

UNIONSWA

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UnionsWA submissions in reply for the 2021 state wage order

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

**Western Australian Industrial Relations
Commission**

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1. Submission in reply

- 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. 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% or \$30.40 per week, whichever is greater**.
- 1.3. UnionsWA notes the following submissions made by section 50 parties and other interested stakeholders:
 - Professor Alison Preston, UWA Business School
 - WA Council of Social Service Inc (**WACOSS**)
 - Chamber of Commerce and Industry of WA (**CCIWA**)
 - Western Australian Government (**the Minister**)
- 1.4. The submission below is the UnionsWA response to issues raised in these submissions, as well as other matters raised by the parties. There is also a short response to the Federal Budget.

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

- 2.1. The Papers submitted by Professor Alison Preston make important points relevant to the criteria of the Act around meeting the needs of the low paid, improving living standards, and addressing equal remuneration for men and women.
- 2.2. Her information demonstrates that the Commission should reject the claims of both the CCIWA and the Minister:
 - The CCIWA’s claim for no increase at all in the state minimum wage is contrary to the *IR Act*, as it self -evidently ignores *all* the legislative criteria
 - The Minister’s claim of 2.5% is a repackaging of the public sector wages policies which have led to the situation described by Professor Preston
- 2.3. In the summary section of her Paper ‘*The West Australian Labour Market and Gender Equality Post-Covid*’, Professor Preston makes the following points about WA wage growth¹

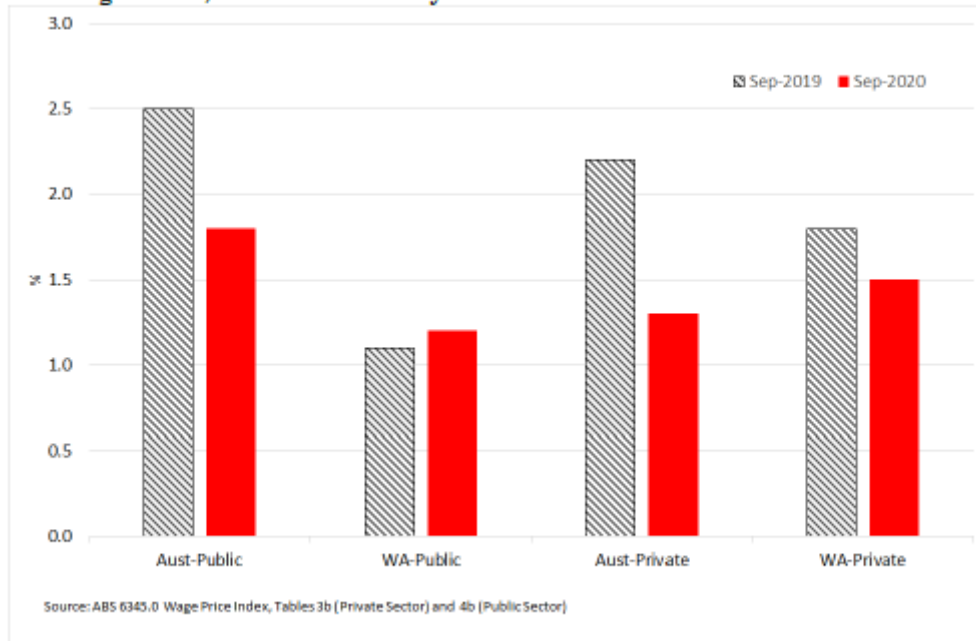
... over recent years, WA wages growth has been behind that nationally and that WA females have been particularly disadvantaged. Between May 2019 and May 2020, for example, average weekly ordinary time earnings (AWOTE) of adults employed full-time grew by 5.8% and 4.5% amongst Australian (national) and WA males, respectively. The corresponding growth amongst WA females (employed full-time) was 2.8%. By May 2020 (latest available data) there was a 29.4% difference in the mean wages (AWOTE) of adult males and females in full-time employment in WA. Data from the ABS Wage Price Index series suggests that slow female wage growth in WA may stem from relatively slower growth in public sector wages.
- 2.4. Earlier in the paper she notes that²

¹ Prof Alison Preston, ‘*The West Australian Labour Market and Gender Equality Post-Covid*’ (p.16) <https://www.wairc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/APPL-1-2021-Public-Submission-A-Preston-UWA-Business-School-The-West-Australian-Labour-Market-Post-Covid.pdf>

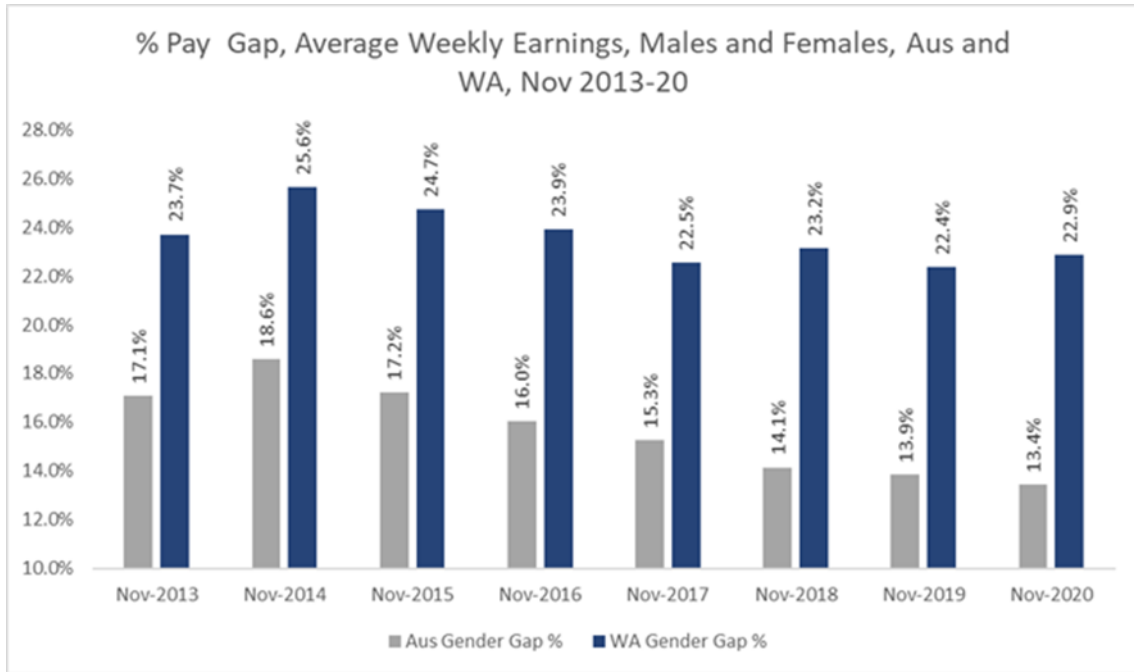
² Ibid., pp.14-16.

