



2021 State Wage Case

Chamber of Commerce and Industry WA

11 May 2021

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 BY THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN
AUSTRALIA**

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Introduction

1. Many Western Australian (WA) small businesses are deeply concerned with the result of the impending state wage case (SWC).
2. While the mining sector in WA has roared ahead, businesses most affected by the SWC — particularly small businesses in retail and hospitality — continue to face significant uncertainty and risk, and already compete with larger businesses with one hand tied behind their back.
3. The best example of the competitive disadvantage that WA small businesses already face is right in the local food court. 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. That bizarre situation is due to the state minimum wage being higher than the national minimum wage. 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.
5. On top of all this, 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. In addition, the cost of employment will be increasing as a result of superannuation contributions rising to 10 per cent of employees' ordinary time earnings.
6. And despite the success of the mining industry, small businesses affected by the State Wage Case still face an uncertain economic environment.
7. Last year's SWC took place at the beginning of a global pandemic, in an environment in which there was significant uncertainty about the impact that COVID-19 would have on the economy and for how long.
8. Twelve months on and the uncertainty regarding the ongoing impact of the COVID-19 pandemic remains. This is particularly so for those industries most affected by the SWC decision, with small businesses in retail and hospitality continuing to bear the brunt of the government restrictions aimed at controlling the pandemic.
9. It is these small businesses which create employment opportunities for young Western Australians. Faced with the higher employment cost, small business owners will frequently increase their own working hours at the expense of additional employment opportunities for award reliant employees.

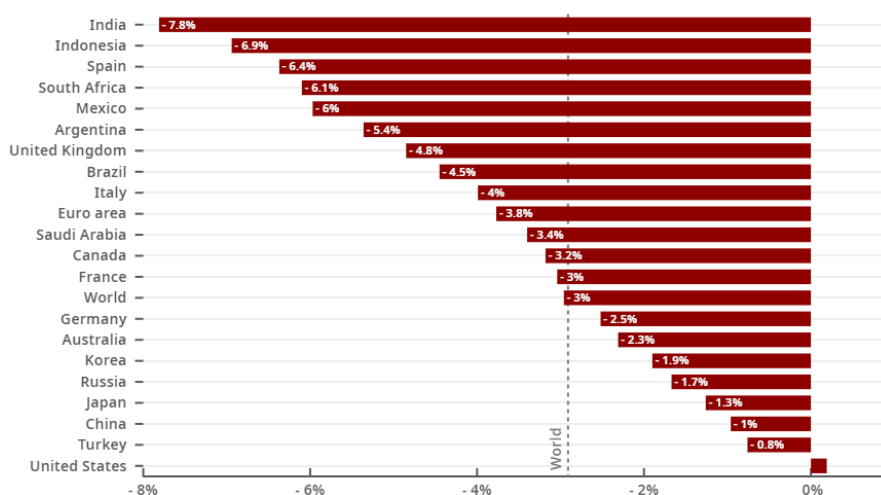
10. WA businesses also face the challenge of snap lockdowns and ongoing restrictions in response to the COVID-19 pandemic at a time where government assistance aimed at lessening the effects of restrictions have largely ceased. This cost is compounded by the delayed rollout of the COVID-19 vaccine, which has deferred the prospect of existing restrictions being rolled back and increased the likelihood of further lockdowns.
11. WA remains in the midst of a global pandemic from which we are not immune. In this environment there is a need to prioritise jobs and the viability of small businesses ahead of wage increases. To help achieve this CCIWA is encouraging the Commission in Court Session (**the Commission**) to maintain the SMW and award rates of pay at their current levels.

Management of the pandemic critical to recovery

12. The Australian economy has performed better than many other countries globally, largely due to the containment of COVID-19, the level of Government support, and the strong performance of the resources sector.
13. Despite this, Australia's GDP remains 2.3 per cent below pre-pandemic projections, as shown below.

Graph 1 – Decline in GDP¹

% change from pre-pandemic projections



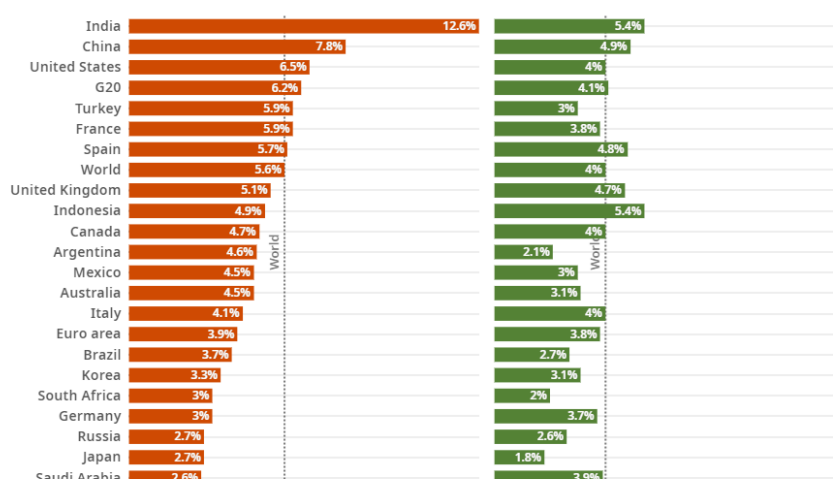
Note: Pre-pandemic projections refer to November 2019 projections. • Source: OECD (2021), [OECD Economic Outlook, Interim Report March 2021](#). © OECD Terms and conditions

14. Australia's growth projections also remain below the world average, meaning that our path to pre-pandemic projections may not be as fast as other countries.

¹ OECD (March 2021) [Strengthening the recovery: the need for speed](#)

Graph 2 – Real GDP growth projections for 2021 and 2022.²

%, year-on-year



Source: OECD (2021), *OECD Economic Outlook, Interim Report March 2021*. © OECD Terms and conditions

15. The OECD has identified that vaccine rollout is critical to stronger economic recovery, warning that:

“There is no room for complacency. Vaccines must be deployed faster and globally. This will require better international co-operation and co-ordination than we have seen up to now. It is only by doing so that we can focus our attention on building forward better and laying the foundations for a prosperous and lasting recovery for all.”³

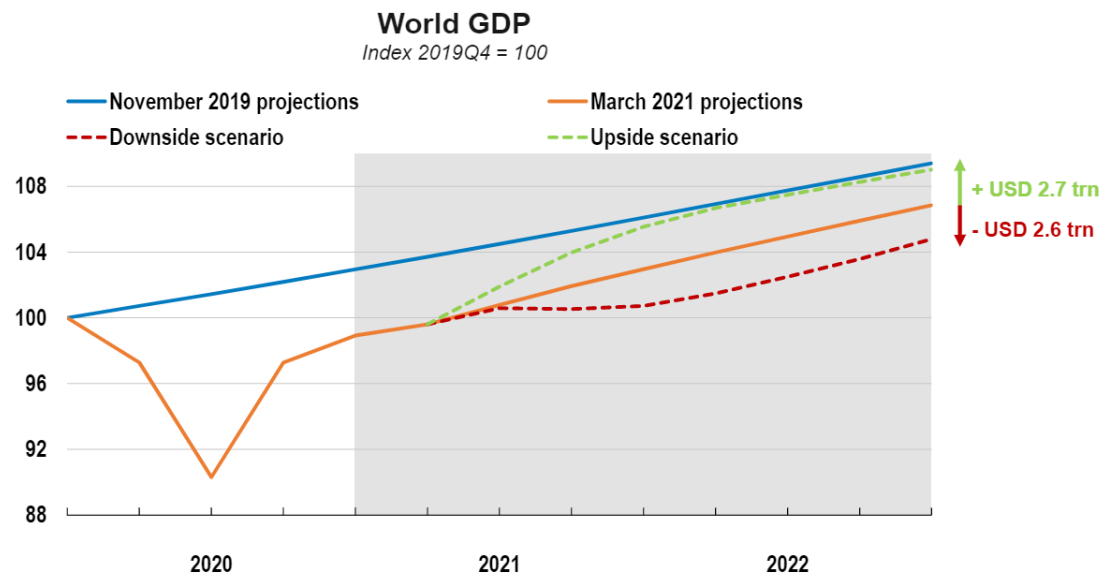
16. The impact of the vaccine rollout in stimulating economic recovery is identified in the Graph 3, which shows that world GDP remains significantly below the growth predicted prior to the pandemic and will remain so. However, the OECD’s upside scenario is for faster recovery and return to pre-pandemic forecasts by 2022 where there is *“faster progress in deploying effective vaccines around the world and a wide take-up amongst the eligible population”* which will enhance *“the pace at which containment measures can be relaxed, providing a stronger boost to the confidence of consumers and companies”*.
17. However, their downside scenario warns of a stagnation in growth before a return to more gradual growth in GDP, where *“the speed of vaccine production and deployment is not fast enough to reduce the transmission of the virus fully, especially if there is a wider emergence of new mutations that require modifications to current vaccines”*, in which *“confidence remains weak for longer, and spending slows, with restrictions on mobility being tightened ...”*.⁴

² Ibid, p4

³ Ibid.

⁴ OECD (March 2021) *OECD Economic Outlook, Interim Report March 2021*, p13-14

Graph 3 – Impact of vaccine rollout of world GDP⁵



18. With respect to Australia, the rollout of the vaccine has been plagued with multiple delays, with the Federal Government no longer prepared to provide projected timeframes for when the majority of the population will be eligible for the vaccination. This has increased the risk of further restrictions arising from cases of community transmission and significantly delaying the prospect of existing restrictions being removed.
19. This is concerning given that a key driver in recent improvement in business confidence within WA is based on expectations that ongoing restrictions and hard border measures will ease as the domestic vaccine rollout ramps up.⁶
20. The April 2021 lockdown of the Perth and Peel area has likely shattered that confidence.

Role of government support

21. The capacity for WA, and the nation as a whole, to avoid the worst impact of COVID-19 has been as a result of the management of the pandemic, which has included substantial levels of Government support.
22. In terms of maintaining jobs, the most significant support has been the JobKeeper subsidy, with the Reserve Bank of Australia (**RBA**) estimating that the "overall job losses would have been at least twice as large over the first half of 2020 without JobKeeper, saving at least 700,000 jobs" nationally.⁷

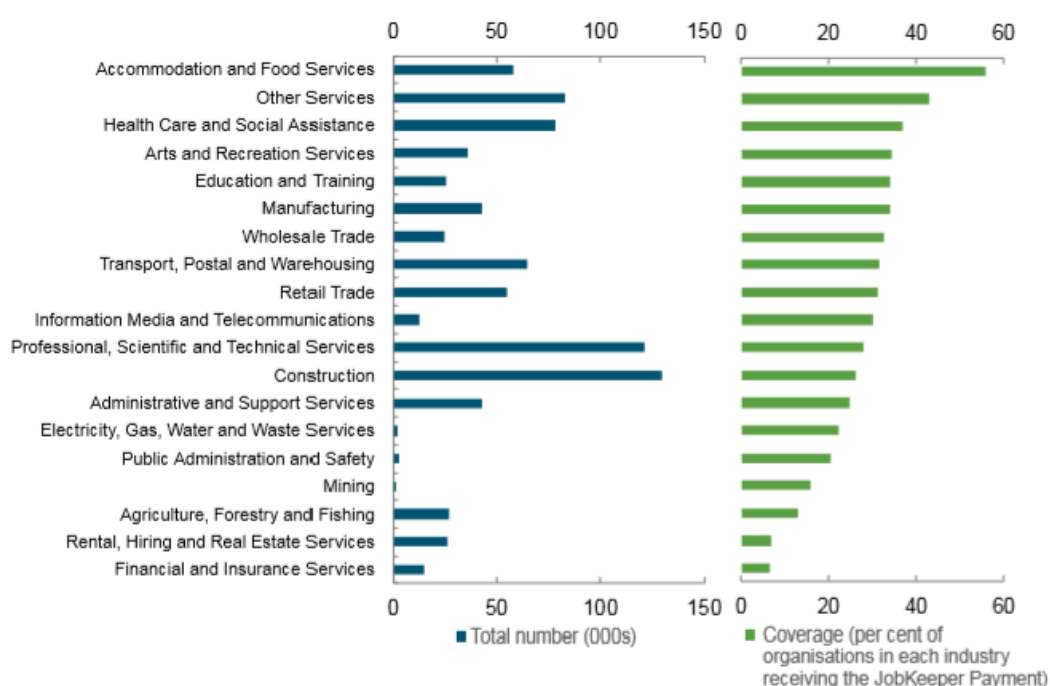
⁵ Ibid, p13

⁶ CCIWA (2021) *CCIWA Business Confidence Survey: March Quarter 2021*, p1.

⁷ Frydenberg, J. (24 February 2021) *Speech - Labour market update and the future of JobKeeper*

23. During its first phase (which ran from April to September 2020) there were up to 87,500 WA based organisations receiving the subsidy, with over 24,000 organisations still in receipt of the extension phase payment in January 2021.⁸
24. That is, there were 24,000 WA employers who were reliant on these payments to maintain jobs for their workers as a result of a decline in turnover of either:
 - 24.1. 30 percent decline for businesses with an aggregate turnover of \$1 billion or less;
 - 24.2. 50 per cent for businesses with an aggregate turnover of over \$1 billion; or
 - 24.3. 15 per cent for charities and not for profit organisations.
25. Nationally, there was an expected 1.1 million workers reliant on the JobKeeper payment as the scheme concluded in March 2021.⁹
26. The initial three-month review of JobKeeper shows that those industries which had the highest uptake of the scheme were also in award reliant industries. This included 54 per cent of businesses in the accommodation and food services industry, 35 per cent of healthcare and social assistance organisations, and 30 per cent of employers in the retail trade sector.

Graph 4 – JobKeeper applications processed in April 2020¹⁰



⁸ ATO. *JobKeeper Postcode Data*. <https://treasury.gov.au/coronavirus/jobkeeper/data> [22 April 2021]

⁹ Frydenberg, J. (24 February 2021) *Speech - Labour market update and the future of JobKeeper*

¹⁰ Commonwealth Treasury (2020), *The JobKeeper payment: three-month review*.

27. Measures such as JobKeeper were always intended to be temporary in nature and employers are now in a position where they have to adapt their operations to accommodate the ongoing and unpredictable risks associated with the pandemic, with limited prospect of Government support.

