on one quarter of CPI movements in the current environment is problematic and does not take into consideration movement in inflation generally.
58. As the Minister's submission identifies, there has been significant volatility in CPI as a result of the impact of various government initiatives, which have had both a downwards and upwards impact on inflation.¹⁶
59. UnionsWA cites the end of free child care as being one of the contributors to higher September results, but they do not take into consideration the downward effect its introduction had earlier in the year. As has been identified by the RBA, looking *"through this volatility, underlying inflationary pressures in the economy remain subdued, consistent with the considerable spare capacity in the economy"*.¹⁷
60. CCIWA believes that a delay in the implementation of any increase arising from the 2021 SWC is appropriate, for the reasons set out later in this submission. We also note that over the last five years, growth in the SMW has exceeded both inflation and average wage growth and as such have not been disadvantaged by the deferred implementation date.

Discretionary v non-discretionary CPI

61. UnionsWA refers to a paper released by the ABS as part of its 2020 graduate program which considers discretionary and non-discretionary CPI. We note that the ABS is seeking feedback on this paper and, as such, caution needs to be had in considering this data.
62. The appendix to UnionsWA's submission includes the ABS breakdown of what constitutes discretionary and non-discretionary spending. Consideration of this list raises potential debate about relevant groupings, with clothing identified as discretionary, whilst pets and related products are categorised as non-discretionary. This reinforces the Commission's previously expressed concerns regarding the unpacking of CPI.
63. The ABS paper identifies that during the period 2012 to 2019, cumulative non-discretionary inflation was 14.8 per cent nationally, whereas discretionary inflation was 12.9 per cent. We note that over the same period the SMW increase by 22.76

¹⁶ Minister Submission – Attachment A, p11.

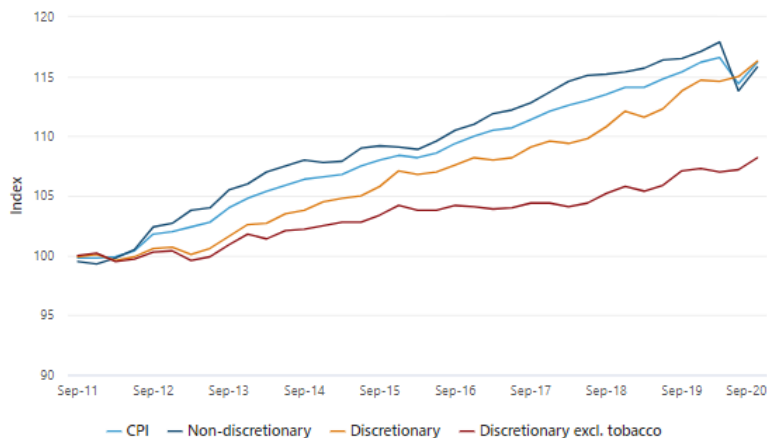
¹⁷ RBA (2021) *Statement of Monetary Policy – May 2021*, p63

per cent, meaning that irrespective of which figure is considered, the SWC decisions have outpaced inflation.

64. The paper also identifies that:

“...from 2011 discretionary inflation rose more slowly than overall CPI inflation. Price falls for goods such as clothing, furniture, household appliances and motor vehicles were the main reason, while price increases for discretionary food has also been subdued in recent years.”¹⁸

Graph 4 – Non discretionary inflation and discretionary inflation – Australia¹⁹



65. The above graph also identifies that during 2020, discretionary CPI overtook both CPI and non-discretionary CPI, which both fell sharply during the early stages of the pandemic.

Equal remuneration

66. UnionsWA advocates for a substantial increase in award wages as a means for addressing the gender wage gap. This is despite minimum wage increases having been identified by the Commission in previous decisions as being a “blunt instrument to promote gender equity” and that this gap is “not the same as, or a proxy for, equal remuneration for work of equal or comparable value”.²⁰

67. CCIWA shares the Minister’s and UnionsWA’s concerns regarding gender equity but note that the reasons for the gender pay gap are complex and can’t be resolved simply. To help address this issue CCIWA has recently called on the State and Federal government to introduce a number of measures aimed at removing the disincentives for female workforce participation, including increasing childcare subsidies for low-income families, exempt employer provided child care from fringe benefit tax, providing greater flexibility in the taking of paid parental leave and

¹⁸ ABS (Nov 2020) *Non-Discretionary and Discretionary Inflation*

¹⁹ Ibid

²⁰ 2020 WA/RC 00361 at 142 and 145

promoting greater use of parental leave and flexible work arrangement by male employees.²¹

68. In terms of the SWC, in 2019 the Commission introduced a new principle to expressly provide for equal remuneration cases to be considered. This allows for a nuanced approach to addressing equal remuneration that is not available through the SWC general order.