In WA, public sector wages grew marginally faster (1.2% in the year to September 2020 vis a vis 1.1% in the year to September 2019) and, unlike the pattern nationally, wages growth in WA was faster in the private sector (1.5% in the year to September 2020) than they were in the public sector. It is likely that slow wages growth in the WA public sector over successive years has contributed to a widening of the WA gender gap (as noted earlier).

FIGURE 13. Wage Price Index, % change from previous quarter; total hourly rates of pay excluding bonuses, Australia and WA by sector.



- 2.5. UnionsWA notes that state governments of both major parties have maintained restrictive wages policies for the public sector. The current policy is for industrial agreement wages to be limited to \$1,000 per year for full time equivalent public sector employees.
- 2.6. In its submission, UnionsWA included the following chart comparing the WA and national gender pay gaps. During the periods of this chart, WA governments have maintained restrictive wages policies in the public sector, which their claims attempt to apply to the state system private sector.



2.7. On page 3, para 11 of the Minister’s submission, the minimum wage adjustment is formulated as follows:

A \$19.20 per week adjustment would increase the State Minimum Wage by approximately 2.5 per cent, lifting it to \$779.20 per week.

2.8. This is a reformulation of public sector wages policy into a percentage minimum wage claim. As such it will reinforce the negative impacts of that policy on the overall gender pay gap identified by Professor Preston. The slow wage growth in the public sector will be applied to the low wage private sector in WA.

2.9. The importance of binding, institutional wage increases is to redressing gender pay gaps is highlighted in Professor Preston’s other Paper *‘The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019’*.³ She and her co-author Elisa Birch observe that, after a period of strong wage growth in the 2000s for both males and females, between 2010-11 and 2018-19

... wages growth was flat (zero) for males and subdued (5 per cent) for females. The 5 per cent growth experienced by females derived in part (half) from composition effects (namely education investments) and the balance from favourable wage structure effects amongst low paid females. It is possible that latter is underpinned by Fair Work Australia’s 2012 decision to significantly increase the minimum wages of employees in the Social and Community Services (SACs) sector.

2.10. Such an outcome suggested by Professor Preston’s research suggest that the decisions of industrial institutions can and do fulfill the criteria the Commission needs to consider, namely:

³ Prof Alison C Preston and Elisa R Birch, Paper ‘The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019’ (pp.14-15) <https://www.wairc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/APPL-1-2021-Public-Submission-A-Preston-The-Evolving-Wage-Structure-of-Young-Adults-in-Australia-2001-to-2019.pdf>

- meet the needs of the low paid
 - provide fair wage standards in the context of living standards generally prevailing in the community
 - contribute to improved living standards for employees
 - protect employees who may be unable to reach an industrial agreement
 - provide equal remuneration for men and women for work of equal or comparable value
- 2.11. Only claims by UnionsWA and WACOSS to increase award wages and the statutory minimum wage by 4% or \$30.40 per week, whichever is greater, will meet these criteria.

3. Submission – Western Australian Council of Social Service

- 3.1. UnionsWA notes and agrees with the Western Australian Council of Social Service (WACOSS) submission that⁴
- ... an increase to the State Minimum Wage rate of 4 per cent or \$30.40 per week is consistent with the need to meet the needs of the low paid and to contribute to improved living standards for employees; and is a sensible and measured increase in the context of the state of the Western Australian economy.*
- 3.2. UnionsWA calls attention to page 4 of the WACOSS submission which states the following in relation to food insecurity:
- The evidence shows that low income households who experience a sudden additional expense are likely to lower their food budget, or skip meals, to compensate. Increasing the minimum wage and the purchasing power of low-wage working families can help protect households against food insecurity, help low-wage earners afford a more nutritious and sufficient diet, and may help alleviate the growing trend of food insecurity across the state.*
- 3.3. On the relationship between CPI and the cost of living:
- ... there are inherent limitations in using CPI and inflation measures alone to draw inferences about the real living cost pressures faced by low-income households. We consider it particularly important to separate out and highlight the key areas of expenditure for minimum wage households this year due to the volatility in the Perth CPI figures, resulting in particular from the WA Government's \$600 electricity credit, as noted by the ABS.*
- 3.4. These points from the WACOSS Submission endorses the argument made in the UnionsWA submission para 6.6, that
- The divergence between Discretionary and Non Discretionary CPI inflation should be noted when considering the cost of living and the needs of the low paid in WA, as increases in Non Discretionary costs will be more impactful for low wage workers.*
- 3.5. There have been measures by State and Federal governments to relieve cost of living pressures, such as the electricity credit. However, WACOSS makes the point on their page 21 that:
- ... we are now at a point where most households will have used up that \$600 credit, and some energy retailers have recommenced disconnecting customers. Without that credit and support, households are once again having to grapple with the unaffordability of energy*

⁴ Western Australian Council of Social Service (p.3)
<https://www.wairc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/WACOSS-Submission-State-Wage-Case-2021.pdf>

that had resulted in Western Australia having the highest disconnection rate in the nation. As such, a rise in the minimum wage is essential so that those on low incomes are able to cover their power bills and maintain their living standards.