Impact of lockdowns on WA businesses

28. As restrictions began easing over the course of 2020 there was a general sentiment in WA that the worst of COVID-19 was behind us.
29. However, the events of the last few months have demonstrated that WA is not immune from the risk of potential outbreaks, with the WA Government implementing two snap lockdowns in January/February and April 2021 over concerns about the spread of COVID-19 within the WA community.
30. The initial lockdown, which commenced in March 2020, cost the WA economy an estimated \$3.3 billion based on the drop in State Final Demand (**SFD**) between the March and June 2020¹¹ quarters. During this period, the State and Federal Government introduced a range of initiatives to lessen the impact of the initial lockdown on employers, employees and the community at large. The most significant of these was the JobKeeper subsidy, that helped support 87,500 employers in WA maintain their operations.
31. The 5-day lockdown which commenced on 31 January 2021 is estimated to have cost the WA economy \$420 million.¹² The health directions for this period were significantly more restrictive than the initial lockdown, preventing workers from attending their workplace unless they were designated an essential worker. This forced a significantly greater number of businesses to close their operations.¹³
32. Businesses in the hospitality, entertainment and fitness industry were also subject to further restrictions in the week following the lockdown, with venue capacity subject to a four-square metre rule, up to a maximum of 150 customers. Consequently, the majority of these businesses were forced to limit their trade.
33. These restrictions applied at a time when most WA businesses were no longer eligible for the JobKeeper payments. Consequently, employers had to absorb the full cost of the lockdown, with the WA Government providing only a token \$500 electricity bill offset for small businesses. In comparison:

¹¹ Which fell from \$52b in March 2020 to \$48.7b in June 2020

¹² Based on a 1 week equivalent of the decline in GSP between March and June 2020.

¹³ WA Government (31 January 2021) [*Stay at Home and Closure \(Perth, Peel and the South West Regions\) Directions*](#)

- 33.1. The New South Wales Government provided a business hardship grant of either \$3,000 or \$5,000 for small businesses and not for profit organisations that suffered a minimum 30 per cent or 50 percent decline in turnover due to the Northern Beaches Public Health Order.¹⁴
- 33.2. The Victorian Government provided grants of either \$10,000, \$15,000 or \$20,000, based on annual payroll, for eligible businesses for whom restrictions were not easing as part of their transitional roadmap.¹⁵
34. Following the January/February lockdown, CCIWA conducted a snap survey of employers to understand the impact it was having on their business. The recurring themes were the loss of revenue, loss of perishable stock, need to pay ongoing costs, and the impact of wages for permanent staff. The following statements highlight these concerns:
- *"We have had to close our cellar door for the week, expect this will cost us about \$15,000 in revenue."*
 - *"If we don't come to work we still have huge expenses. We need to still pay our workers because we don't want to lose them."*
 - *"We can't do inspection. Meaning no sale, no leases and NO INCOME! I have staff to pay and family to feed."*
 - *"The loss of work, maintaining the work force, and the uncertainty of what will happen in the next weeks."*
 - *"Staff with children working from home are juggling to meet parenting and working productivity. Staff mental health issues."*
 - *"Loss of trade. Franchisor ability to make us open even if the customers stop coming."*
 - *"We have export contracts which are to be completed in agreed time frame. We are not so sure if we are considered to be in essential industry so that we can continue to work as usual."*
 - *"All staff must remain at home on full salary with no income".*
 - *"General quick slowdown in the WA market which affects our sales (our costs are still the same). On the day after the lockdown most of our clients shut down their jobs which cost us approx. \$25k in lost sales for that day and is still continuing. Also no-one is placing orders for new work or supplies."*
 - *"Projects that were due to start in the coming weeks may now be delayed. What do we do with our staff in this situation, who pays for the down time, who is paying for this lock down, who covers the wages ... our company cannot wear this cost it is not fair."*
 - *"We are still open. I am still paying all my staff and most of our families are not coming into the Centre. The children are booked in, I can't send staff on leave in case the children come in. I am guessing the parents who don't come in are expecting a refund on their fees."*

¹⁴ The Northern Beaches Public Health Order restricted movement, gatherings and the opening of some businesses in the Northern Beaches Local Government Area, Sydney between 19 December 2020 and 9 January 2021.

¹⁵ <https://business.vic.gov.au/grants-and-programs/business-resilience-package/business-support-fund-3>

- *"Jobs are being cancelled as the public are scared to have us go into their homes."*
- *"We have shut completely this week as the majority of our business is functions, events and providing catering for meetings and training workshops in the CBD. Under normal circumstances one week off wouldn't affect us too much however with all of the federal government assistance (cash flow boost/ jobkeeper etc) ceasing and all of our leases, rent and COVID loan repayments needing to be paid now after the 6 month deferral, our cash flow will be severely affected by the lockdown."*
- *"No income - but wages must be paid!!"*
- *"Having some jobs postponed for the duration of the lockdown leaving us with nothing to do one week (and having to pay the guys), and too much work the following."*
- *"Casual workers receiving no income, no income in a good summer week to pay fixed costs and no reduction on rent, power etc."*
- *"Childcare availability for our nursing team. Most of the team are women and although childcare is available for essential workers, these nurses did not have official childcare because the children were meant to be at school. A lot of patients wanted to be treated but we were short staffed or our existing staff had to work long hours to make up for the nurses who couldn't work because of childcare issues thus it cost us more in overtime."*
- *"Limited time on a Sunday to collect equipment to enable staff to work from home. (but we managed it!). Uncertainty with regard to the length of the lockdown. Will it end on Friday - 6pm!! How do we organise the following week?"*
- *"Complete loss of all bookings for 2 weeks, no incoming bookings for at least 2 weeks."*
- *"Having to cancel all publicly scheduled and other planned training services at very short notice. Inability to generate revenue whilst bearing the cost of employing staff."*
- *"Perishable stock going into land fill. Losing money in not just stock but also sales."*
- *"We have to carry the costs of employee wages while little to nil jobs from client during this lockdown week."*

35. The above comments highlight the uncertainty facing employers in the current environment, who were faced with the announcement of a lockdown on Sunday afternoon when very few had the opportunity to implement contingency plans to minimise the impact of the restrictions.

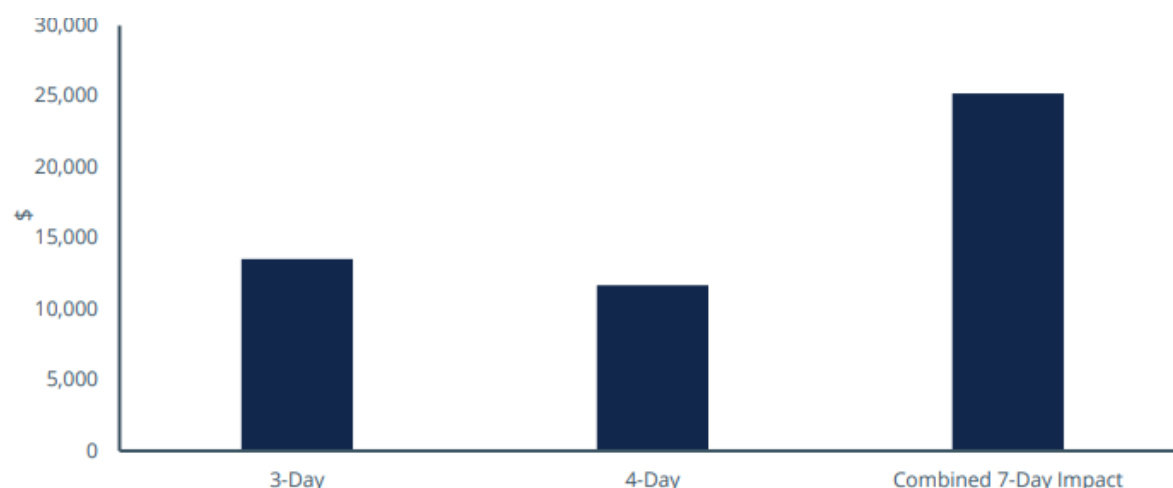
36. The most recent lockdown commencing at the beginning of the ANZAC Day long weekend significantly impacted the hospitality, retail, hair and beauty, and entertainment and recreational industries. The Australian Hotel Association has estimated that the three-day lockdown cost the WA hospitality sector \$100m in revenue¹⁶, which is expected to be compounded by the transitional restrictions which:

36.1. between 26 - 30 April limited their capacity to a maximum of 20 customers, subject to the four-square metre rule; and

36.2. from 1 May limited the number of customers to 75 per cent of capacity, subject to the two square metre rule.

37. For individual businesses, the average expected financial cost of the lockdowns and restrictions applying from 24 – 30 April was \$25,200, as shown in the following graph. In the case of small businesses with up to 10 employees, the cost impact ranged up to \$55 000 across the full seven days, with the average impact being \$8,060.

Graph 5 – Estimated total average cost of restrictions.¹⁷



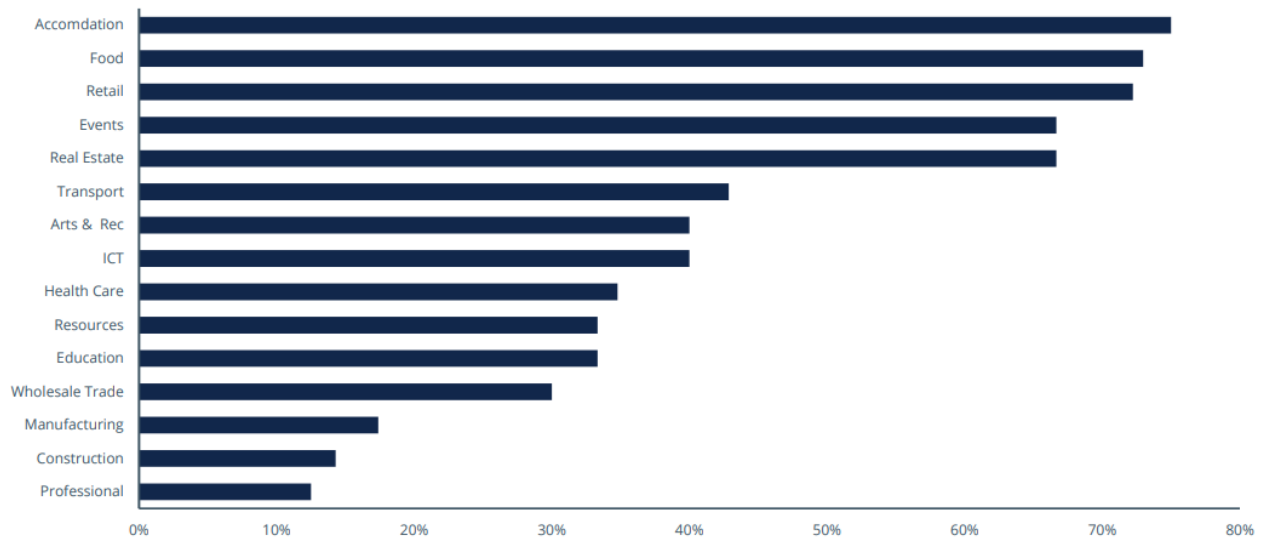
38. These figures suggest the total costs borne by WA businesses across the seven days amount to \$170 million.¹⁸ Unsurprisingly, the accommodation, food, retail, events and real estate industries were the most significantly impacted by the three-day lockdown.

¹⁶ Brammer, J (27 April 2021) [Lockdown forces hospitality sector to change track](#). The West Australian.

¹⁷ CCIWA (2021) [Snap Lockdown Business Impact Survey - April 2021](#), p3

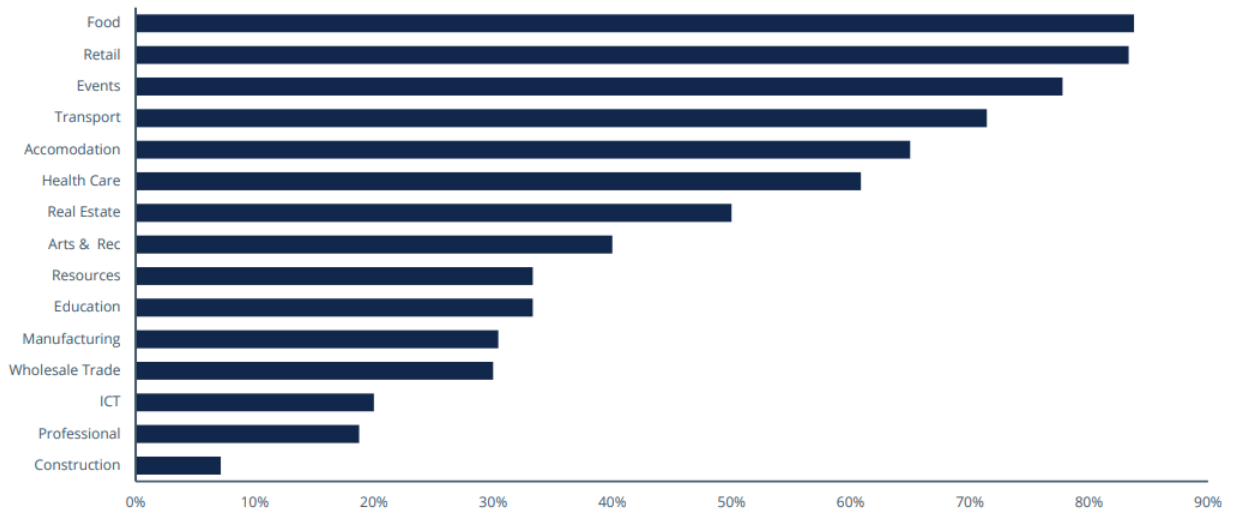
¹⁸ This figure was arrived at by applying the median costs incurred within each sector, by the number of employing businesses for that sector in the Perth and Peel regions. The estimate also accounts for the expected recovery of losses in each sector and the proportion of businesses that were not affected by the lockdown.

Graph 6 – Proportion business experiencing reduced sales / turnover – Three day lockdown period¹⁹



39. Food, retail, events and accommodation were also the industries most affected by the four-day transitional restrictions, along with the transport industry.