Capacity of employers to bear the costs.

69. UnionsWA recognises that the situation for businesses covered by the state system was challenging during 2020 and that the problems associated with the pandemic have not been resolved.
70. During 2020, a large proportion of employers and employees were reliant on government programs such as JobKeeper to maintain jobs and help keep the door open. However, much of this assistance has come to an end. Consequently, the financial costs of lockdowns and restrictions imposed by Government on behalf of the community now largely rest with the business community.
71. For small businesses in the retail, hospitality, tourism and personal services industries the current environment cannot be described as “*business as usual*” as they face the impact of ongoing restrictions and the threat of future lockdowns. This is in addition to the additional burden of an already higher minimum wage.

Ongoing skill development

72. Apprenticeships and traineeships are an invaluable pathway for workers into higher paying skilled roles, and as such is recognised as an investment by workers in their future.
73. It is the unfortunate reality that without the government assistance that has been provided, the number of unemployed young people would be significantly greater. These incentives have reduced the barriers to engaging new apprentices and trainees, resulting in a 15.7 per cent increase in the number of current apprentices and a 21 per cent in trainees over the 12 months to December 2021.²²
74. The support for employers recognises that the demand from employees to undertake an apprenticeship/traineeship is higher than the number of positions that would have been available without this support. To ensure these programs continue to be effective it is important to minimise the impact of additional disincentive to employment.

²¹ CCIWA (2021) [Making paid work pay for families with children.](#)

²² Department of Training and Workforce Development (Feb 2021) [Apprenticeship and traineeship statistics: Quick Stats.](#)

Percentage increase

75. UnionsWA is seeking a percentage increase on the basis that it helps to preserve award relativities.
76. In last year's SWC decision the Commission decided upon a percentage increase on that occasion to "*not further exacerbate the compression of relativities associated with flat rate increases that have occurred over a number of years*".²³
77. However, the maintenance of wage relativities is not the only factor the Commission should take into consideration when determining the manner any wage increase should be made.

WACOSS submission

78. As in previous years, WACOSS's claim of a 4 per cent increase to the SMW and award rates of pay reflects the quantum sought by UnionsWA.
79. Like UnionsWA, WACOSS does not identify how they have arrived at the proposed increase.
80. In its submissions, WACOSS seeks to outline the challenges faced by many WA households, including those without members in paid employment. Issues such as housing affordability, poverty, and food security are complex issues which are not possible to resolve through the SWC decision. However, it is clear that the challenges faced by workers in paid employment is significantly less than those without employment.

The Cost of Living

81. WACOSS refers to its annual *Cost of Living Report 2020*²⁴ to consider the capacity of five hypothetical households to provide a basic standard of living.
82. CCIWA maintains its previously expressed concerns regarding the use of hypothetical examples and their relevance to these proceedings. However, we note that the 2020 report shows the positive impact of paid work for the two employed hypothetical households.
83. In the case of the hypothetical single parent family, their net position increased to a weekly surplus of \$111.25 per week up from last year's outcome of \$102.48 per week.

²³ 2020 WA/RC 00361 at 214

²⁴ WACOSS (2020) *Cost of Living 2020*

Single parent family - WEEKLY INCOME					
	2017/18	2018/19	2019/20	% increase 2018/19to 2019/20	\$ increase 2018/19 to 2019/20
Wage (gross)	\$419.81	\$430.31	\$442.31	2.9%	\$12.00
Parenting payment	\$250.92	\$253.57	\$255.77	0.9%	\$2.20
Coronavirus Supplement			\$49.00	-	\$49.00
Other regular Government Benefits	\$320.81	\$317.71	\$328.02	3.2%	\$10.31
Government supplements (one off payments, converted to weekly amount)	\$38.24	\$38.94	\$54.03	38.7%	\$15.08
Tax paid	\$52.58	\$50.19	\$65.01	29.5%	\$14.82
Total household income/week	\$983.20	\$996.34	\$1,070.11	7.4%	\$73.77