3.6. WACOSS also demonstrate the example of rental costs and the minimum wage:

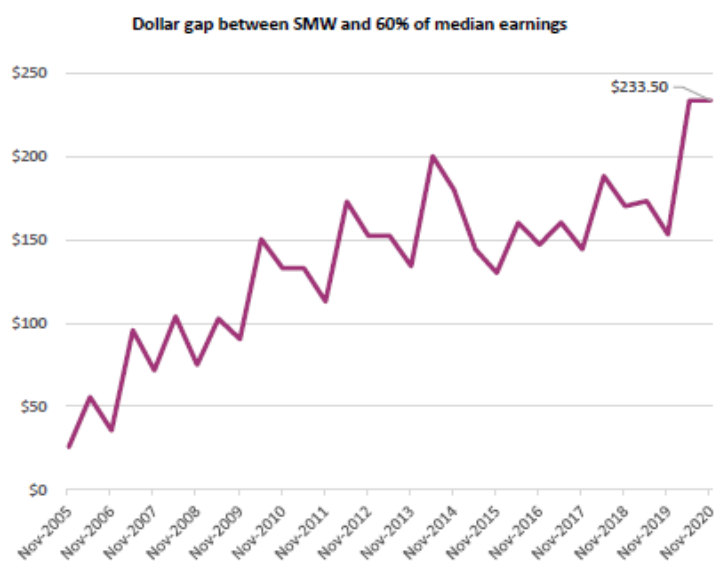
The weekly median rent for a unit accounts for over 51 per cent of the State Minimum Wage, while the median rent for a house is nearly 57 per cent. Households are considered to be in “housing stress” when their housing costs exceed 30 per cent of their income and their earnings are in the bottom 40 per cent of equivalised disposable income (which is the case for minimum wage earners). If a household earning a minimum wage is paying over 51 per cent of their income on rent in a median rental property, then they most certainly qualify as being in severe housing stress.

3.7. WACOSS quotes the Fair Work Commission’s Expert Panel Decision from 2019-20 which stated that:

Assessing the needs of the low paid involves analysing the extent to which low-paid workers are able to purchase the essential items necessary for achieving a decent standard of living for them and their families, and to allow them to participate in community life, assessed against contemporary norms. The risk of poverty is also relevant in addressing the needs of the low paid.

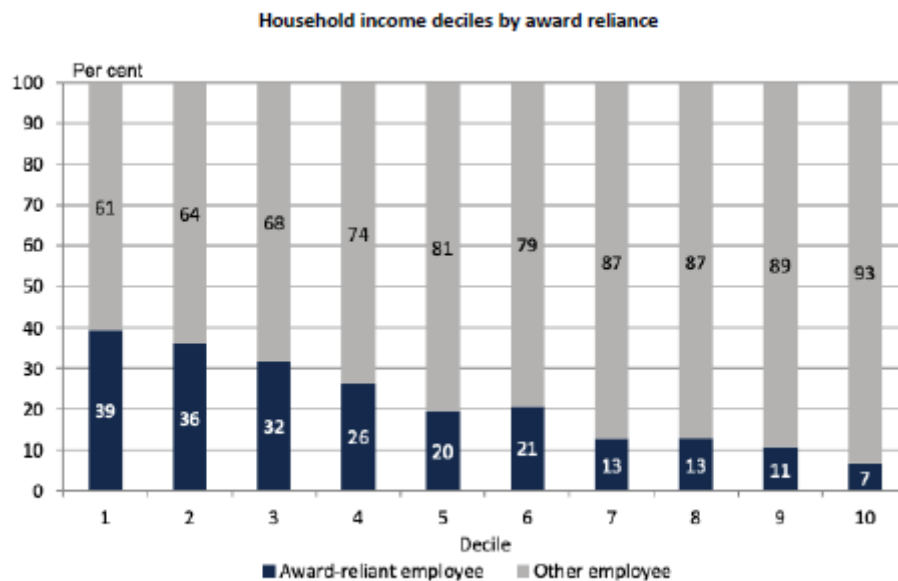
3.8. The needs of the low paid, and contributing to improved living standards, require a substantial increase to the state minimum wage. WACOSS demonstrates this in their chart on page 35 showing that:

The SMW has not kept pace with relative poverty thresholds such as 60 per cent of the median, with the gap increasing over recent years. It is evident from the figure below that there is a significant nominal dollar gap between the SMW and the poverty line based on a threshold of 60 per cent of median. The SMW is currently \$220.40 below the 60 per cent of median earnings poverty line for November 2020. Minimum wages have fallen sharply as a proportion of both average and median full-time earnings over the past 15 years. This growing gap between the state minimum wage rates and median pay levels attests to increasing income inequality in Western Australia.



Source: ABS 6333.0 and WA Department of Commerce

- 3.9. WACOSS also shows that minimum wages are disproportionately important to the total incomes of low-income households, which further demonstrates the importance of lifting minimum wages to address and improve the needs of the low paid.



Source: Jiminez and Rozenbez (2017)

- 3.10. UnionsWA draws attention to the Case Study in the WACOSS submission – ‘Dalia’s story’. Dalia - a sole parent with two children under the age of 10 - provides an example of how even a relatively highly skilled worker is a ‘price taker’ in the WA labour market, with the result that her principal source of pay rises are more likely to come from binding, institutional increases such as that to the statutory minimum wage.

The reason Dalia works at a local grocery store is economically strategic: grocery stores stay open during lockdowns. She is not at risk of losing further hours or income should government restrictions be put into place to limit COVID-19 community spread.

- 3.11. Prior to lockdown, Dalia worked as a support worker in a nursing home. However, while her hourly rate of pay was higher, her rostered hours were too low. Dalia also has experience in the Aviation industry in her home country, however she has found it difficult to undertake relevant credentialed training in Australia as ‘course costs, even with her concession, and in conjunction with her limited income and existing loan, were prohibitive’. As a result:

With the aviation industry now severely impacted by COVID-19 and not likely to recover for many years to come, Dalia has been forced to accept jobs that pay less than her full earning potential.

- 3.12. In para 4.14 of its submission, UnionsWA includes a description of the ‘dynamic monopsony’ model of the labour market, which

... takes account of both the power of a firm to set wages as a buyer faced with multiple sellers in the form of workers, and the ‘frictions’ that workers face when considering changing jobs. Such frictions include factors like where the job is located, personal preference, the costs of changing jobs to the worker and the fact that workers may simply not know about the other job. All of which sounds very much like the labour markets we face when trying to get a job or considering a change in job. A firm with monopsony power is able to pay lower wages than it would be able to under the model of perfect competition.

- 3.13. The experience of Dalia, and other worker of labour market frictions in WA aggregates into a situation as shown by the ABS Weekly Payroll Jobs and Wages data shown in the UnionsWA submission. Total wage outcomes are worse in WA, even while the job outcomes are better than Australia as a whole.