Graph 7 - Proportion business experiencing reduced sales / turnover – Four day transitional period²⁰



40. In last year's decision, consideration was given to the issue of whether there will be pent-up demand with the lifting of restrictions and the affect that this may have, with the Commission concluding that *"in some areas of the community there may be some pent-up demand which will be satisfied at a later time... however, some expenditure will be foregone entirely ..."*.²¹

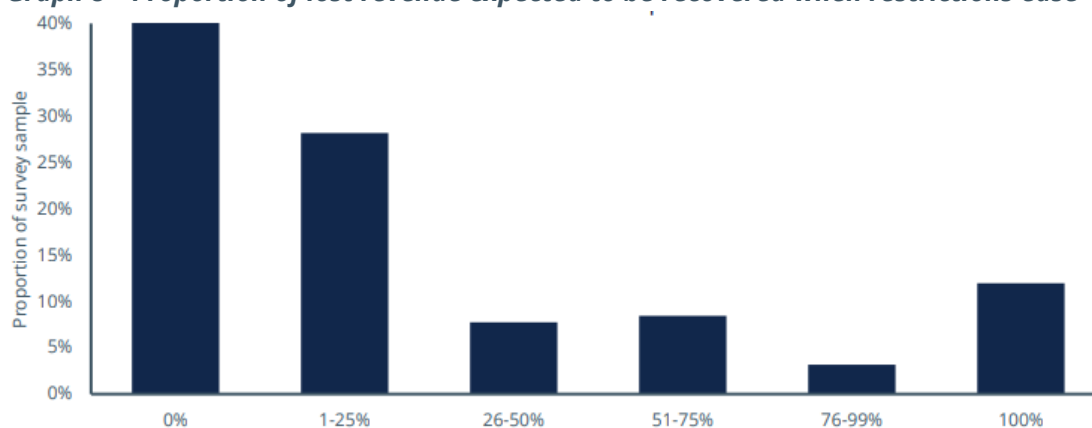
¹⁹ CCIWA (2021) *Snap Lockdown Business Impact Survey - April 2021*, p6

²⁰ Ibid, p7

²¹ 2020 WAIRC 00361 at 149

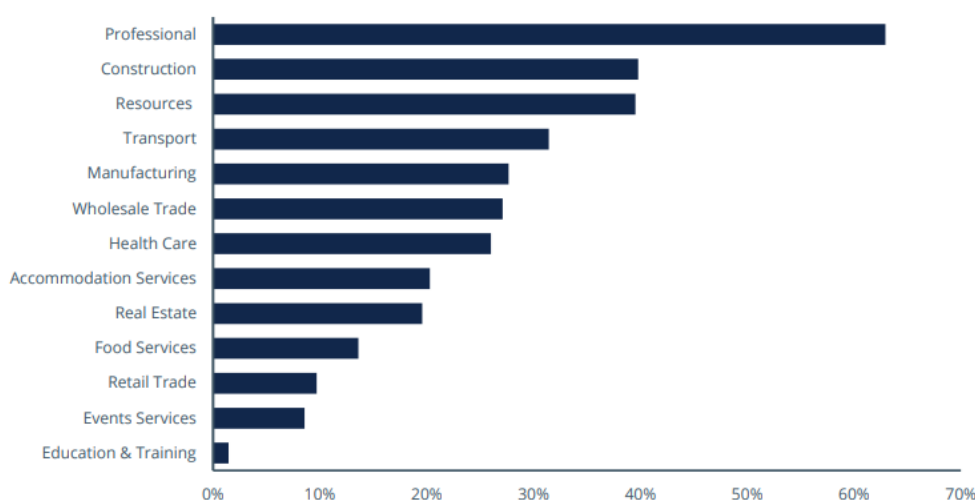
41. In considering the impact of the April restrictions we asked whether businesses expected to recover revenue losses once restrictions were eased. As shown in the graph below, approximately 40 per cent of businesses do not expect to make up any of the lost revenue, with around 28 per cent expecting to only recover up to a quarter.

Graph 8 – Proportion of lost revenue expected to be recovered when restrictions ease



42. However, not all industry sectors have the same capacity to recover lost revenue. Of the sectors hardest hit by the restrictions, food services businesses expect to recover only 13.6 per cent of lost revenue on average, accommodation services 20.3 per cent and retail trade just 9.7 per cent.
43. Noticeably this does not take into account the expenses incurred by the business during the restrictions.
44. For those employers most likely to be affected by the SWC decision, it is clear that the overwhelming majority of the revenue lost during the restrictions is not recoverable through deferred demand.

Graph 9 – Proportion of lost revenue recoverable (average response by industry)²²



²² CCIWA (2021) *Snap Lockdown Business Impact Survey - April 2021*, p9

45. The sentiments expressed by employers are similar to those aired during the January/February lockdown. The unpredictable nature of the lockdown, and the limited time provided to businesses to implement contingency plans, resulted in increased costs to businesses. Some of the comments include:

- *"All Perth guests opted to cancel their accommodation bookings."*
- *"Saturday sales moved from \$25k average to \$4.5k. We closed at 2pm."*
- *"The impact of this lock down creates an uncertainty in the market which in return will affect our business turnover for the next two months. Similar to what happened with the previous lock down."*
- *"We are located next to a night club and get a good portion of customers from them. Due to the restrictions it is shut and we are impacted severely."*
- *"I run ticketed events ... having snap lockdowns completely undermines consumer confidence for future events ... ticket sales for all events slow (even after lockdown finishes)."*
- *"Accommodation in south west still operated as guests had arrived BUT has wrecked this week and forward bookings hugely affected as loss of confidence to travel to WA from interstate."*
- *"Staff did not get paid for the 2 days & were very upset as they had commitments."*
- *"It was incredibly difficult to manage over the weekend. Very stressful for hospitality staff - particularly with the later Peel / Perth visitors to region having to lock down only 24 hrs after arriving! ... The management of the situation as a business became so difficult we made the decision to CLOSE on Monday."*
- *"The limit of 20 persons dine in is having a massive impact on our business, it's making our customers irate, causing our staff to be abused. The loss of revenue with this limited amount [of patrons] is having a huge detrimental impact on our business."*
- *"We did take away trade. Had 2 staff on instead of 5. Massively reduced takings."*
- *"Gates shut, total loss of revenue, waste of long weekend food prep and deliveries."*
- *"Normally this is my busiest time for ticket sales, but the sales have halted because people have lost confidence and don't want to lose their money."*
- *"Our customers are hospitality venues. They had a few hours' notice that they would have almost zero customers over a long weekend - only take-away options. They had already received their orders from us for the weekend, before lockdown was announced. We expect a reduction in sales in the week following the lockdown due to reduced capacity at venues and unused supplies delivered the previous week."*
- *"Guests wanting to leave immediately and expecting refunds."*
- *"As a professional services firm, the phones just stopped ringing and still have. It happened last time too. That means a loss of new work - we need new clients every day to keep staff employed. When lockdown happens, the psychological damage / knock on effect to consumer confidence is huge. People stop spending, they even stop planning and this effects everyone from retail to lawyers to accountants to light industrial etc."*

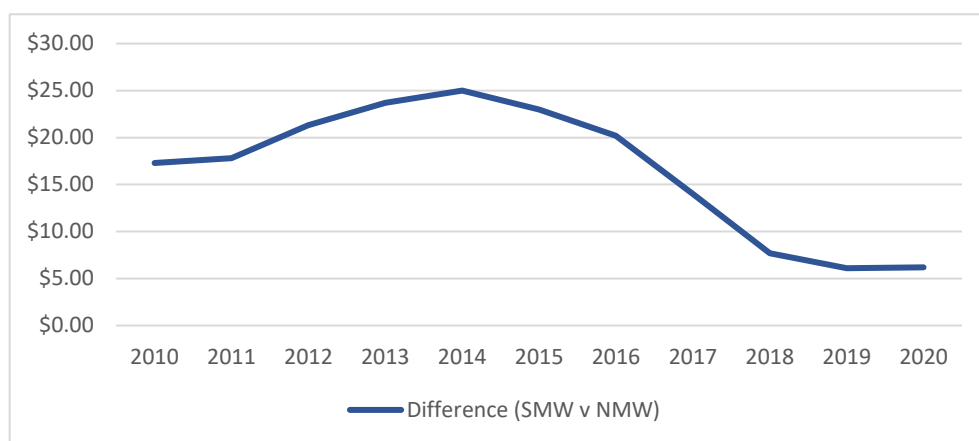
- *"The weekend is our busiest times when people with jobs can go out to appointments and attend both sales and rental home opens. These all had to be cancelled. With our small office we cancelled over 15 home opens with 5 of them being the 1st time opened with many people booked. These people cannot access until next week and the owners have had a week of Nil income and we have had to pay staff to not work."*
 - *"Extra work for all staff and less foot traffic."*
 - *"Our business is a supplier to The Food Service and Hospitality sector, and although we don't sell direct to the public we rely on the public to support our Customers being Hotels and Restaurant's/Cafes, what happens is we supply them during the week and they do 50% to 70% of their business over the weekend and long weekends. When they don't trade they sometimes try to return stock and if not we won't have any orders for the following week, meanwhile we order replenishment goods that they would normally use to restock and get caught with extra stock that we have to pay for..."*
 - *"Paying staff not to attend work as there is very little for them to do this week."*
46. A recurring theme is the cost to employers in maintaining wages for permanent employees. CCIWA members have expressed concerns that bearing the cost of wages for staff who are unable to work is not sustainable and that in the event of longer or more frequent lockdowns there will be a need to consider options to either stand down or reduce the number of permanent employees.
47. The most recent lockdowns have also highlighted a shifting approach in Federal and State Government support for businesses affected by snap lockdowns. Whilst the WA Government's announcement of a \$2,000 grant for small businesses affected by the April restrictions is welcome, it is insufficient to offset the significantly higher costs that these businesses bear.
48. It is a clear indication that the financial costs of lockdowns imposed by Government on behalf of community will largely rest with the business community.

Fairness and equity

Fairness for small business and their employees

49. A key objective of the SWC proceedings is to “ensure that West Australians have a system of fair wages and conditions of employment”.²³
50. The imposition of a minimum wage for WA small businesses covered by the state system which is \$6.20 per week higher than their generally larger competitors covered by the national system, is completely at odds with the above obligation. It is clearly not fair that a small family business in a suburban food court has to pay a higher starting wage than the company owned McDonald’s store operating alongside it.
51. This is particularly so given that the gap between the state and national minimum wages has arisen out of the strength of the resources sector and the substantial impact that it has had on the WA economy, particularly during the recent resources boom. At its peak in 2014, the SMW was \$25 per week higher than the NMW. Whilst the gap has reduced following the subsequent decline in WA’s economic performance, there still remains a substantial difference between the two rates. This continues to disadvantage WA small businesses.

Graph 10 – Difference between state and national minimum wage



52. As identified in last year’s decision, the retail industry, hospitality, hairdressing and construction industries²⁴ are the sectors most likely to be covered by state awards.²⁵ The Commission also identified that “the employers and employees most affected by the State Wage order are likely to be employed in the industries most strongly affected by the restrictions and closures” arising out of the pandemic.²⁶

²³ S50A(3)(a)(i) of the Industrial Relations Act 1979 (WA)

²⁴ It is the view of CCIWA that state system employers in this industry are predominantly subcontractors engaged in residential construction.

²⁵ 2020 WAIRC 00361 at 200 - 202

²⁶ Ibid at 204

53. This has proven to be the case. As outlined in this submission:
- 53.1. Businesses in the accommodation and food services industry and retail trade were amongst the sectors with the highest uptake of the JobKeeper subsidy;
 - 53.2. The accommodation, food and retail sector have been the industries most affected by the April 2021 lockdown and subsequent restrictions;
 - 53.3. The accommodation and food services industry contribution to GSP contracted by 0.1 percentage points during 2019/20 with flat growth within retail trade;
 - 53.4. The number of employees working in retail trade sector has fallen by 16,000 workers since February 2020, with the proportion of part time jobs increasing to 56 percent. The accommodation and food services industry has also seen a shift in the proportion of part time workers from 58 per cent in February 2020 to 62 per cent in February 2021; and
 - 53.5. Wages in the accommodation and food services industry increased by just 0.3 per cent nationally over the 12 months to December 2020, with retail trade wages growing by 1.0 per cent. Both are substantially below the national average increase of 1.4 per cent.
54. In considering the state of the WA economy the Commission should give specific consideration to the performance of the industries most likely to be affected by the SWC decision.
55. WA's tentative recovery from the effects of the ongoing pandemic has arisen out of the success of the mining sector and significant levels of government stimulus. An increase to the SMW premised on the strength of the mining industry during the pandemic and the dominant role the sector has on the WA economy, would result in an unfair outcome for the small businesses covered by the state system and their employees.
56. 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."*²⁷

²⁷ Productivity Commission (2015) *Workplace Relations Framework – Vol 1*, p185. Reference 2020 WAIRC

57. 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. The most commonly cited means for achieving this are:
- 57.1. reducing the hours of casual staff in the case of 76.4 per cent of retailers and 84.7 per cent of hospitality employers;
 - 57.2. reducing the number or length of shifts in the case of 59.8 per cent of retailers and 71.9 per cent of hospitality employers;
 - 57.3. increasing the number of hours worked by the owners of the business in the case of 68.2 per cent of retailers and 77.5 per cent of hospitality employers;
 - 57.4. increasing the number of hours worked by family members or volunteers in the case of 38.2 per cent of retailers and 47.2 per cent of hospitality employers; and
 - 57.5. reducing the number of employees through natural attrition in the case of 67.4 per cent of retailers and 65.8 per cent of hospitality employers.²⁸
58. Ultimately, the employees of small business are disadvantaged through fewer working hours and less employment opportunity. It effectively acts as a tax on employment in much the same way as the higher payroll tax burden faced by WA businesses compared to other states and territories.
59. In determining any increase in minimum wages, the Commission should take into account the importance of minimum wage positions as a stepping-stone to higher paid employment. This is particularly important given the role that small business plays in enabling young and inexperienced workers to access the workforce and gain the experience necessary to transition into higher paying roles.
60. Put simply, small businesses provide opportunities to those workers who are unable to secure employment with larger businesses due to inexperience or time out of the labour market.