Single parent family - WEEKLY EXPENDITURE					
	2017/18	2018/19	2019/20	% increase 2018/19to 2019/20	\$ increase 2018/19 to 2019/20
Rent	\$274.83	\$279.13	\$283.68	1.5%	\$4.25
Food and beverage	\$203.82	\$208.69	\$216.50	3.7%	\$7.81
Utilities	\$34.27	\$36.85	\$36.82	-0.03%	-\$0.04
Transport			\$166.32		
Other - household and living costs	\$258.09	\$259.23	\$255.54	-1.4%	-\$3.69
Total household expenditure/week			\$958.86		
Total household expenditure/week (w/o transport cost)	\$770.31	\$784.20	\$792.54	1.06%	\$8.34

84. WACOSS also provides an alternative scenario taking into account the potential for the employee to move onto JobKeeper or JobSeeker payment. The table below highlights that the impact of the JobKeeper subsidy for many part-time and long-term casuals in increasing their income.

Single parent family - ALTERNATIVE 2019/20 SCENARIOS				
	Regular Income Only	JobKeeper	Parenting Payment	JobSeeker
Wages/JobSeeker	\$442.31	\$519.03	\$332.03	\$408.32
Parenting Payment (Single)	\$255.77	\$227.47	\$291.28	
Coronavirus Supplement	\$49.00	\$49.00	\$49.00	\$49.00
Other regular Government Benefits	\$328.02	\$328.02	\$328.02	\$328.02
Government supplements	\$54.03	\$54.03	\$54.03	\$54.03
Tax paid	\$65.01	\$77.84	\$47.99	\$7.20
Total household income/week	\$1,070.11	\$1,105.70	\$1,012.36	\$832.16
Difference between income and expenditure	\$111.25	\$146.84	\$53.50	-\$126.70

85. The table also identifies the detriment suffered as a result of moving from paid employment to unemployment, even under the enhanced JobSeeker program. This reinforces the importance of ensuring that increases to the SMW and award rates of pay do not displace jobs or working hours.
86. The position of the hypothetical two parent family shows that the combination of paid employment, in conjunction with the tax transfer system, provided them with a weekly surplus of \$201.29 per week.²⁵

Two parent family - WEEKLY INCOME					
	2017/18	2018/19	2019/20	% increase 2018/19 to 2019/20	\$ increase 2018/19 to 2019/20
Combined wages (gross)	\$1,301.32	\$1,334.03	\$1,371.06	2.78%	\$37.03
Regular government benefits	\$259.40	\$237.16	\$237.86	0.3%	\$0.70
Government supplements (one off & temporary payments, converted to weekly figures)	\$35.15	\$35.85	\$50.94	42.1%	\$15.09
Tax paid	\$139.35	\$146.04	\$135.81	-7.0%	-\$10.23
Total household income/week	\$1,436.04	\$1,461.00	\$1524.04	4.32%	\$63.04

²⁵ Ibid, pp 11-12

Two parent family - WEEKLY EXPENDITURE					
	2017/18	2018/19	2019/20	% increase 2018/19 to 2019/20	\$ increase 2018/19 to 2019/20
Rent	\$300.69	\$306.00	\$313.44	2.43%	\$7.44
Food and beverage	\$294.34	\$301.19	\$312.28	3.68%	\$11.09
Utilities	\$54.71	\$57.68	\$58.83	1.99%	\$1.15
Transport			\$204.33		
Other - household and living costs	\$435.03	\$438.31	\$443.91	-1.0%	-\$4.40
Total household expenditure/week	\$1,224.04	\$1,251.63	\$1,322.75	1.3%	\$16.23
Total household expenditure/week (w/o transport cost)	\$1,121.31	\$1,140.26	\$1,156.43	1.42%	\$16.17

87. The alternative scenarios involving JobKeeper and JobSeeker payment also show the positive impact these programs have had in protecting employees from the full impact of the COVID-19 pandemic.