Indexed number of payroll jobs and total wages WA (State) and Australia⁵



- 3.14. As UnionsWA pointed out in para 4.16 of our submission
- The ABS data on 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. Alan Manning's 2005 study Monopsony in Motion: Imperfect Competition in Labor Markets concluded that a binding minimum wage will make workers better off without any consequent impact on unemployment.*
- 3.15. The WACOSS Submission also refers to the delayed increase in the minimum wage in 2020:
- Western Australia is now in a significantly more secure position than it was 12 months ago, meaning that the necessity for such a further delay is not present. WACOSS further contends that the data and analysis in this submission demonstrates why an increase from 1 July 2021 is necessary in order to meet the needs of low paid workers in Western Australia.*
- 3.16. This supports UnionsWA's contention that the needs of the paid were not met by the Commission's minimum wage decision. There should be no delayed pay increases for the 2021 minimum wage decision.
- 3.17. Overall, the WACOSS claim supports the criteria the Commission should consider for the state wage case, specifically that its decision must:
- ensure that Western Australians have a system of fair wages and conditions of employment
 - meet the needs of the low paid
 - provide fair wage standards in the context of living standards generally prevailing in the community
 - contribute to improved living standards for employees
 - consider the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration

⁵ ABS *Weekly Payroll Jobs, Australia* (December 2020)., Table 2: State and territory spotlight, <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/week-ending-24-april-2021#data-download>

4. Submission – Chamber of Commerce and Industry WA

- 4.1. The Chamber of Commerce and Industry WA (CCIWA) argues that it cannot advocate for any increase to the state minimum wage due to it being higher than the national minimum wage.
- 4.2. On page 3 of its submission, CCIWA says that⁶
As the leading business association in Western Australia and the voice of business for over 130 years, the Chamber of Commerce and Industry WA (CCIWA) is not able to support an increase in the minimum wage in the current environment whilst this situation remains.
- 4.3. Having no increase in the Minimum Wage and weekly rates of pay in 2021 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;
- 4.4. The claim by the CCIWA should therefore be given no consideration. Indeed, the very act of making the claim invalidates the rest of CCIWA submission All their arguments on all other criteria are now irrelevant – as they would not be advocating an increase in any case
- 4.5. CCIWA argues in its para 5 that
... businesses in WA are already at a competitive disadvantage with their interstate peers, facing not only the highest minimum wage in the country, but also for many the highest payroll tax burden as well.
- 4.6. The only evidentiary example provided for this claim is the proposition that
A small, local eatery faces the situation where the minimum award rate it pays employees is higher than that applying to the multinational McDonald's it sits beside.
- 4.7. The current adult rates of pay for the *Fast-Food industry Award* are:⁷

⁶ Chamber of Commerce and Industry WA (p.3)

<https://www.wairc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/CCIWA-2021-SWC-Submission-.pdf>

⁷ Fast Food Industry Award <https://www.fairwork.gov.au/ArticleDocuments/872/fast-food-industry-award-ma000003-pay-guide.pdf.aspx>

**Adult
Full-time & part-time**

Table 1 of 2

Classification	Weekly pay rate	Hourly pay rate	Evening work - Monday to Friday - 10pm to midnight	Evening work - Monday to Friday - midnight to 6am	Saturday	Sunday
Level 1	\$827.80	\$21.78	\$23.96	\$25.05	\$27.23	\$27.23
Level 2	\$877.60	\$23.09	\$25.40	\$26.55	\$28.86	\$34.64
Level 3 - in charge of 1 or no persons	\$891.10	\$23.45	\$25.80	\$26.97	\$29.31	\$35.18
Level 3 - in charge of 2 or more persons	\$902.00	\$23.74	\$26.11	\$27.30	\$29.68	\$35.61

Table 2 of 2

Classification	Public holiday	Overtime - first 2 hours	Overtime - after 2 hours	Overtime - Sunday	Overtime - public holiday
Level 1	\$49.01	\$32.67	\$43.56	\$43.56	\$54.45
Level 2	\$51.95	\$34.64	\$46.18	\$46.18	\$57.73
Level 3 - in charge of 1 or no persons	\$52.76	\$35.18	\$46.90	\$46.90	\$58.63
Level 3 - in charge of 2 or more persons	\$53.42	\$35.61	\$47.48	\$47.48	\$59.35

- 4.8. These rates are higher than both the current WA minimum wage, and the proposed wage rates should the UnionsWA claim be accepted. No compelling evidence has been provided by CCIWA that a ‘small local eatery’ is at a competitive disadvantage because of the WA minimum wage.
- 4.9. It should be noted that the most recent NAB SME (Small and Medium Enterprises) Business Survey: Quarter 1 2021, found that conditions and confidence were well into positive territory for WA.⁸

CHART 21: SME BUSINESS CONDITIONS BY STATE (NET BAL., S.A.)

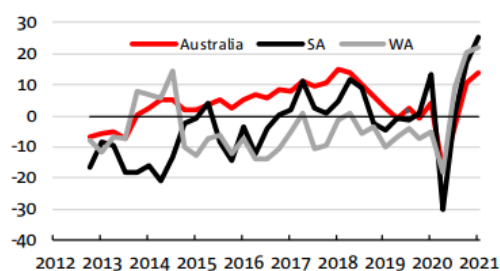
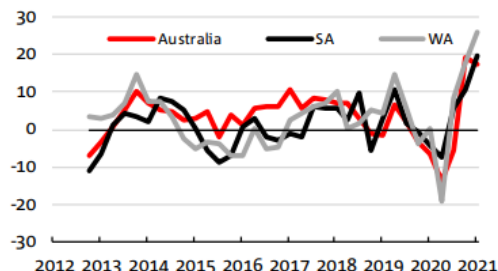


CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)



- 4.10. If WA small businesses were operating under some intolerable burden because of having a higher minimum wage in the state industrial relations system, we would not see WA SMEs trending higher than national SMEs.
- 4.11. CCIWA also makes an argument about the impact of the Superannuation Guarantee increasing. Specifically, that
- ... the cost of employment will be increasing as a result of superannuation contributions rising to 10 per cent of employees’ ordinary time earnings.*
- 4.12. In its 2013 Decision on the National Minimum Wage, the Fair Work Commission stated at its para 346 that⁹
- An increase in the SG rate is a labour cost to business that provides a deferred benefit to employees. It is a deferred benefit in the sense that “superannuation is directed to enhancing living standards in retirement rather than living standards during employment”.*