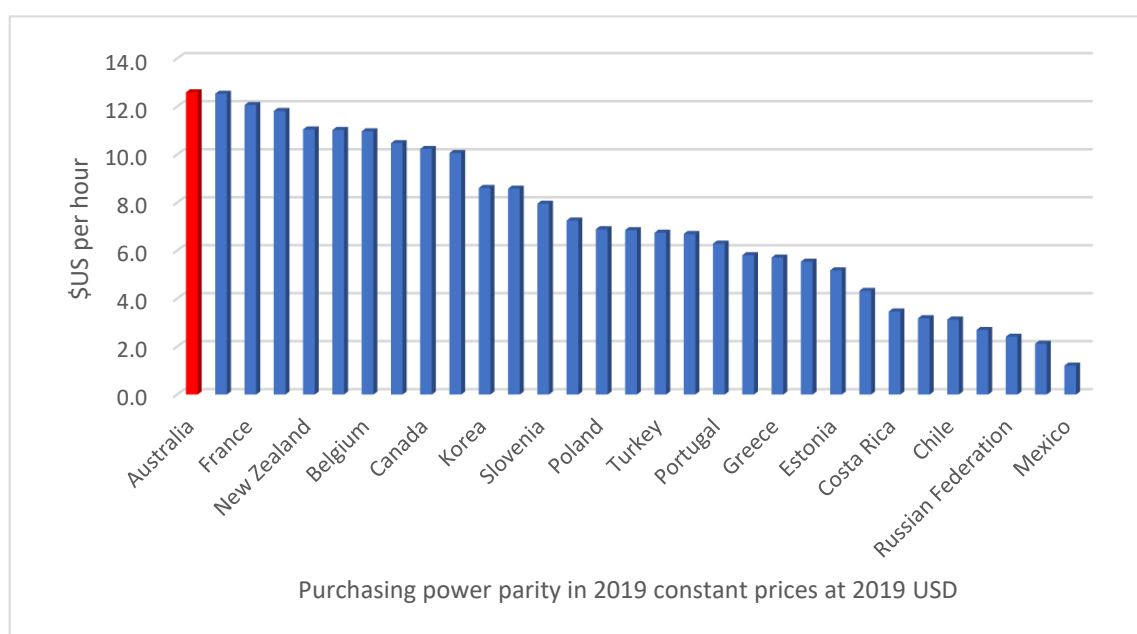
²⁸ Fair Work Commission, (2016) *Industry Profile – Retail trade*, pp58-59 and Fair Work Commission (2016) *Industry Profile – Accommodation and food services*, pp 47-48.

61. Research undertaken on behalf of the FWC has identified that 39.1% of low-paid award-reliant employees move to higher paid employment within one year, 56.8% move after 2 years and almost 80% have moved after 5 years.²⁹
62. Whilst the Commission needs to take into consideration the needs of the low paid, it is important to ensure that the SMW is set at a level that encourages small business to engage new workers and provide them with a suitable number of working hours to build and develop their experience.
63. Ultimately the needs of the low paid are enhanced by providing them with the opportunity to gain their first step on the employment ladder.

Fairness by international standards

64. Australia continues to have the highest hourly minimum wage of any OECD country based on purchasing power parity. As shown in the graph below, in 2019 the NMW equated to \$12.60 US per hour, with Luxemburg (\$12.50) and France (\$12.10) following behind.
65. Australia's minimum wage is also considerably higher than New Zealand (\$11.00), the United Kingdom (\$10.50), Canada (\$10.20), and the United States (\$7.30).

Graph 11 – Real minimum wage³⁰

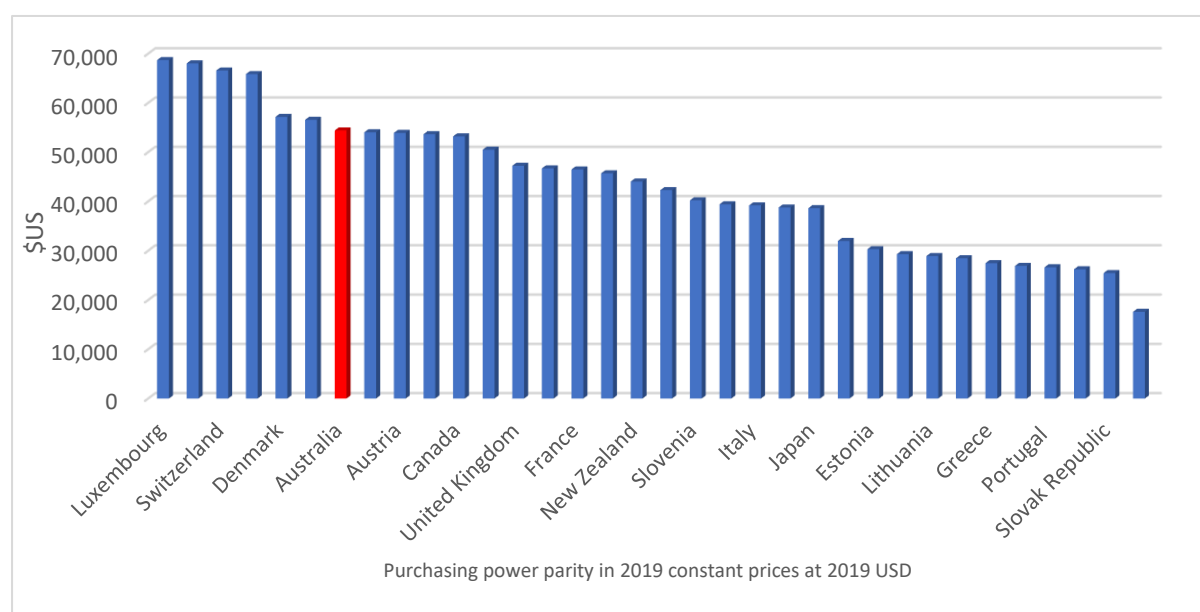


²⁹ Wilkins R. and Zillio F. (2020), *Prevalence and Persistence of Low-Paid Award-Reliant Employment* Fair Work Commission Research Report 1/2020. p.35

³⁰ OECD (2020) *Ranking of OECD countries by national minimum wage in 2019*.

66. Notably, unlike other international jurisdictions Australia and WA has an award system which provides for significantly higher minimum wages based on the occupation and industry of the person employed.
67. This is reflected in the higher level of average annual earnings for Australia compared to other OECD countries.

Graph 12 – Average annual earnings³¹



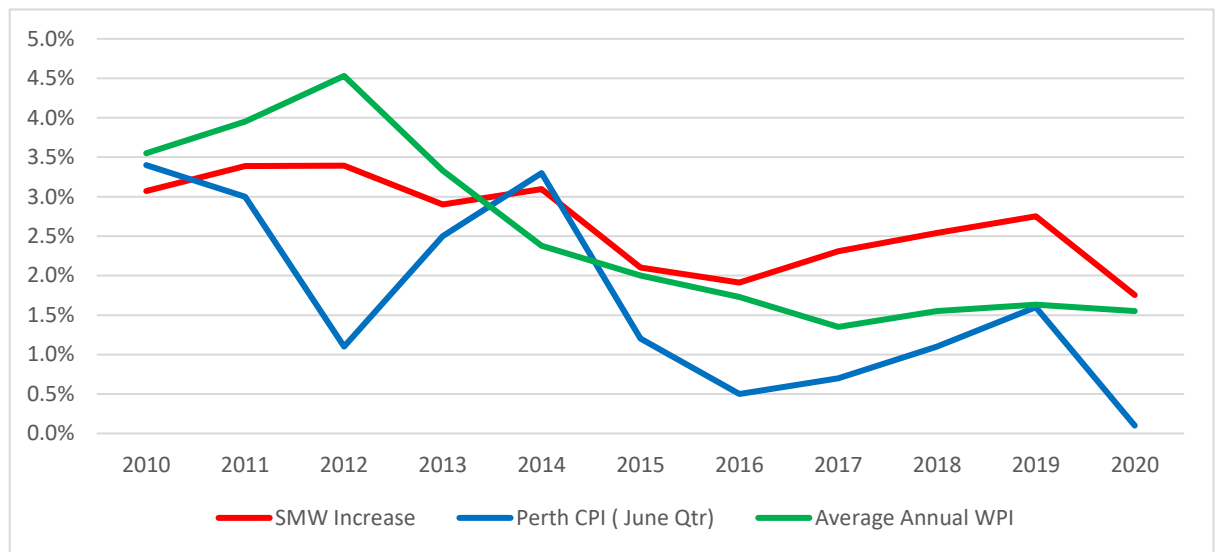
Growth in the SMW

68. In last year's SWC decision the Commission identified that *"we cannot ignore the needs of the low paid and the need to contribute to improved living standards for employees. We are also required to provide fair wage standards in the context of living standards generally prevailing in the community"*.³²
69. Over the last five years, growth in the SMW has exceeded both inflation and average wage growth.

³¹ OECD (2020) *Average annual wages*.

³² At 209

Graph 13 – Minimum wage growth compared to inflation and average wage growth – Western Australia



70. As shown in the above growth, over the five-year period from 2015 to 2020, Perth CPI grew by 5.2 per cent, whilst the SMW increased by 13.7 per cent. By comparison the WPI grew by 9.8 per cent over the same period.

71. It is therefore clear that in terms of:

71.1. meeting the needs of the low paid;

71.2. contributing to improved living standards; and

71.3. providing fair wages in the context of prevailing living standards;

the SWC has delivered increases to the SMW, and award rates of pay generally, significantly in excess of inflation and average wage growth.

72. In considering the above criteria, it is open to the Commission to take into account the contribution that previous decisions have had in meeting these objectives. Given the unprecedented uncertainty arising out of the COVID-19 pandemic in terms of business continuity and employment there is a strong argument for the Commission to do so.

Impact of superannuation increases

73. Superannuation forms an important part of an employee's overall remuneration in helping to provide a secure retirement. It is a key element of the employee safety net that needs to be considered when reviewing the SMW and award rates of pay generally.
74. Effective from 1 July 2021, superannuation contributions will be increasing from their current rate of 9.5 per cent to 10 per cent. For employers covered by the state industrial relations system (**state system**) this will result in an additional:³³
- 74.1. \$197 per annum (\$3.80 per week) for a full-time employee on the SMW;
 - 74.2. \$225 per annum (\$4.31 per week) for a full-time employee on the equivalent to the C10 rate under the *Metal Trades (General) Award*; or
 - 74.3. \$261 per annum (\$5.02 per week) for a full-time employee on the equivalent to the C5 rate under the *Metal Trades (General) Award*.
75. It should also be noted that in calculating superannuation, the contribution is not based solely on the base rate of pay, but also includes shift penalties, loadings and allowances (other than expense allowances).³⁴ Consequently, the amount payable to award-based employees is generally higher, particularly in the case of employees covered by the retail and hospitality awards where ordinary hours are frequently performed on weekends and evenings in which penalties apply.
76. Superannuation is a direct cost to employers which affects their ability to increase an employee's base rate of pay. When reviewing rates of pay, either for enterprise bargaining or above award rate adjustments, employers consider the full cost of employment. Consequently, increased superannuation payments are taken into consideration as part of this process.
77. The Commission has previously identified that superannuation contribution increases "*represent a direct cost to employers...which affects their capacity to increase wages*" and "*which moderates the increase we would otherwise award*."³⁵
78. We submit that the Commission should take into consideration the full increase in superannuation when considering its SWC decision.

³³ Based on 2020 rates.

³⁴ ATO (2009) *Superannuation Guarantee Ruling – SGR 2009/2*

³⁵ 2014 WAIRC 00471 at 88 & 101

State of the WA economy

79. The rebound in the WA economy from the initial impact of the pandemic is largely due to two key forces, being:
- 79.1. The success of the mining sector, with global commodity markets working in WA's favour. China's recovery and global stimulus has fuelled demand for iron ore, and gold has benefitted from the fear and uncertainty arising out of the pandemic.
 - 79.2. Significant levels of government stimulus being injected into the local economy combined with our relative success at reopening the economy. CCIWA estimates that as of December 2020, close to \$16 billion had been injected into the economy from stimulus measures and the early withdrawal of superannuation.
80. We expect the domestic economy to grow this financial year by 0.7 per cent, and the overall economy (including exports and imports), by 2.7 per cent.
81. However, despite these growth figures the WA economy remains below the levels expected prior to the pandemic, as shown in the graph below. In 2019, WA Treasury forecast that Gross State Product (**GSP**) would grow by 3.0 per cent in 2019-20, whilst in reality the growth in GSP was under half of this amount at 1.4 per cent.³⁶

Graph 14 – Size of the WA Domestic Economy



82. The pandemic has also had a significant impact on projected growth of the WA economy. In 2019, the WA Government projected that GSP would grow by 2.5 per cent in 2020-21. This has now been revised downward to 2.0 per cent.³⁷

³⁶ Government of WA (2019) *2019-20 Government mid-year financial projections statement*, p45 and Government of WA (2020) *2020-21 Pre-election financial projections statement*, p27.

³⁷ Government of WA (2019) *2019-20 Government mid-year financial projections statement*, p45 and Government of WA (2020) *2020-21 Pre-election financial projections statement*, p27.

83. The key driver of our economic recovery is the mining sector which now accounts for 43 per cent of our economy – a record high. The following graph shows the contribution that the mining sector has made to GSP for 2019/20, with other industries showing either moderate growth or contraction. With respect to those industries most affected by the SWC decision, the retail trade sector recorded flat growth for 2019/20, with the accommodation and food services industries detracted by 0.1 percentage points from overall GSP growth.

Graph 15 – Industry contribution to GSP growth – Western Australia³⁸

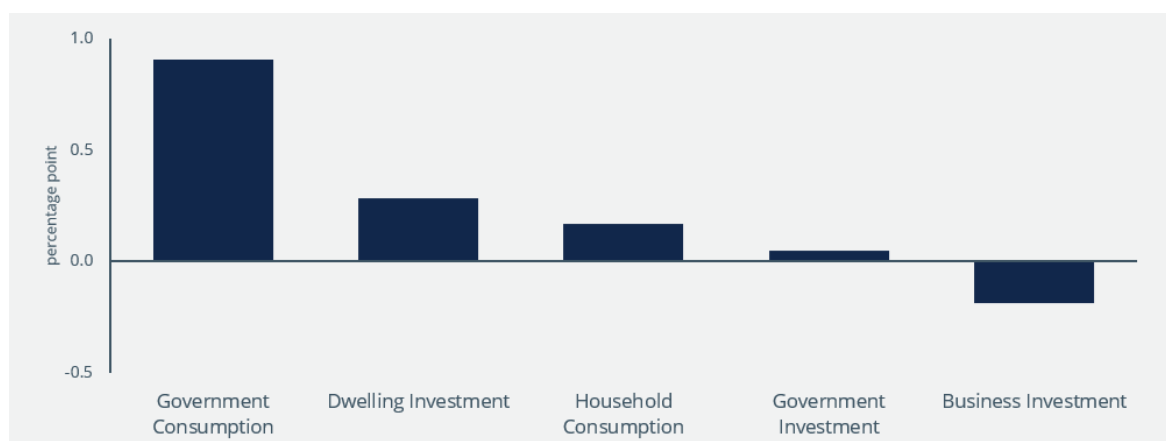


84. The same picture is presented when considering SFD, which grew by only 0.8 per cent in 2019-20, significantly below the projected growth of 3.0 per cent. Likewise, prior to the pandemic the 2020-21 projected growth for SFD was 3.25 per cent, which has been revised downward to 2.25 per cent.³⁹
85. Of significant concern is that the majority of the state's growth in SFD for the December 2020 quarter is derived from State and Federal Government stimulus measures. This stimulus is largely of a temporary measure that is intended to provide a short term boost to the economy, with longer term growth reliant on increased business investment, which fell by 1 per cent over the quarter, wiping out 0.2 percentage points from overall SFD growth. Machinery and equipment investment fell 6 per cent, detracting by 0.4 percentage points.