Two parent family - ALTERNATIVE 2019/20 SCENARIOS					
	Regular Wage Only	Wage (P1) + JobSeeker (P2)	Wage (P1) + JobKeeper (P2)	JobKeeper (P1) + Wage (P2)	JobSeeker (P1) + Wage (P2)
Combined taxable income	\$1,371.06	\$1,235.96	\$1,305.65	\$1,471.09	\$1,389.58
Regular government benefits	\$237.86	\$272.92	\$251.23	\$217.22	\$256.53
Government supplements	\$50.94	\$50.94	\$50.94	\$43.80	\$43.80
Tax paid	\$135.81	\$94.54	\$113.58	\$146.85	\$135.87
Total household income/week	\$1,524.04	\$1,465.28	\$1,494.24	\$1,585.26	\$1,554.04
Difference between income and expenditure	\$201.29	\$142.53	\$171.49	\$262.51	\$231.29

Two parent family - ALTERNATIVE 2019/20 SCENARIOS				
	JobSeeker (P1) + JobSeeker (P2)	JobKeeper (P1) + JobKeeper (P2)	JobKeeper (P1) + JobSeeker (P2)	JobSeeker (P1) + JobKeeper (P2)
Combined taxable income	\$1,254.48	\$1,405.68	\$1,335.99	\$1,324.17
Regular government benefits	\$273.74	\$226.38	\$267.18	\$267.18
Government supplements	\$43.80	\$43.80	\$43.80	\$43.80
Tax paid	\$94.54	\$123.19	\$104.15	\$113.58
Total household income/week	\$1,477.48	\$1,548.61	\$1,542.82	\$1,521.57
Difference between income and expenditure	\$154.73	\$225.86	\$220.07	\$198.82

Unpacking CPI

88. WACOSS raises concerns regarding the use of CPI as a measuring cost of living increases and in particular its relevance to low-income earners. It therefore advocates for the unpacking of CPI to consider selected elements.
89. In considering the relevance of CPI, the Commission has concluded that:
“Therefore, while it is not a perfect measure, the CPI remains relevant for measuring living standards for employees. While it measures only the capital cities’ changes in costs, it provides a stable basis for measuring the increases in the cost of living.”
90. In line with the Commission’s previously held views regarding the unpacking of CPI we are concerned about focusing only on elements that are supportive of a particular view, without appropriate consideration of other elements which may impact or offset movement elsewhere.
91. We also reinforce the Minister’s statement that there has been significant volatility in CPI as a result of the impact of various government initiatives, which have had both a downwards and upwards impact on inflation.²⁶ The RBA also identifies that *“through this volatility, underlying inflationary pressures in the economy remain subdued, consistent with the considerable spare capacity in the economy”*.²⁷
92. With respect to the issue of housing affordability, the Real Estate Institute of WA (**REIWA**) has identified that the establishment of the moratorium on evictions and rent price increases has negatively affected the level of available housing stock by reducing the incentive for investment in rental properties. REIWA predicts that *“once the moratorium ends investors will have more incentive to buy property in WA”* which should *“increase the number of properties available to rent and help create a more balanced market”*.²⁸
93. The above highlights the negative implications that can arise out of measures intended to protect individual, in this case renters. REIWA also identifies that *“WA [has] remained the most affordable place to rent in the country”*.²⁹
94. WACOSS also refers to the *Rental Affordability Snapshot 2020* report, which considers the number of rental properties available over a single weekend listed on *realestate.com.au*. The report is intended as a snapshot and as such caution should be had to relying on this report, noting that there are a number of factors that may impact upon these results, including:

²⁶ Minister Submission – Attachment A, p11.

²⁷ RBA (2021) *Statement of Monetary Policy – May 2021*, p63

²⁸ REIWA (22 March 2021) *End of rental moratorium a necessary step for WA rental market*

²⁹ Ibid

- 94.1. The choice of the weekend, noting that it occurred immediately prior to the easing of Government restrictions on rentals; and
 - 94.2. It only considers properties listed on a single portal which is limited to properties managed through licenced real estate agents. As such it does not take into account private rentals, rentals advertised on other portals, or vacancies not advertised.
95. In considering the issue of food insecurity, WACOSS relies on a Tasmanian study that considered the issue of food insecurity as a result of the COVID-19 pandemic. It should be noted that the research was undertaken early in the pandemic (between May to June 2020) not long after panic buying and product shortages dominated public concern. The report identified that the “*most substantial factor in our regression analyses was loss of income related to COVID-19, with respondents who had lost the majority of their income showing up to a seven-fold increase in the odds of food insecurity*” and that “*loss of income in already low-income households putting individuals at even higher risk of food insecurity*”.³⁰ This highlights the importance of paid employment in maintaining living standards and the concern over further reduction in working hours. It is not a reflection on the level of the SMW.