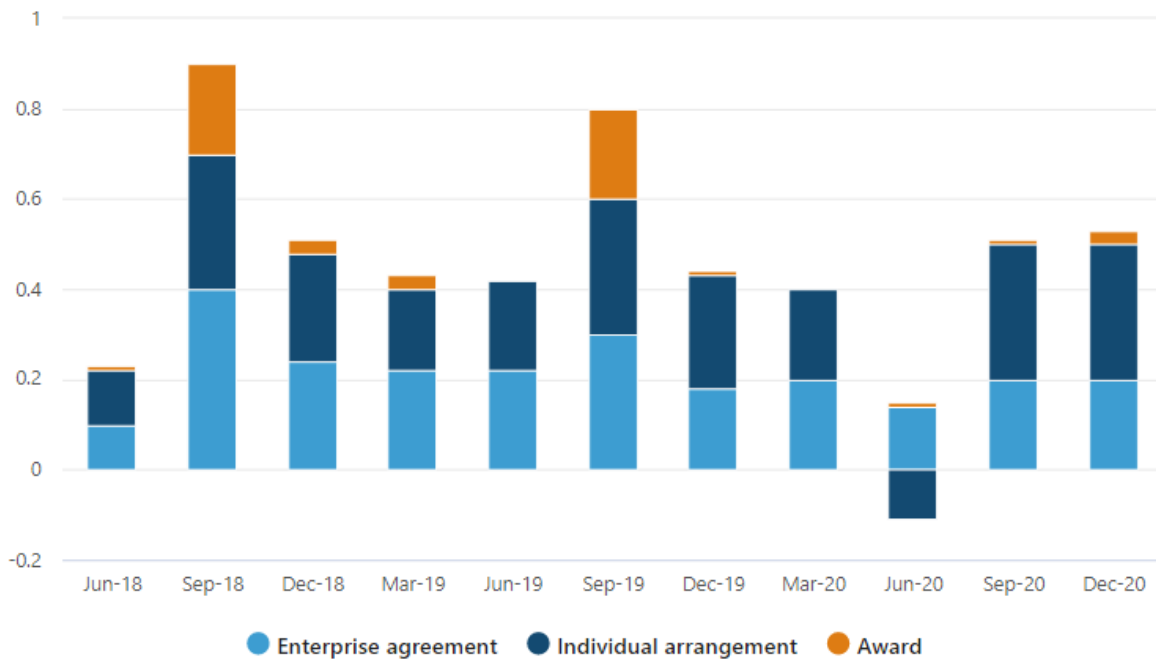
⁸ NAB Quarterly SME Business Survey (Q1 2021) <https://business.nab.com.au/nab-sme-business-survey-quarter-1-2021-46048/>

⁹ [2013] FWCFB 4000 <https://www.fwc.gov.au/documents/decisionssigned/html/2013fwcfb4000.htm>

- 4.13. They went onto to point out in para 359 that:
The range of considerations we are required to take into account calls for the exercise of broad judgment, rather than a mechanistic approach to minimum wage fixation.
- 4.14. UnionsWA agrees that Industrial Commissions should not make an automatic, mechanical connection between superannuation and pay increases. The criteria that the Commission's decision should contribute to 'improved living standards for *employees*' means that it should not place as much weight on a 'post-employment' benefit. That is, it should not trade off present improvements for current employees for future improvements in retirement.
- 4.15. In their para 57 CCIWA argues that
The impact of increased employment costs on the demand for labour is also reflected in research undertaken by the Fair Work Commission (FWC), which showed that in managing changes to labour costs, 72.7 per cent of award reliant retailers and 85.1 per cent of award reliant hospitality employers would implement strategies to manage or reduce the wage bill.
- 4.16. However, this data, drawn from 2016 Fair Work Commission industry profile, is not relevant to WA's economy in 2021. It does not take account of the previously mentioned improved business conditions. As the Economic Outlook from the WA Treasury observes in its section 4.3
Importantly, the monthly NAB Business Survey showed that confidence in Western Australia rose to over a ten-year high in March 2021 and notwithstanding a decline in April, was still at its second highest level (after March) in more than ten years (since October 2010). After initially declining to a record low following the onset of COVID-19, confidence amongst the State's businesses rebounded strongly and has remained positive for eleven consecutive months
- 4.17. As the WA economy is looking to enter a period of expansion, there is no reason to automatically assume that businesses will respond in the contractionary ways outlined by CCIWA.
- 4.18. The CCIWA also makes an argument about the broader significance of minimum wage adjustments. Their para 128 says that
The impact of the pandemic on the economy and business performance has weakened the signalling effect the SWC and national Annual Wage Review has on wages for employees not directly affected by these decisions.
- And refers to this chart by ABS in their Wage Price Index release for December 2020.¹⁰

¹⁰ Australian Bureau of Statistics, *Wage Price Index* (December 2020)
<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release#drivers-of-wage-growth>

Contributions to wage price index, by method of setting pay



4.19. The ABS release referred to by CCIWA also points out that:

In June 2020 the Fair Work Commission (FWC) decided to stagger Modern award rises in three industry groupings. This has shifted the timing and contribution of the impact of these award changes, from a regular September quarter contributor to growth, to be spread across three quarters. Group three awards are scheduled to receive the FWC increase in March quarter 2021.

4.20. UnionsWA contends that the source of the ‘weakened signal’ claimed by the CCIWA for the award wage increase is the delayed increase from both the state and national wage decisions. The ABS chart shows the significant impacts of ‘normally timed’ wage decisions in September 2018, and September 2019.

4.21. Further to the significance of wage adjustments, page 20, para 79 of the Minister’s submission says

An analysis of current industrial agreements registered by the WAIRC that have yet to reach their nominal expiry date reveals that almost all agreements are concentrated in the following sectors:

- *Western Australian public sector;*
- *private schools;*
- *community, health and disability support organisations;*
- *local government authorities;*
- *registered political parties;*
- *security services; and*
- *unions / labour organisations.*

It is noted that the sectors outlined above exclude several industries known to have high levels of award reliance - in particular Accommodation and food services and Retail trade. This suggests that smaller, unincorporated businesses in the hospitality and retail sectors are not utilising industrial agreements at present. Many of these businesses are likely to be guided by

State awards (either directly or indirectly) in regard to wage determination for their employees.