³⁸ ABS (Nov 2020) *Australian National Accounts: State Accounts*

³⁹ Government of WA (2019) 2019-20 Government mid-year financial projections statement, p45 and Government of WA (2020) 2020-21 Pre-election financial projections statement, p27.

Graph 16 – Contribution to SFD – Western Australia



86. The WA Government has also identified significant risks to their forecast, with the *“potential for a further substantive outbreak of COVID-19 in Western Australia remains the largest risk to the State’s domestic economy”* which could *“have substantial impacts on economic activity, depending on the extent and length of restrictions required to suppress a second outbreak.”*⁴⁰ The delay in the rollout of the COVID-19 vaccine and the establishment of further lockdowns further adds to that risk. The WA Government also identified that merchandise exports may be lower than expected arising from operational issues relating to LNG projects and in the case of iron ore, demand uncertainty from China along with increased supply from Brazil.⁴¹

Profits

87. In the year to December 2020 there was a 15.1 per cent increase in company gross operating profits (**GOP**) nationally.⁴² This result largely reflects the temporary support provided to businesses by JobKeeper, government grants and the waiver or deferral of rent, interest on loans and payroll tax. These have helped buffer businesses during the worst of the COVID restrictions and are largely responsible for the survival of many businesses throughout the crisis.
88. However, this outcome is temporary in nature and profits are expected to fall sharply over the first half of 2021 to normal, or below normal, levels as government support (particularly JobKeeper) is wound back whilst some restrictions remain in place. Consequently, they cannot be relied upon as the basis for funding increased labour costs.

⁴⁰ Government of WA (2020) 2021-21 Pre-election financial projections statement, p29

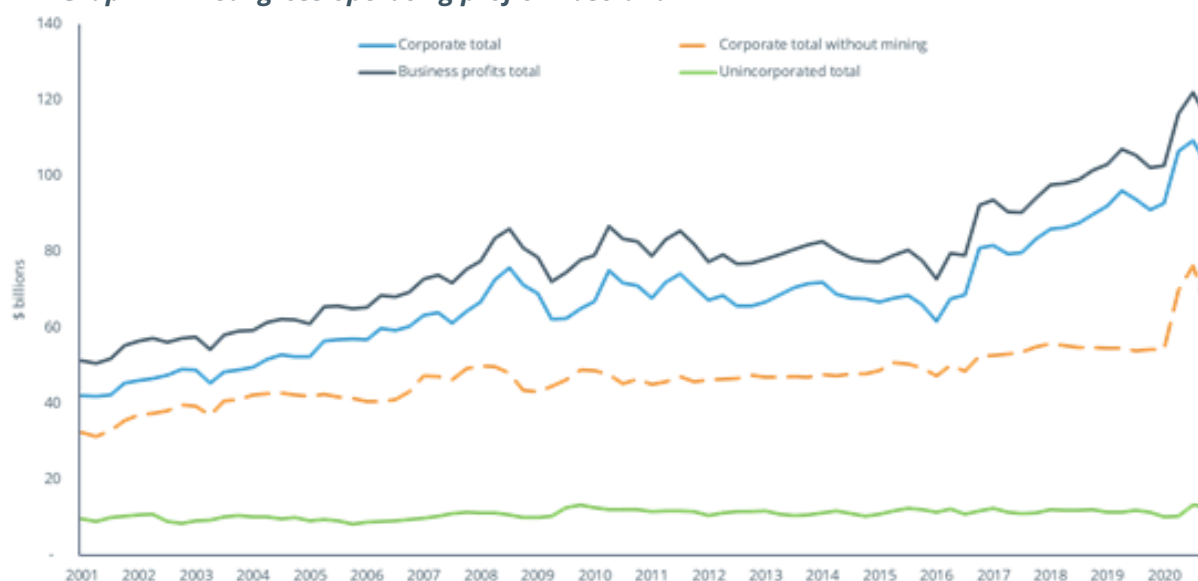
⁴¹ Ibid.

⁴² ABS (March 2021) *Business Indicators, Australia – December 2020*

89. Given the volatility in GOP arising from the pandemic, it is more appropriate to consider the trend over the past 5 years. As shown in the graph below, there has been a significant divergence between the profitability of incorporated and unincorporated businesses. Over the past five years, in real terms:

- 89.1. total business gross operating profits have increased by 8.4 per cent per year on average; and
- 89.2. total unincorporated business gross operating profits have increased by only 1.5 per cent per year on average.

Graph 17 - Real gross operating profit - Australia⁴³

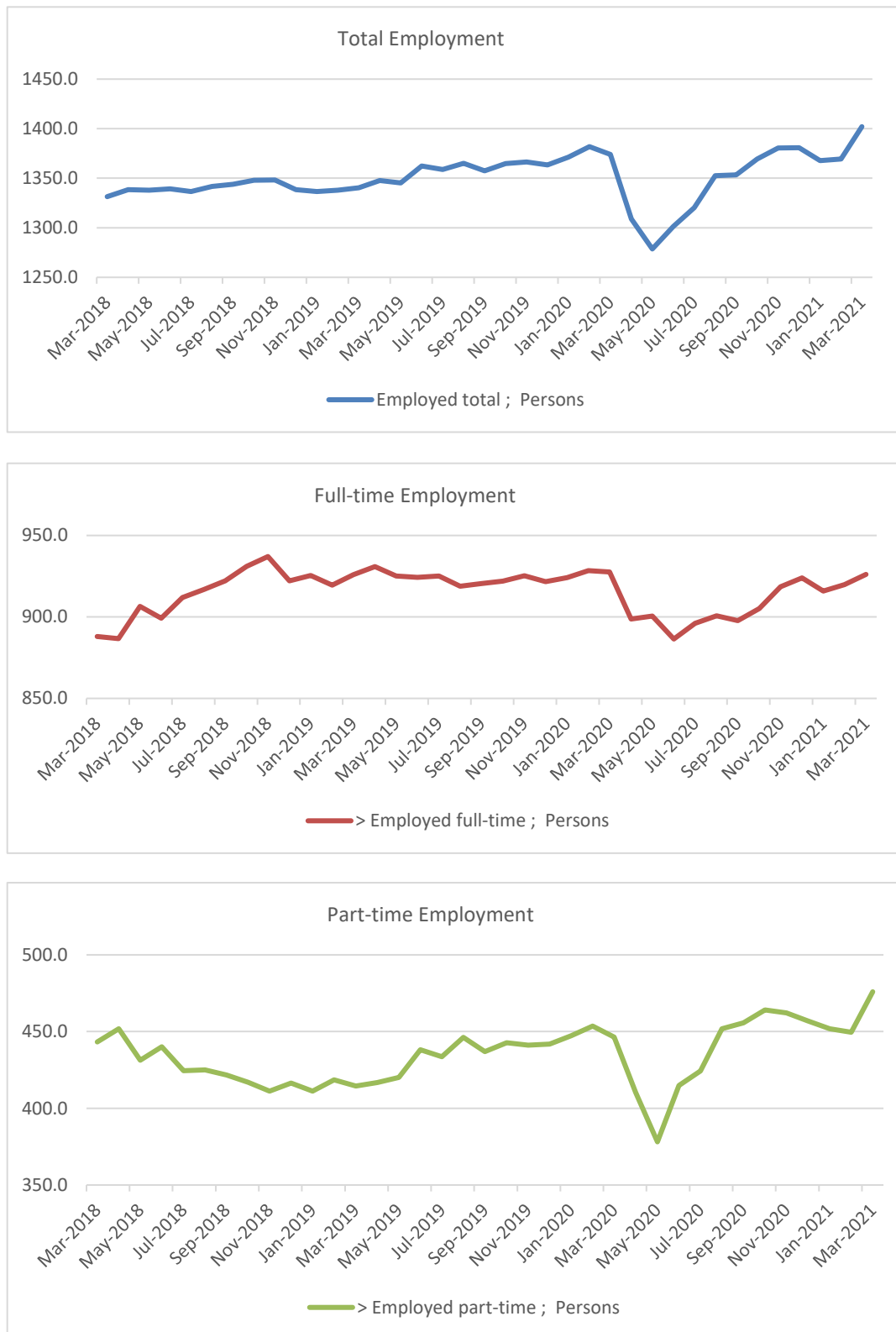


Labour force

90. Whilst all states and territories have been fortunate in rebuilding the number of jobs lost since the commencement of COVID-19, it is clear that the pandemic has had a significant impact on employees in terms of lost jobs, lower working hours and fewer full-time positions.
91. In 2019, the WA Government forecast that the state's labour force would continue to grow by 1.5 per cent in 2019-20. Whilst the total number of people employed in WA now sits modestly above the number recorded in February 2020, it has been a rollercoaster ride to this point.

⁴³ Ibid

Graph 18 – Employed persons – Western Australia (000)⁴⁴



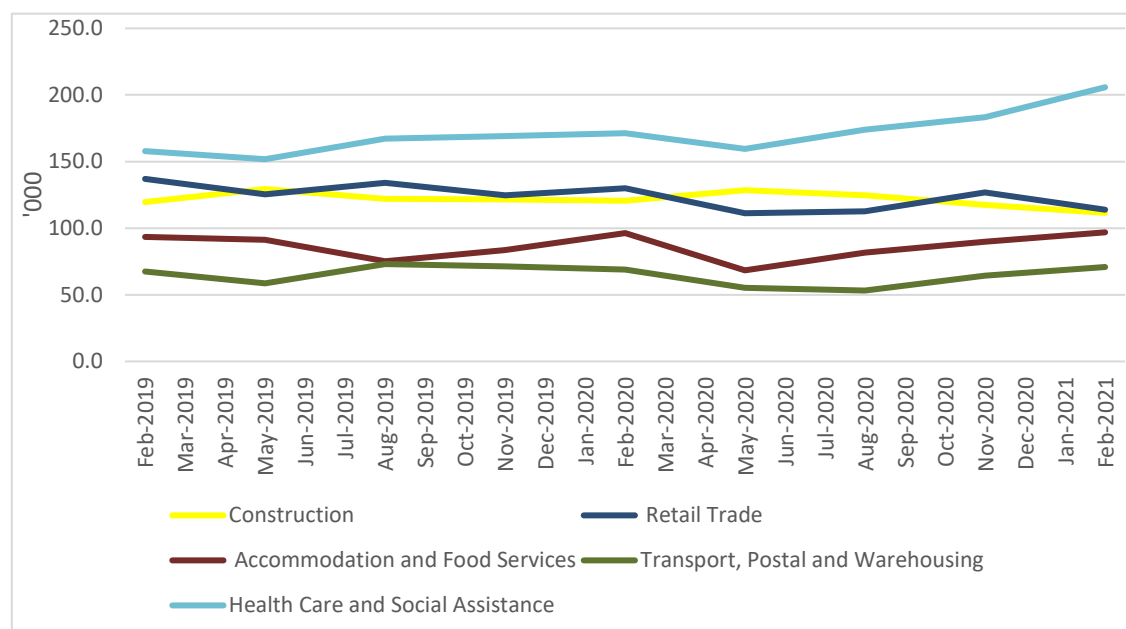
⁴⁴ ABS (April 2021) *Labour Force – Australia – March 2021*. Seasonally adjusted

92. The total employment graph identifies that since February 2020, the number of people employed in WA has increase by approximately 20,000 jobs, but over the intervening period over 103,000 jobs were lost in the three months to May 2020 before gradual increase in employment as restriction began to ease.
93. In considering the part-time and full-time employment graphs it is also apparent that the modest growth in employment is due to a 22,300 increase in the number of part time jobs⁴⁵, offsetting a 2,300 decline in full time positions. This reinforces the impact that the pandemic continues to have on the employment market as full-time jobs are being replaced by part-time roles.
94. The growth in part-time roles reflects the level of uncertainty within the business community regarding economic conditions and the need to maintain labour flexibility to respond to changing conditions.
95. The graphs also identifies the level of volatility within the labour market, with the number of jobs in January 2021 falling by over 13,000, before a sharp rise in March 2021 largely due to the creation of 24,000 part time jobs between December 2020 and January 2021.
96. The unprecedented rise and falls in employment raises serious concerns about the stability of the WA labour market.
97. Importantly, as shown in the following graph, job recovery has not been equal across all sectors:
- 97.1. The health care and social assistance sector has enjoyed the largest share of employment growth. After having lost 11,800 jobs between February and May 2020, the sector has rebounded with an additional 46,000 jobs to February 2021. This reflects a 20 per cent growth in jobs in the year to February 2021.
- 97.2. The accommodation and food services industry suffered a significant drop in employment at the beginning of the pandemic, losing almost 28,000 jobs between February and May 2020. Since then, the industry has regained those lost jobs with an additional 28,500 positions to February 2021, of which 20,500 of those positions are part time. This has resulted in the proportion of part time / casual workers in the industry increasing from 58 per cent in February 2020 to 62 per cent in February 2021.
- 97.3. The retail trade sector initially lost 11,700 jobs in the period between February and May 2020, before losing a further 18,900 positions in the quarter to June 2021. Since then, the sector has seen some recovery, but remains 16,000 jobs down compared to February 2020. There has also been

⁴⁵ The ABS part time statistics includes employees engaged on a casual basis.