Cost in the regions

96. WACOSS submits that in considering the adequacy of the minimum wage the differences in the cost of living for regional areas should be taken into account, particularly in the north of the state.
97. Such an approach is inconsistent s50A(3)(a)(iii) of the *Industrial Relations Act 1979* which requires the need to provide fair wage standards in the context of living standards **generally prevailing** in the community. CCIWA submits that this requires the Commission to take into consideration overall cost of living as part of the SWC decision as distinct from considering the adequacy of the minimum wage with respect to a particular regional location.
98. The issue of cost of living within regional areas is most appropriately addressed through the *Location Allowance General Order*.

³⁰ Kent, et al (2020) *Prevalence and Socio-Demographic Predictors of Food Insecurity in Australia during the COVID-19 Pandemic*, pp14-15

Financial stress and hardship

99. WACOSS has identified that the COVID-19 pandemic has had a significant impact on Australian households in terms of job losses, reduction in working hours, having to close their businesses, or lower returns on investment.
100. In terms of employees, the loss in working hours and job losses is the issue of greatest concern, highlighting the need to reduce pressures that may further exacerbate these risks.
101. As identified in our initial submission, the Commission has previously recognised the Productivity Commission view that:
*"Faced with higher wages for lower skilled workers, businesses have an incentive to reduce employment of such workers, and/or to invest in labour displacing capital, hire (or make more intensive use of existing) higher skilled workers, and seek to pass on costs."*³¹
102. Increasing the minimum wage in times of significant economic uncertainty will therefore result in greater financial stress for award reliant employees in those industries most affected by the COVID-19 restrictions.

Poverty

103. WACOSS submits that there has been a 2 per cent increase in the number of households in poverty from 4 per cent in 2009 to 6 per cent in 2017 where at least one member of the household is in full time employment.³²
104. However, they concede that *"minimum wages are above the poverty line for a single adult"* working full time and that those households in poverty working full time are likely to be reliant on *"a single wage to support a partner and/or children"*.³³
105. The focus of the SWC decision is on the appropriateness of the minimum wage for an individual employee. It is not appropriate or possible for the adequacy of the minimum wage to be assessed against a multitude of different household types.

³¹ Productivity Commission (2015) *Workplace Relations Framework – Vol 1*, p185. Reference 2020 WAIRC

³² WACOSS, p30

³³ p31

Income Inequality

106. WACOSS submits that increases to the minimum wage can be an effective mechanism to address wage inequality.
107. However, in focusing on the difference between the SMW and Average Weekly Ordinary Time Earnings, WACOSS has not taken into account the impact that the SWC and AWR decisions have on average earnings, by delivering increases to all award rates of pay. This is particularly so in the case of percentage-based increases, which provides a higher monetary increase to award rates above the C14 equivalent, further increasing this inequality.
108. 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.

Gender Wage Gap

109. CCIWA refers to the comments made in paragraph 66 and 67 of this submission.

Case Study

110. WACOSS provides the case study of Dalia and the difficulty she is facing as a sole parent supporting her two young children.
111. Her story identifies the difficulties faced by employees through the loss of paid employment. In Dalia's case COVID-19 resulted in the loss of job as a support person in a nursing home.
112. Whilst she has been fortunate to obtain other employment, it does not provide the same wage rate or hours of work, resulting in reduced income. It appears that her decision to work in a local grocery store was made, at least in part, over the certainty that the business would continue to operate despite any future lockdowns or restrictions. For Dalia her focus is on security of working hours, noting that she has been seeking to increase those hours.
113. Delia's story reinforced the level of uncertainty faced by many employees regarding the stability of work in the current environment and the capacity for their employers to provide them with the working hours they need.

Young People

114. WACOSS has identified that young people face greater challenges than older workers in securing employment given their lack of skills and experience. Entry level positions in industries such as retail and hospitality provide these employees with the opportunity to gain these skills and experience in transitioning to higher paid roles.
115. It is therefore important to ensure that the SMW and award rates of pay do not act as a barrier to these workers securing these positions.

Economic Environment

116. As in previous years, WACOSS is advocating for a significant increase in the minimum wage in order to promote consumer driven growth in the economy.
117. In order to stimulate wage growth, it is firstly important to have an economic environment that supports growth in business and employment. As has previously been identified, the WA economic recovery has been unequal with many award reliant industries continuing to face challenges arising from ongoing restrictions and the risk of further lockdowns.

Professor Preston

118. Professor Preston's provides for the Commission's consideration two articles that she has authored / co-authored, being:
- 118.1. The West Australian Labour Market and Gender Equality Post-Covid;
 - 118.2. The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019
119. Professor Preston does not outline which parts of these articles are relevant to the SWC, nor outlines the manner in which they should be considered. This makes it difficult to give proper consideration to her submission.