- 4.22. This information in the Minister’s submission demonstrates that minimum wage adjustments, including of the WA state minimum wage, remain significant for broader wage outcomes. It is only the quanta and timings of the decisions themselves that weaken their impact.
- 4.23. Overall, the CCIWA does not make the case that the WA minimum wage should be frozen. To do so would not follow the criteria of the Act. There are also no reasons to limit increases to the state minimum wage based on the following criteria:
- the state of the economy of Western Australia and the likely effect of its decision on that economy and on the level of employment, inflation, and productivity in Western Australia
 - to the extent that it is relevant, the state of the national economy
 - 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

5. Submission – Minister for Industrial Relations

- 5.1. On page 3, para 11 of the Minister’s submission, the minimum wage adjustment is formulated as follows:¹¹

A \$19.20 per week adjustment would increase the State Minimum Wage by approximately 2.5 per cent, lifting it to \$779.20 per week

- 5.2. As UnionsWA pointed out earlier in this submission, the Minister’s claim is a reformulation of its current public sector wages policy. This has had a detrimental impact on the public sector workforce which as, Professor Preston has shown, weighs heavily on wages generally and particularly for women.

- 5.3. The Minister’s submission itself, on page 13, para 57 points out that:

Women continue to be more reliant on award rates of pay than men, particularly those working in skilled occupations. While the causes of the gender pay gap are complex, fair and sustainable adjustments in the State Wage Order can play a role in helping to reduce gender pay inequality.

- 5.4. The inadequate quantum proposed by the Minister is also not supported by other points made in the submission about the situation of the WA economy. Page 4, para 15 of the Minister’s Submission includes the following:

Conditions in Western Australia have improved more rapidly than was anticipated at the onset of the pandemic, with solid household spending (including in the residential construction market) and robust mining sector activity supporting a lift in economic conditions.

- 5.5. Page 3, para 7 of the Minister’s submission also says:

At the State level, Western Australia avoided entering into recession, although the domestic economy, as measured by State Final Demand, contracted sharply in the June quarter 2020. Activity in the domestic economy remained below pre-COVID levels in the September quarter but recovered to pre-COVID levels in the December quarter.

¹¹ Minister for Industrial Relations

<https://www.wairc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/Ministers-Written-Submission.pdf>

- 5.6. On the considerations of the capacity of employers to pay, Page 4, para 19 of the Minister’s submission says:

While some businesses will have been negatively affected by the imposition of temporary restrictions related to COVID-19, the lockdowns are not expected to have a material impact on growth in Gross State Product (GSP), given their brief duration, the capacity of many businesses to operate with people working from home and that activity in major export sectors of the economy is expected to be largely unaffected.

- 5.7. On issues of general employment, page 5, para 24 of the submission says:

Monthly labour force figures for March 2021 reveal a continuation of the improvement that has been underway since mid-2020, with employment growth and participation trending upward and underemployment continuing to fall as spare capacity in the labour market is gradually absorbed.

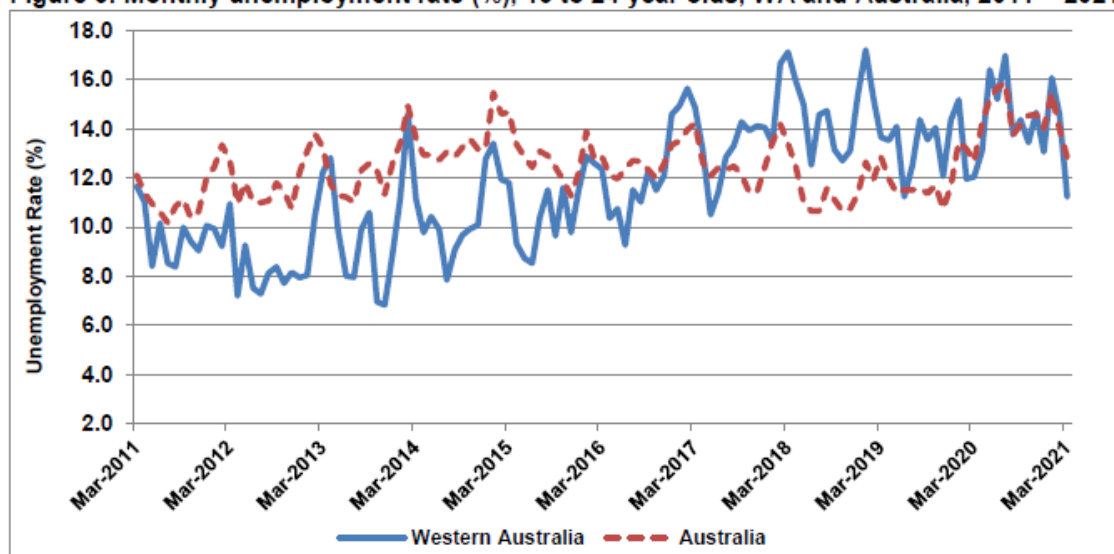
Table 1 – Key labour force figures – WA, March 2021²

	March 2021	February 2021	March 2020
Total employment	1,402,000	1,369,400	1,373,900
Unemployment rate	4.8%	6.0%	5.4%
Participation rate	68.4%	67.7%	67.9%
Underemployment rate	7.4%	8.7%	9.7%
Total hours worked (millions)	195,182.2	178,810.6	190,380.6

- 5.8. On issues of youth unemployment, page 9, para 32 says:

Youth unemployment in Western Australia has fluctuated over the year to March 2021, but has recently declined, in line with a reduction in overall unemployment. Nationally, youth unemployment has also declined in recent months. The youth unemployment rate in Western Australia fell to 11.2 per cent in March 2021, while it stood at 12.8 per cent for Australia as a whole.