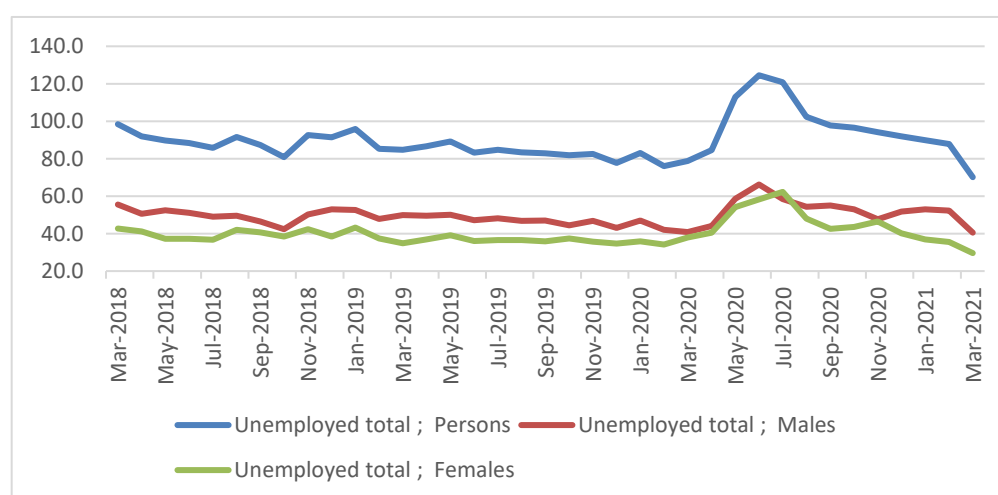
a shift in the make-up of the sector with part time/casual roles now accounting for 56 per cent of jobs compared to 54 per cent prior to the pandemic.

Graph 19 – Total employed by selected industries – Western Australia⁴⁶



98. The pandemic has also had a dramatic impact on unemployment, with the number of unemployed persons in WA increasing by 48,000 between February and June 2020. This was further compounded by a decrease in the number of people within the labour force, falling by 66,000 persons between February and May 2020, of which over 55% (37,000) were women.⁴⁷

Graph 20 – Unemployed persons – Western Australia⁴⁸



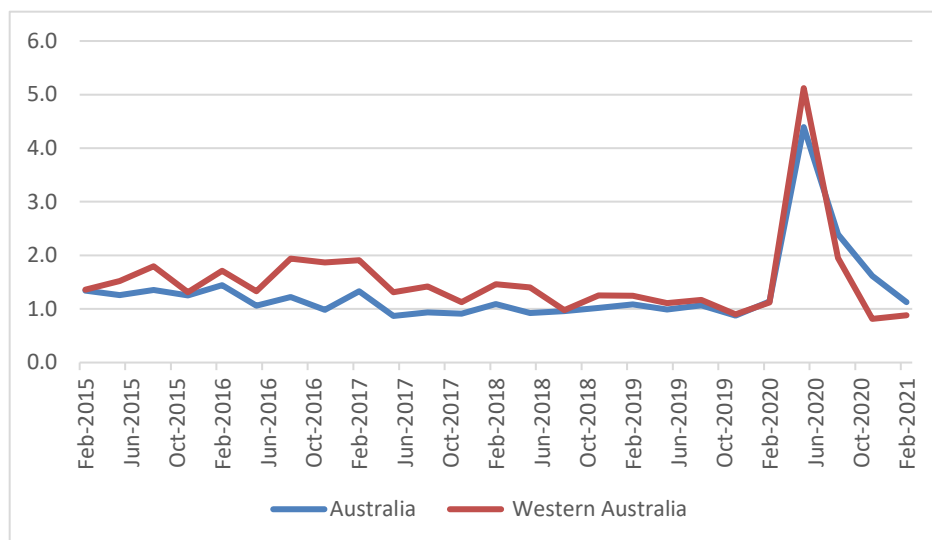
⁴⁶ ABS (April 2021) *Labour Force, Australia, Detailed – March 2021* – Quarterly Data

⁴⁷ ABS (April 2021) *Labour Force – Australia – March 2021*. Seasonally adjusted

⁴⁸ Ibid

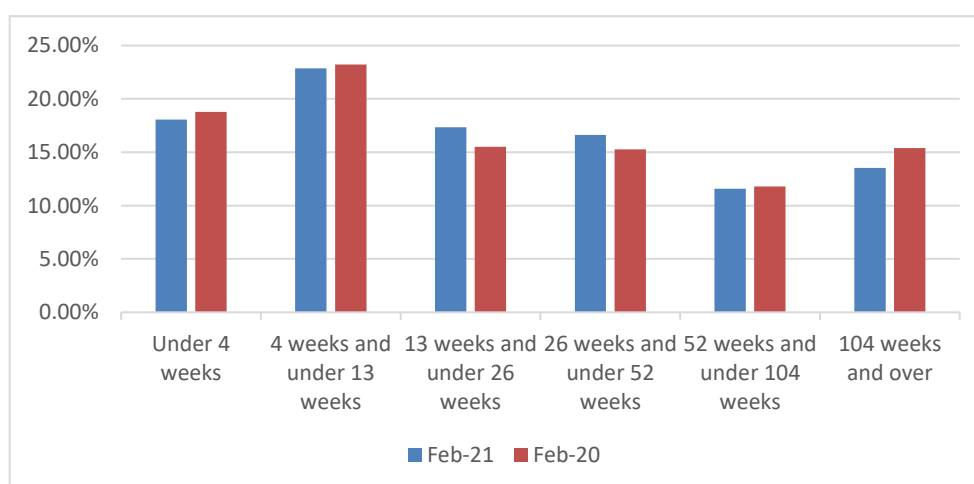
99. The sharp increase in unemployment was reflected in the WA retrenchment rate which increased from 1.1 per cent in February 2020 to 5.1 per cent of employed persons in May 2020, substantially higher than the national rate of 4.4 per cent.

Graph 21 – Retrenchment rate – Western Australia⁴⁹



100. The impact of the pandemic on employment increased the average duration of unemployment for WA workers who have lost their jobs, with a substantial increase in the proportion of people unemployed for between 13 and 52 weeks, whilst the number of people unemployed for less than 13 weeks has fallen. Those who have lost their jobs are therefore spending longer looking for work, increasing their disconnection with the labour market and making it more difficult for them to find new employment.

Graph 22 – Duration of unemployment – Western Australia⁵⁰

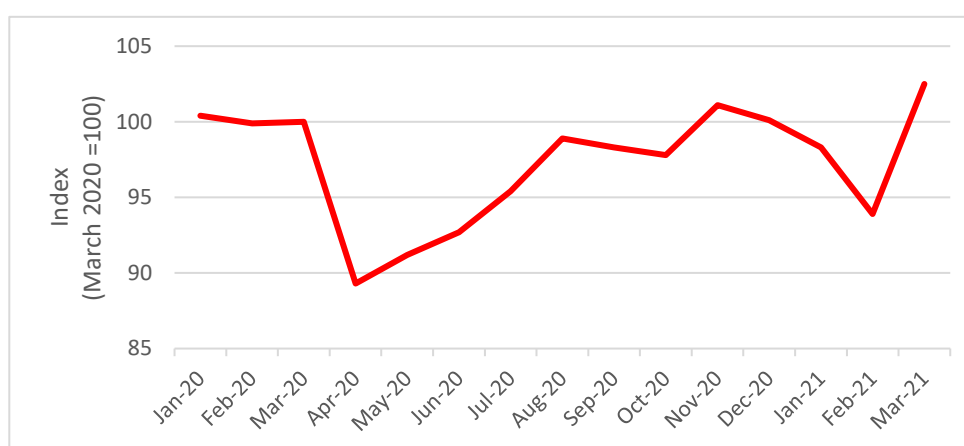


⁴⁹ ABS (April 2021) *Labour Force, Australia, Detailed – March 2021*.

⁵⁰ Duration of Unemployment – February 2021. Available from https://lmip.gov.au/default.aspx?LMIP/LFR_SAF04/LFR_UnemploymentDuration [22 April 2021]

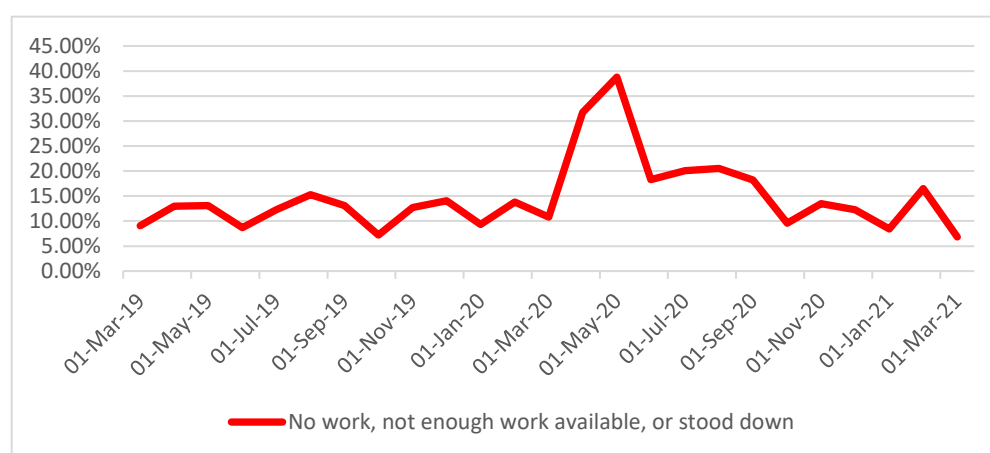
101. The restrictions imposed during the pandemic has significantly impacted on the ability of a large number of WA businesses to maintain their operations, resulting in significant loss of working hours. As shown in the graph below, there was a sharp decline in the number of hours worked in April 2020 as restrictions commenced, which then increased at a more gradual rate as the effect of JobKeeper, easing restrictions and the adaptation of new business models facilitated additional working hours.
102. The upward trend continued until November 2020 before once again starting to decline, falling in February 2021 as Perth and the South West experienced a second lockdown. The extent of monthly fluctuation raises concerns about the sustainability of the recent increase in working hours, particularly in light of a third lockdown for the Perth and Peel areas.

Graph 23 – Index of hours worked – Western Australia⁵¹



103. The reason for the decline is lack of available work, with increases in the proportion of employees working fewer than their usual hours.

Graph 24 – Employed persons who worked fewer hours than usual – Western Australia⁵²



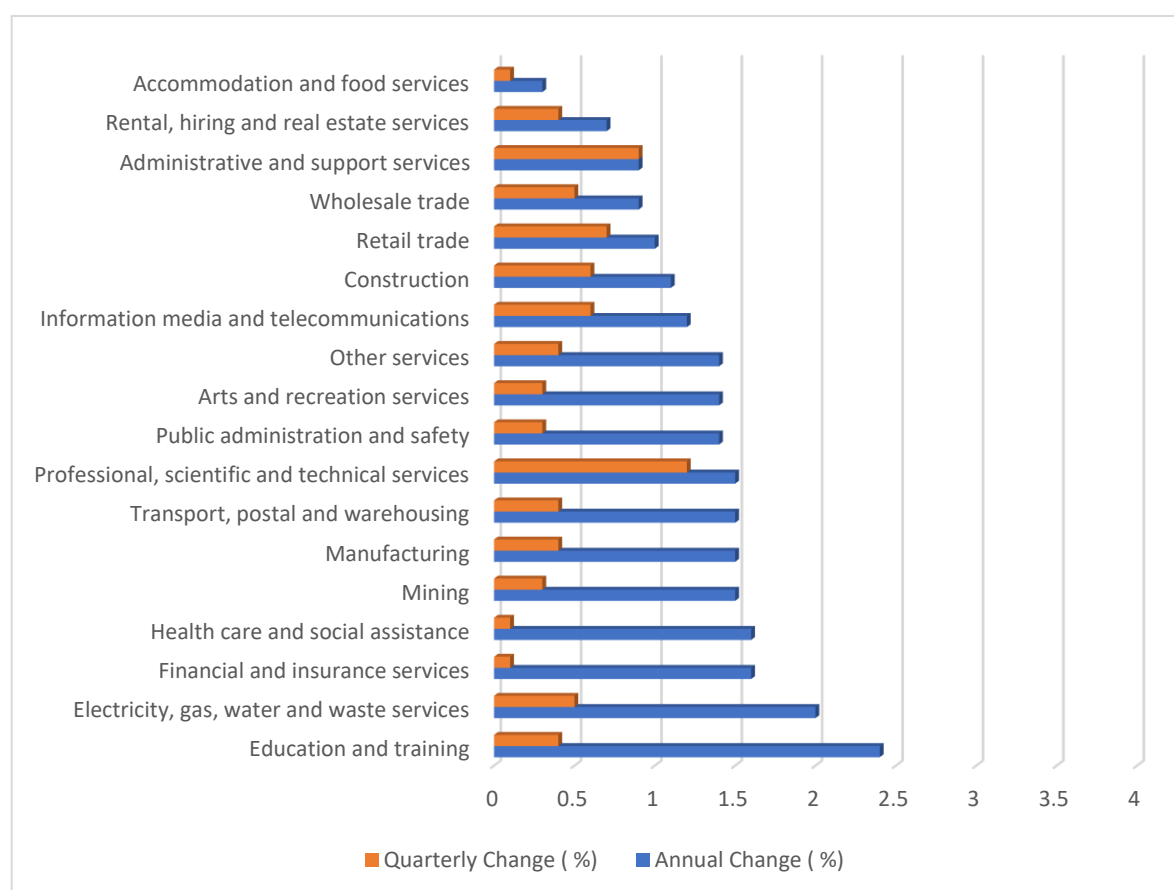
⁵¹ ABS (April 2021) [Insights into hours worked, March 2021](#)

⁵² ABS (April 2021) [Labour Force, Australia, Detailed](#).

Wage growth

104. The Wage Price Index (**WPI**), shows that at both the state and national level, wages grew by 1.4 per cent in the 12 months to December 2020, down from the 1.7 per cent growth recorded in WA and 2.2 per cent growth recorded nationally for the 12 months to December 2019.
105. However, the impact of COVID-19 on wage growth is demonstrated through the quarterly growth in WPI, which shows that wage growth fell to just 0.2 per cent in June 2020.
106. There has also been significant fluctuation in wage growth between sectors, with those industries most affected by the pandemic recording increases significantly below the national all industry average. In particular, the accommodation and food services industry recorded annual wage growth of just 0.3 per cent nationally, with retail trade fairing slightly better at 1.0 per cent.