Labour Market and Gender Equality

120. This paper seeks to examine the impact of the COVID-19 pandemic on female employment during 2020, concluding that:
- 120.1. During the early stages of the pandemic there was a higher loss of jobs and working hours among female employees;
 - 120.2. By the end of 2020 female employment in WA had returned to pre-pandemic levels with the health case and social assistance sector accounting for the majority of this growth;

- 120.3. There remains a sizeable gap in the underutilisation rate of female employees;
- 120.4. An increase in the median time spent unemployed has increased the number of long term unemployed.
121. The above correlates with the issues raised by CCIWA in paragraphs 90 to 104 of our initial submission, in which we identified that:
- 121.1. Employment growth in WA has been driven by increases in part time employment, with a decline in full-time jobs;
- 121.2. Job growth has not been equal across all sectors, with the retail, and accommodation and food services industries having been significantly affected in terms of number of jobs and the proportion of full-time and part-time roles;
- 121.3. There has been significant fluctuation in working hours with an increase in the proportion of employees working fewer working hours;
- 121.4. Increased time spent in unemployment increases a worker's disconnection with the labour market, making it more difficult for them to find new employment.
122. The paper also claims that State and Federal Government stimulus measures are gender blind and *"do little to support workers (predominately female) in ... sectors such as retail, hospitality and care"*.³⁴
123. As previously identified, state system employers in the retail and hospitality sectors remain the most susceptible to COVID-19 restrictions and have benefitted least from the recent growth in the WA economy led by the mining sector and government stimulus.

Wage Structures and young adult

124. This paper seeks to examine the changing returns on education and wage structures for adults aged 25-35 years. In considering this report it is important to note that this age range does not take into account junior workers or the majority of apprentices and trainees.
125. The key conclusion is that at the mean and amongst high paid workers *"there has been a significant decline in the pay-off associated with a degree qualification since the turn of the century"*. It identifies that this *"is consistent with an increase in the supply of degree qualified workers but may also reflect a fall in the quality of education"*.³⁵

³⁴ Preston, A (2021) The West Australian Labour Market and Gender Equality Post-Covid, p17

³⁵ Birch, E and Preston, A (2021) The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019, p 14

126. Whilst noteworthy, this conclusion is not relevant to these proceedings given that it relates to degree qualified employees paid at or above average earnings. These employees are generally not award covered or otherwise impacted by the SWC decision.
127. The paper also identifies that the cause for this shift is related to supply of workers and the level of their skills. This finding is supported by other research cited in the paper which concludes that the *“relatively slower wage growth amongst younger workers has been attributed to demand and supply conditions, and the fact that younger workers are increasingly in competition with older workers”*.³⁶
128. This reinforces the need to ensure that minimum wage do not establish a barrier to unskilled or inexperienced workers gaining employment. A narrow gap between minimum and average wage rates encourages businesses to employ experienced workers over those with less experience.

Operation of SWC Decision

129. CCIWA is firmly of the opinion that in the current circumstances, the Commission should maintain the current rate of the SMW and award rates of pay. However, if the Commission is of a view to grant an increase, we submit that:
- 129.1. The effective date of any such increase should be deferred; and
- 129.2. Any increase should be a flat dollar amount.
130. WA small businesses covered by the state system increased their rates of pay in January 2021 as a result of the delayed effective date for last year’s decision and will also increase the amount of super paid to employees on 1 July 2021. Employers have had an opportunity to plan for these changes which can have a positive effect in reducing the impact on workers. However, this will not be the case if there is a 1 July 2021 increase arising out of this year’s SWC decision.
131. These employers will be burdened with three significant increases to employment costs within a 6-month period, with an exceedingly narrow timeframe to consider how implement the decision. This will increase the potential for employees to be negatively impacted through fewer working hours. CCIWA will make further submission on the effective date of any increase as part of our submission on the impact of the AWR.

³⁶ Ibid, p2

132. Whilst the Commission has in recent years been focused on helping to restore wage relativities within awards, it is not the only factor in determining whether a percentage or flat dollar increase should occur. It is CCIWA's view that a flat dollar amount allows for increases to be better targeted at meeting the needs of employees who are paid at or near the SMW. This is also reflected in the core arguments raised by UnionsWA, WACOSS and the Minister which focus on the suitability of the SMW.