Figure 5: Monthly unemployment rate (%), 15 to 24 year olds, WA and Australia, 2011 – 2021⁸



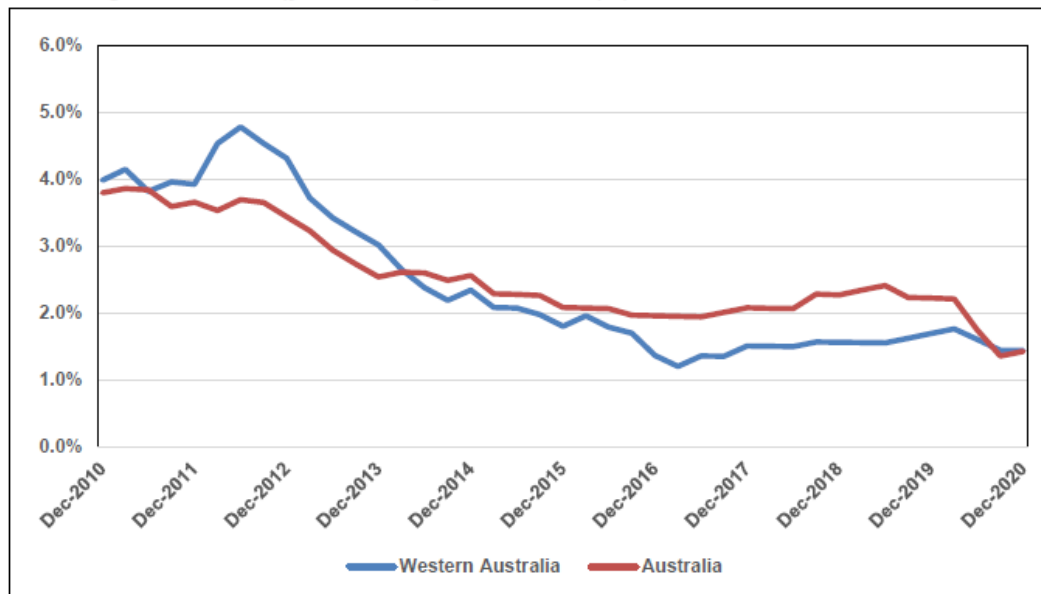
- 5.9. On issues around the cost of living, the Minister’s submission confirms that the expiry of various COVID related relief policies could increase inflation. Page 10, para 41 says:

It is possible that the headline inflation rate for Perth will increase in coming quarters, as government home building stimulus is gradually withdrawn and the Western Australian household electricity credit is fully consumed by most customers.

- 5.10. The Minister’s Para 43 also addresses recent wage growth. Despite the improvements in employment, there is little sign that wages are responding.

Annual average growth in the State’s Wage Price Index (WPI) in the December quarter 2020 was 1.6 per cent, unchanged from 12 months prior. In year-ended terms, the State’s WPI was 1.4 per cent in the 2020 calendar year

Figure 6: Annual (year-ended) growth in WPI (%), WA and Australia, 2010 – 2020¹⁴



- 5.11. The Minister also references the same ABS Payroll data as UnionsWA on Page 12, para 51:
- Data recently released by the ABS reveals that between 14 March 2020 and 10 April 2021, Western Australia recorded a 3.6 per cent increase in payroll jobs, above the national increase of 1.0 per cent.¹⁸ However, over the same period, total wages rose by just 0.7 per cent in Western Australia, compared to the national figure of 2.0 per cent.*

- 5.12. UnionsWA reiterates the point that the lack of response by wages to employment growth demonstrates the need for binding institutional arrangements such as minimum wage adjustments to step in and play their part.

- 5.13. On the question of employer capacity to pay, the Minister provides the following information on Page 14, para 61 of the submission:

As illustrated in Table 6, a number of industries recorded an improvement in GOS plus GMI, whilst the only industry that recorded a sizable decline was Agriculture, forestry and fishing.

Table 6: Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) by industry, WA, current prices, 2019 and 2020²⁵

Industry	GOS + GMI June 2019 (\$m)	GOS + GMI June 2020 (\$m)	Annual Increase (\$m)	Annual Increase (%)
Agriculture, forestry and fishing	4,696	4,025	-671	-14.3
Mining	91,814	117,350	25,536	27.8
Manufacturing	5,240	5,149	-91	-1.7
Electricity, gas, water and waste services	2,992	3,021	29	1.0
Construction	5,334	5,644	310	5.8
Wholesale trade	3,386	3,319	-67	-2.0
Retail trade	2,630	3,049	419	15.9
Accommodation and food services	1,297	1,272	-25	-1.9
Transport, postal and warehousing	4,920	4,983	63	1.3
Information media and telecommunications	1,624	1,831	207	12.7
Financial and insurance services	7,801	7,757	-44	-0.6
Rental, hiring and real estate services	2,890	2,817	-73	-2.5
Professional, scientific and technical services	3,606	4,271	665	18.4
Administrative and support services	825	911	86	10.4
Public administration and safety	1,680	1,789	109	6.5
Education and training	998	1,025	27	2.7
Health care and social assistance	2,141	2,109	-32	-1.5
Arts and recreation services	514	531	17	3.3
Other services	1,338	1,473	135	10.1
Total all industries	159,880	186,847	26,967	16.9
Total industries excl. mining	68,066	69,497	1,413	2.1

5.14. Para 62 accounts for this situation as follows:

While it may appear somewhat unusual for a large number of industries to be recording increases in GOS plus GMI during a period that includes the onset of the COVID-19 pandemic, this likely reflects the significant financial support provided to businesses by the Commonwealth and State Governments

5.15. On the issue of whether workers will benefit from an increase to minimum and award wages, on page 17, paras 67 and 68 the Minister notes

... that employees in the State industrial relations system receiving wage rates only marginally above the relevant award minimum may also be impacted by the WAIRC's decision in this year's State Wage Case.

Other employees may likewise be affected where their wages are informally linked to State awards, such as where an employee is paid a particular margin above the award. The reach of the State Wage Case is therefore likely to extend beyond just those employees paid exactly in accordance with a State award.

5.16. And goes onto say on page 19, paras 75 and 77:

Many low paid workers are dependent on increases determined in the State Wage Case to meet changes in their everyday living costs. This includes those employees who are not presently covered by an award who are entirely reliant on the statutory minimum rates of pay provided under the MCE Act.

...

Employees who are award free have significantly fewer protections than those who are covered by an award, and many award free employees are reliant on the minimum rates of pay determined under the MCE Act. Employees receiving the State minimum wage are unquestionably low paid and by granting a fair and sustainable wage increase, as proposed by the Minister, the WAIRC can help to alleviate the financial disadvantage these workers face.