Graph 25 – Wages growth by industry – Australia



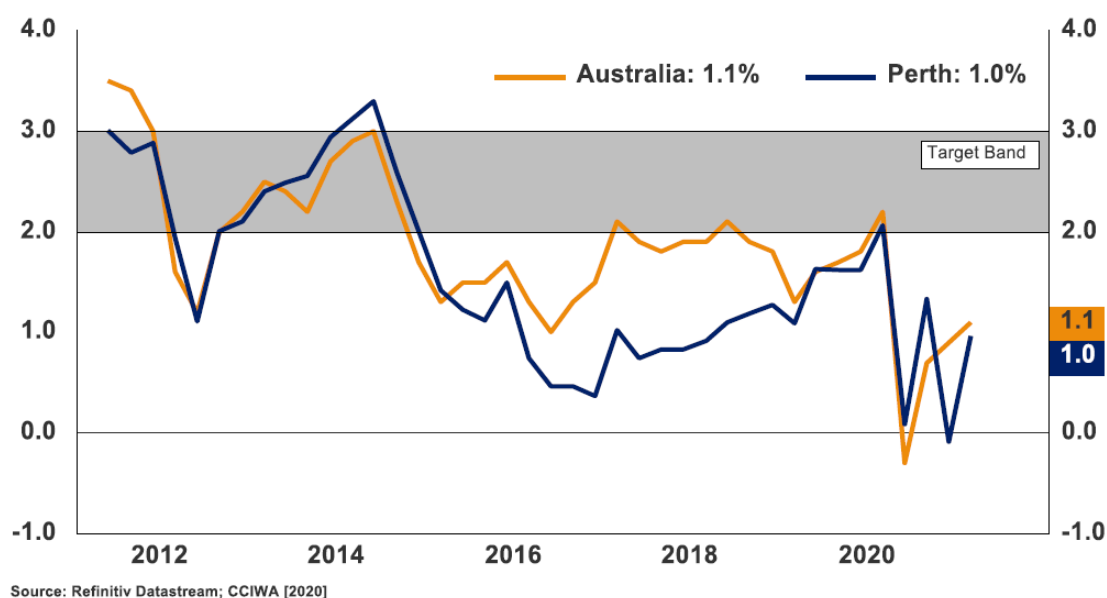
Note: Annual and quarterly changes, original, total hourly rates of pay excluding bonuses – industry - National

107. Nationally, the accommodation and food services industry recorded annual wage growth of just 0.3 per cent, whilst in the retail trade sector wages grew marginally by 1 per cent.

Inflation

108. In the 12 months to March 2021, Perth CPI rose by a modest 1 per cent, marginally below the national rate of 1.1 per cent. This is significantly below the pre-pandemic forecast, which expected CPI to lift to 2.0 per cent in 2020-21 before rising to 2.25 per cent for 2021-22.⁵³
109. Over the past 12 months there has been significant variance in the Perth rate of inflation, with annual rate of inflation of 2.1 per cent as at March 2020, falling substantially to 0.1 per cent in the 12 months to June 2020, before increasing to 1.3 per cent in September and plummeting to -0.1 per cent for the 12 months to December 2020.

Graph 26 – Inflation – twelve month CPI percentage change



110. The Reserve Bank of Australia (RBA) has identified that CPI has been volatile since the pandemic started, noting that:

“The introduction and subsequent reversal of various temporary policy support measures, such as free child care, have resulted in large price movements. Working in the opposite direction, prices of some retail items, especially household goods, were initially boosted in response to strong demand and supply disruptions. Most of these effects have now run their course. Housing-related inflation increased a little, as discounting of the prices of newly built homes eased in response to strong demand, and some temporary rent reductions expired.”⁵⁴

⁵³ WA Government (2019) *Government mid-year financial projections statement*, p49

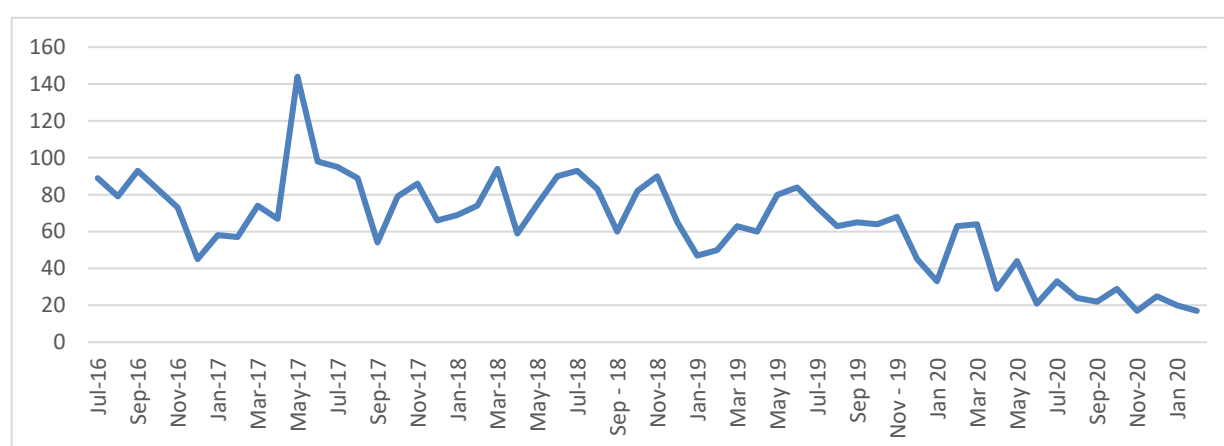
⁵⁴ RBA (2021) *Statement on Monetary Policy – February 2021*, p2.

111. Despite this volatility, the RBA concludes that *“inflation pressures remain subdued in most parts of the Australian economy”* and *“a pick-up in inflation and wages growth is expected, but it is likely to be only gradual and modest.”*⁵⁵ CPI remains significantly below the RBA’s target range of 2-3 per cent.

Business composition

112. In addition to helping to preserve jobs, JobKeeper and other government initiatives have also reduced the number of businesses failures by allowing organisations to continue to operate despite substantial reductions in revenue.
113. This is noticeable in the decline in the number of insolvencies of WA businesses, as shown below:

Graph 27 - Companies entering external administration and controller appointments – Western Australia⁵⁶

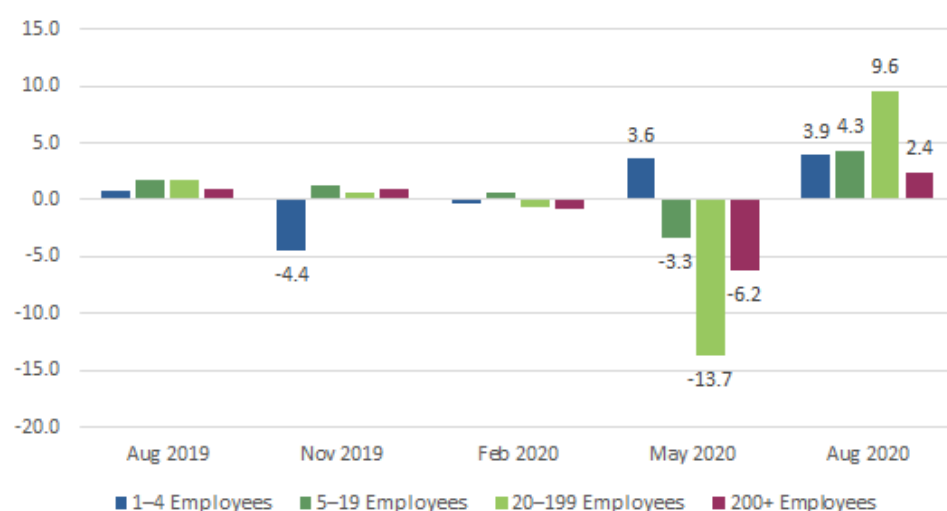


114. Government support has provided a lifeline to businesses that may otherwise have not survived, even without the challenges posed by the pandemic. With the withdrawal of JobKeeper and other government supports many of these businesses may become unviable.
115. COVID-19 has also had a notable impact on the composition of Australian businesses by employment size, as surviving businesses decreased staffing levels.
116. As is shown in the following graph, there was significant decrease in the number of small, medium and large businesses as employers moved into lower categories, whilst the number of micro businesses (employing less than 5 employees) increased by 3.6 percent in the quarter to May 2020.

⁵⁵ RBA (4 May 2021) [Statement by Philip Lowe, Governor: Monetary Policy Decision – Media Statement](#)

⁵⁶ ASIC (April 2021) [Australian Insolvency Statistics](#). Table 1.14

Graph 28 – Quarterly change in employing businesses by employment size - Australia.⁵⁷



117. In August 2020 this was partially offset by increases in all of the categories, as businesses started to benefit from reduced restrictions and the benefit of Government supports.

Encouraging ongoing skill development

118. As a result of the COVID-19 pandemic, there has been significant focus from both the State and Federal Government on encouraging businesses to invest in traineeships and apprenticeships in order to promote skill development and youth employment.

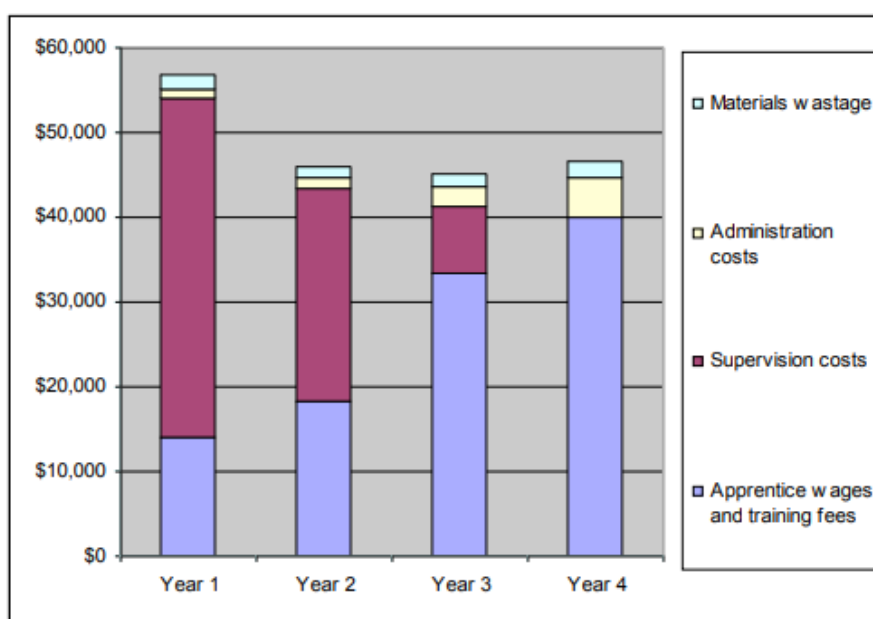
119. As part of the Federal Government's response to the pandemic it introduced the *Supporting Apprentices and Trainees* wage subsidy which provided eligible employers with a 50 per cent wage subsidy. This was in addition to the range of other incentives aimed at encouraging employers to provide apprenticeship and traineeship opportunities. A summary of the range of state and federal initiatives is provided at Appendix A of this submission.

120. The overwhelming majority of these programs are designed to support employers, which is a clear recognition that the demand from employees to undertake an apprenticeship/traineeship is higher than the number of available positions.

⁵⁷ ABS (Oct 2020) *Quarterly Counts of Australian Businesses, Experimental estimates, 2019 - 2020*

121. These initiatives recognise that there are significant costs associated with training apprentices and trainees beyond the employee's wages. The National Council for Vocational and Educational Research report into the cost of training apprentices identified that supervision is the major cost component in the first and second year of the apprenticeship, before reducing over the third and fourth year as the employee becomes more productive.⁵⁸ The report cautions that *"the high cost of apprenticeships will constrain the numbers of employers willing to take on apprentices, especially in a downturn."*⁵⁹

Graph 29 - Pattern of employers' typical costs associated with directly hiring an apprentice over four years⁶⁰



122. The incentive strategies implemented by the state and federal governments 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 2021.⁶¹
123. However, despite this there remains 771 displaced WA apprentices and trainees on the *"Out of Contract"* register who are currently seeking employment in order to complete their training.⁶²

⁵⁸ National Centre for Vocational Education Research, (2009) [The cost of training apprentices](#), p15.

⁵⁹ Ibid, p5

⁶⁰ Ibid, p15

⁶¹ Department of Training and Workforce Development (Feb 2021) [Apprenticeship and traineeship statistics: Quick Stats](#).

⁶² Department of Training and Workforce Development. [Out of Contract Register for Apprentices and Trainees](#) (as at 7 May 2021)

124. The current economic uncertainty arising out of the pandemic is a major barrier to increased investment in training, which the Government has actively sought to address through tailored initiatives. It is necessary to ensure that the effectiveness of these programs is not wound back through increased wages, that impact both on the direct cost of employing an apprentice/trainee as well as the cost of supervision.⁶³

Protecting employees unable to reach an industrial agreement.

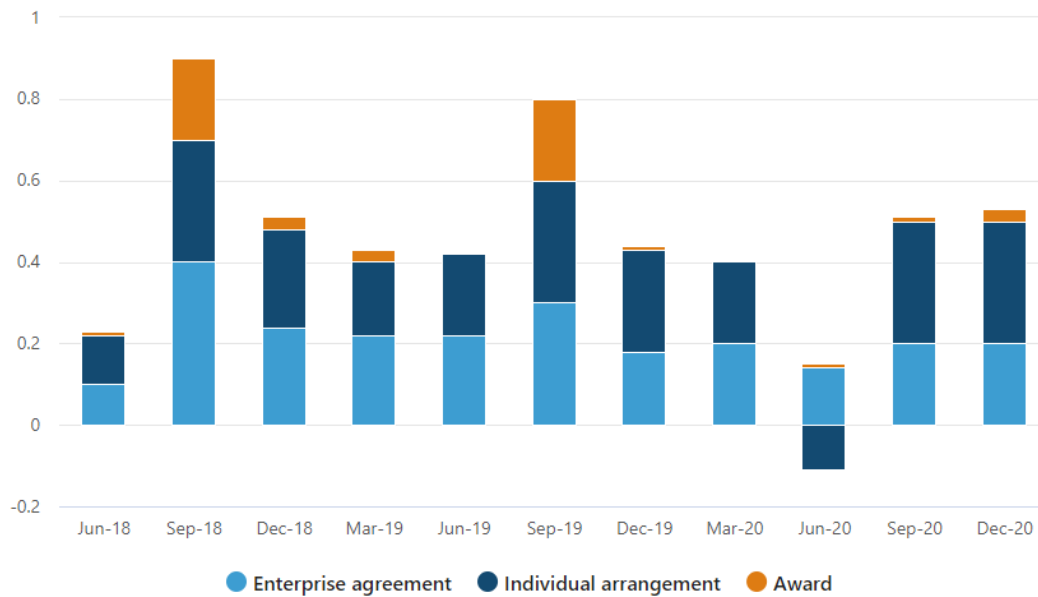
125. In considering the need to protect employees who are unable to reach an industrial agreement, the Commission has identified that very few agreements are made with private sector state system employers and consequently this confirms the significance of the State Wage order.⁶⁴
126. In last year's decision, the Commission reiterated its view that wages of private sector employees in the state system are increased by virtue of:
- 126.1. changes to the SMW;
 - 126.2. increases to award rates of pay through the State Wage Order; or
 - 126.3. the signalling effect of those increases.
127. However, this does not take into account the impact of other factors in determining wage growth, such as business performance, individual bargaining power, scarcity of labour, and general economic factors.
128. 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.
129. The ABS has identified that *the "contributions of the different methods of setting pay towards wage growth have changed over time, reflecting in some part the changing dynamics of the labour market through the mix of structured payment systems versus the more market sensitive increases"*. They have concluded that *"individual arrangement tend to be more reactive to labour market and economic conditions"* and *"have shown a more immediate response to the COVID-19 pandemic in their contribution to quarterly wages growth"*.⁶⁵
130. This is most clearly obvious in the negative impact of individual arrangement on WPI in the June quarter 2020, as many businesses implemented wage freezes or negotiated salary reductions in response to the initial imposition of restrictions.