- 5.17. UnionsWA argues that the Minister's claim for a 2.5 per cent or \$19.20 adjustment is simply a repackaging of the government's public sector wages policy for the minimum wage case. It does not adequately consider the legislated criteria of the IR Act for a minimum wage adjustment. This is demonstrated by the fact that the information in the Minister's submission would justify a larger increase, particularly on the grounds of addressing the gender pay gap and equal remuneration.
- 5.18. Only the claims by UnionsWA and WACOSS to increase award wages and the statutory minimum wage by 4% or \$30.40 per week, whichever is greater, address the range of criteria the Commission needs to consider.

6. Conclusion

- 6.1. UnionsWA is advocating that the Commission increase Award wages an increase by 4% **or \$30.40 per week, whichever is greater.**

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;

The increase to minimum and award wage should apply from the end of June 2021 onwards. The decision to delay the 2020 increase until the first pay period after 1 January 2021 should not be repeated. The full increase within the Act should be applied to apprentices and juniors.

(ii) meet the needs of the low paid;

Binding, institutional increases to wages, such as those brought by the minimum wage, are needed to bring about the increases in consumption to support the RBA's 'upside' scenario for the economy. That wages are not responding to employment in WA (and elsewhere) is demonstrated by ABS payroll and Wage Price Index data.

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

The divergence between Discretionary and Non Discretionary CPI inflation should be noted when considering the cost of living and the needs of the low paid in WA, as increases in Non Discretionary costs will be more impactful for low wage workers. As WACOSS points out, the burdens of cost such as rental accommodation and energy of particular significance.

(iv) contribute to improved living standards for employees;

The ABS data on 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.

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

An increase in the state minimum wage in WA of 4 per cent or \$30.40 per week, whichever is greater, is more likely to assist workers and vulnerable groups of employees who are less likely to negotiate decent increases for themselves. The Minister has pointed out that those employees are more likely to be award reliant.

(vi) encourage ongoing skills development; and

For the apprentice however there is an opportunity cost involved in the time spent as an apprentice. Unless regular and generous increases in apprenticeship wages flow on from decisions such as those from the minimum wage, apprenticeships become increasingly unattractive.

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

Vulnerable groups of employees such as female workers are likely over-represented within the private sector of the state industrial relations system. Workers with this profile are less likely to negotiate their own Agreements, and more likely to be award reliant in the state industrial relations system.

(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;

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

(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;

Surveys have found that business conditions and confidence are well into positive territory for WA, and the state economy is recovering.

Growth forecasts for the national economy are similarly positive.

Minister reports many industries to be recording increases in GOS plus GMI in WA.

Therefore, lack of wage growth in WA, and Australia, derives from the power of employers to decline to increase wages, not from having a competitive labour market.

(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 consider. 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 recovering. Not only can employers afford a substantial minimum wage increase that improves

living standards, but there is also no good reason not to apply that increase from the end of June onwards.

7. State Wage Principles

7.1. UnionsWA is not proposing changes to the State Wage Principles.

8. Two-year apprenticeships

8.1. UnionsWA has no objection to the Minister's recommendation that the WAIRC establish a minimum rate of pay for award free apprentices undertaking a two-year apprenticeship as part of this year's State Wage Case.

8.2. We only differ in arguing that the new rates for award free apprentices should reflect the UnionsWA claim for minimum and award rates.

9. Federal Budget 2021-22

9.1. The Federal Treasurer Josh Frydenberg delivered the Budget on Tuesday 11 May 2021.

9.2. The Budget's forecasts suggest a very strong economic and labour market recovery - except for wages. They are expected to decline in real terms in the short run (2021-22), with no prospect of growth until 2024-25).¹²

Table 2.1: Domestic economy — detailed forecasts^(a)

	Outcomes ^(b)		Forecasts	
	2019-20	2020-21	2021-22	2022-23
Real gross domestic product	-0.2	1 1/4	4 1/4	2 1/2
Household consumption	-3.0	1 1/4	5 1/2	4
Dwelling investment	-8.1	2 1/2	0	-1 1/2
Total business investment ^(c)	-2.0	-5	1 1/2	10
<i>By industry</i>				
Mining investment	6.8	1/2	3	3 1/2
Non-mining investment	-4.5	-6 1/2	1 1/2	12 1/2
Private final demand ^(c)	-3.2	3/4	4 1/2	4 1/2
Public final demand ^(c)	5.5	5 3/4	5	1 3/4
Change in inventories ^(c)	-0.3	1/4	0	0
Gross national expenditure	-1.4	2 1/2	4 3/4	3 3/4
Exports of goods and services	-1.8	-8	4	3
Imports of goods and services	-7.4	-4	6 1/2	9 1/2
Net exports ^(d)	1.2	-1	-1/4	-1 1/4
Nominal gross domestic product	1.7	3 3/4	3 1/2	2
Prices and wages				
Consumer price index ^(e)	-0.3	3 1/2	1 3/4	2 1/4
Wage price index ^(f)	1.8	1 1/4	1 1/2	2 1/4
GDP deflator	1.9	2 1/2	-1/2	-1/2
Labour market				
Participation rate (per cent) ^(g)	63.4	66 1/4	66 1/4	66
Employment ^(f)	-4.2	6 1/2	1	1
Unemployment rate (per cent) ^(g)	6.9	5 1/2	5	4 3/4
Balance of payments				
Terms of trade ^(h)	0.9	10	-8	-10 1/2
Current account balance (per cent of GDP)	1.8	3 3/4	1 1/4	-2 1/4

9.3. With such low forecasts for wage growth, binding, institutional increases are needed for minimum wage and awards rates. The Commission should be concerned about what having a real wage cuts for two years mean for the living standards of working people. The forecasts for growth in household consumption of 5.5 per cent in 2021 and 4 per cent in 2022-23 are optimistic in if real wage declines are expected over this period.

¹² Budget Paper No. 1: Budget Strategy and Outlook, p.37 <https://budget.gov.au/2021-22/content/bp1/index.htm>

- 9.4. As flagged in UnionsWA's initial submission, the Federal Budget contains initiatives that are relevant to the living standards of workers and the costs of doing business. However, insofar as they require legislation to come into effect, they do not moderate the need for a substantial minimum wage increase in WA that will come into full effect after the end of June 2021.