⁶³ Noting that supervision of trainees and apprentices is largely performed by other award covered employees.

⁶⁴ 2020 WAIRC 00361 at 128

⁶⁵ ABS (Feb 2021) *Wage Price Index, Australia – December 2020*.

Graph 30 – Contributions to wage price index by method of setting pay – Australia⁶⁶



131. This view is further reinforced by the RBA, which has identified that *“wages growth has slowed further recently, as employers have responded to the economic challenges of the pandemic by delaying wage increases, imposing freezes and, in some cases, applying temporary wage cuts.”*⁶⁷

132. Consequently, in the current environment increases in wages through the SWC decision will have a significantly reduced impact on award free employees who are not covered by an industrial agreement.

State Wage Case Principles

133. CCIWA does not propose any changes to the current SWC principles.

⁶⁶ Ibid.

⁶⁷ RBA (2021) *Statement on Monetary Policy – February 2021*, p 49

Appendix A – Incentives and wage subsidies for employers of apprentices and trainees



FACT SHEET

Incentives and wage subsidies for employers of apprentices and trainees

The table below provides a summary of the financial support available for employers of apprentices and trainees as at 3 November 2020. For the most up to date information, please follow the website links provided.

State Government incentives and subsidies			
Incentive/Wage subsidy	Eligibility	Description	Claiming the incentive
Jobs and Skills WA Employer Incentive Provides financial assistance to Western Australian businesses who employ an apprentice or new entrant trainee. jobsandskills.wa.gov.au/employerncentive	Employers who are eligible to access the employer incentive are: <ul style="list-style-type: none"> employers of new entrant trainees; employers of apprentices below the current payroll tax threshold; group training organisations (GTOs); employers who are not currently receiving a CTF grant; Local Government and Government Trading Enterprises (GTEs); and not for profit organisations. 	Incentive payments may be made up of two parts: <ul style="list-style-type: none"> a base payment that is calculated on the nominal term of the apprenticeship or traineeship; and additional loadings which provide higher payments for training that is identified as a State priority or training for priority groups, such as Aboriginal apprentices/trainees, apprentices/trainees with a disability, apprentices /trainees living in regional areas, or mature aged apprentices/trainees (aged 21—30). 	Eligible employers can claim incentive payments at the: <ul style="list-style-type: none"> commencement of an apprenticeship/traineeship mid-point of the nominal duration of an apprenticeship; and completion of the apprenticeship/traineeship Claims for Incentive payments are made through the Western Australian Apprenticeship Management System (WAAMS).
Apprenticeship and Traineeship Reengagement Incentive Provides financial assistance to Western Australian businesses who reengage an apprentice or trainee whose training contract was terminated or cancelled by a previous employer on or after 1 March 2020 and on or before 30 June 2021. jobsandskills.wa.gov.au/reengagementincentive	Employers (including GTOs) are eligible to receive the Reengagement Incentive provided that: <ul style="list-style-type: none"> the business is not a State or Commonwealth Government agency; and the business is a WA employer; the employer (including WA businesses operating in other jurisdictions) has an active training contract for the apprentice or trainee registered with the Department of Training and Workforce Development Apprenticeship Office; and the commencement date of employment of the apprentice or trainee is between 1 July 2020 and 30 June 2021; the apprentice or trainee resides in Western Australia. The Indian Ocean Territories are included for the purpose of the Reengagement Incentive; and the apprentice or trainee has passed the relevant probation period or completed the training contract, with the new employer. Local Government, Government Trading Enterprises and not for profit organisations are also eligible to access the Reengagement Incentive.	Eligible employers will receive a one-off payment of: <ul style="list-style-type: none"> \$6,000 for apprentices; and \$3,000 for trainees. 	Employers who have reengaged an apprentice or trainee who was terminated by a previous employer; will be eligible for the Reengagement Incentive payment when the apprentice or trainee has passed through the probation period. Claims for Incentive payments are made through the Western Australian Apprenticeship Management System (WAAMS).

<p>Jobs and Skills WA Defence Industry Incentive</p> <p>Provides financial assistance to Western Australian businesses undertaking work in the defence industry in Western Australia who employ an apprentice on or after 1 October 2020 and on or before 30 September 2021.</p>	<p>Employers who are eligible to access the employer incentive are employers who:</p> <ul style="list-style-type: none"> • have an active training contract registered with the Department of Training and Workforce Development Apprenticeship Office on or after 1 October 2020 and on or before 30 September 2021; and • employ an apprentice who lives and works in Western Australia; and • have been designated by Defence West as one of WA's approved defence employers; and • employ apprentices enrolled into one of the following four approved qualifications: <ul style="list-style-type: none"> ◦ Certificate III in Engineering – Fabrication Trade (MEM30305); ◦ Certificate III in Engineering – Mechanical Trade (MEM30205); ◦ Certificate III in Electrotechnology Electrician (UEE30811); or ◦ Certificate III in Engineering – Industrial Electrician (MEM31219). 	<p>Eligible employers will receive the following payments at milestone payment points:</p> <ul style="list-style-type: none"> • commencement milestone payment of \$10,000 – payable when the probation period has expired; • second year milestone payment of \$6,000 – payable one year after the commencement of the training contract; and • third year milestone payment of \$4,000 – payable two years after the commencement of the training contract. 	<p>Employers must demonstrate eligibility for an entitlement at each milestone payment point.</p> <p>Claims for Incentive payments are made through the Western Australian Apprenticeship Management System (WAAMS).</p>
<p>Construction Training Fund (CTF)</p> <p>The CTF supports employers to reduce the cost of employing an apprentice or trainee in a range of building and construction occupations in Western Australia, through the provision of grant payments.</p> <p>ctf.wa.gov.au</p>	<p>Employers are eligible to receive a CTF grant provided that they employ apprentices:</p> <ul style="list-style-type: none"> • in a Certificate II or III qualification from one of the following training packages: <ul style="list-style-type: none"> ◦ CPC Construction, Plumbing and Services ◦ RII Resources and Infrastructure Industry ◦ UEE Electrotechnology ◦ MEM Manufacturing and Engineering ◦ MSM/LMF Manufacturing ◦ UEG Gas Industry; • who have an active training contract registered with DTWD's Apprenticeship Office; • who reside in WA; and • who work primarily on-site in the construction industry. <p>A complete listing of apprenticeship and traineeship qualifications that are eligible for a CTF grant can be viewed on the CTF website.</p>	<p>CTF grants may be made up of two parts:</p> <ul style="list-style-type: none"> • a base grant that is dependent on the apprenticeship/traineeship qualification; and • bonus payments for regional apprentices/trainees, pre-apprenticeships, female apprentices/trainees, Indigenous people, and apprentices over the age of 21. 	<p>CTF grants are paid in instalments.</p> <ul style="list-style-type: none"> • first instalment – successful completion of probation and six months of continuous, full-time employment with a single employer OR nine months after commencement for part time apprentices/trainees; • second instalment – half way point of the apprenticeship/traineeship; and • final instalment – successful completion of the apprenticeship/traineeship. <p>All claims for grants by employers must be made directly to CTF via the ctf.wa.gov.au website.</p>
<p>Western Australian Group Training Program (WAGTP)</p> <p>Incentives for group training organisations (GTOs) to employ and support apprentices and trainees in various priority areas.</p>	<p>Available to organisations registered as a GTO in WA who employ apprentices or trainees from one or more of the following categories:</p> <ul style="list-style-type: none"> • Aboriginal persons; • persons with a disability; • women in non-traditional trades; • school-based apprentices and trainees; or • apprentices and trainees residing in regional and /or remote parts of the State. 	<p>Incentive payments are paid quarterly for commencement, midpoint (apprentices only) and completion milestones.</p> <p>Payment information is extracted from the Western Australian Apprenticeship Management System (WAAMS).</p>	<p>GTOs must enter into a WAGTP contract with the Department who will calculate, report and arrange payment of the incentive.</p>

State Government incentives and subsidies			
Incentive/Wage subsidy	Eligibility	Description	Claiming the incentive
Travel and Accommodation Allowance (TAA) Financial assistance to apprentices who are required to travel long-distance to attend off the job training. The TAA is a financial contribution to assist with apprentices travel and accommodation expenses.	An apprentice is eligible for either: <ul style="list-style-type: none"> the travel allowance — if the round trip is between 71 and 199 kilometres; or the travel and accommodation allowance — if the travel is 200 kilometres or more. The apprentice must: <ul style="list-style-type: none"> be a resident in WA; have an active training contract; be attending the nearest registered training provider; and be engaged in off the job training which is funded by the Department. 	Travel subsidies are paid as follows. <ul style="list-style-type: none"> 20 cents per kilometre for travel in a private vehicle; or The full cost of public transport in a bus or train if the travel is between 70 and 1200 kilometres round trip; or A return economy airfare if the travel is 1200 or more kilometres round trip Accommodation assistance is provided at \$70 per night below the 26 th parallel and \$110 per night above the 26 th parallel.	An apprentice or employer must make a claim within 60 days of the last day of training using the prescribed form which can be located at dtwd.wa.gov.au/about-us/#legislative-framework-policies-and-guidelines .

Commonwealth Government incentives and subsidies			
Incentive/Wage subsidy	Eligibility	Description	Claiming the incentive
Boosting Apprenticeship Commencements (BAC) Provides support to businesses and group training organisations to take on new apprentices and trainees, to build a pipeline of skilled workers to support sustained economic recovery. australianapprenticeships.gov.au/aus-employer-incentives	<p>Employers including group training organisations, may be eligible if:</p> <ul style="list-style-type: none"> they commence or recommence an apprentice or trainee on or after 5 October 2020 and 30 September 2021; and the apprentice or trainee is undertaking a Certificate II or higher qualification; and the apprentice or trainee has an active training contract registered with the Department of Training and Workforce Development Apprenticeship Office. <p>The subsidy is available to employers of any size, industry or geographic location.</p> <p>The subsidy is capped at 100,000 places. Employers can receive the BAC for any number of eligible apprentices or trainees, provided that they meet the eligibility criteria and have been allocated a place under the 100,000 cap.</p> <p>In addition, employers and GTOs will be eligible for the BAC for up to 30 existing workers where an existing worker:</p> <ul style="list-style-type: none"> transfers from a casual employment arrangement to part-time or full-time apprenticeship or traineeship; or transfers from a part time employment arrangement to a full-time apprenticeship or traineeship. <p>No limit will apply where the existing worker is undertaking a trades-based apprenticeship.</p> <p>The subsidy is not available for:</p> <ul style="list-style-type: none"> any employer receiving any other form of Australian Government wage subsidy equivalent assistance for the apprentice or trainee; or the apprentice or trainee is undertaking a qualification that supersedes a qualification previously undertaken by the same apprentice or trainee. 	<p>Eligible employers and group training organisations will receive a wage subsidy of up to 50 per cent of the apprentice or trainee's gross wage paid.</p> <p>The wage subsidy is available for a maximum of \$7,000 per quarter per eligible apprentice or trainee.</p> <p>The subsidy is available for wages paid from 5 October 2020 to 30 September 2021.</p> <p>Payments will be made quarterly in arrears, with first claims for the subsidy available from 1 January 2021.</p> <p>Final claims for payment must be lodged by 31 December 2021.</p> <p>Existing worker limits apply for apprenticeships or traineeships with a commencement date on or after 28 October 2020.</p>	<p>For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider:</p> <p>Perth metropolitan area The Apprenticeship Community P: 13 28 79</p> <p>MEGT (Australia) P: 136 348</p> <p>Apprenticeship Support Australia P: 1300 363 831</p> <p>Regional Western Australia Apprenticeship Support Australia P: 1300 363 831</p> <p>The Apprenticeship Community P: 13 28 79</p>

<p>Supporting Apprentices and Trainees Wage Subsidy</p> <p>Provides a wage subsidy to small and medium sized businesses (including those using a GTO) to support the retention of their existing apprentices and trainees; and to employers of any size (including a GTO) if they reengage an apprentice or trainee that has been displaced by an eligible small or medium sized business.</p> <p>australianapprenticeships.gov.au/aus-employer-incentives</p>	<p>Small businesses may be eligible if:</p> <ul style="list-style-type: none"> • they employ fewer than 20 employees; or • they employ fewer than 20 employees, and are using a group training organisation; and • the apprentice or trainee was undertaking an apprenticeship or traineeship with the business on or after 1 July 2020 (Claims prior to 1 July 2020, will continue to be based on the original 1 March 2020 eligibility date for this subsidy). <p>Medium sized businesses may be eligible if:</p> <ul style="list-style-type: none"> • they employ fewer than 200 people; or • they employ fewer than 200 people and are using a group training organisation; and • the apprentice or trainee was undertaking an apprenticeship or traineeship with the business on or after 1 July 2020. <p>Any employer (including all small, medium or large businesses and group training organisations) who reengages an apprentice or trainee who has been displaced from an eligible small or medium business may also be eligible for the subsidy.</p>	<p>Eligible employers will receive a wage subsidy of up to 50 per cent of the apprentice/trainee's wage, up to a maximum of \$7,000 per quarter, reimbursed in arrears.</p> <p>The wage subsidy will be available from 1 July 2020 to 31 March 2021.</p>	<p>Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeships Support Network (AASN) provider and following submission of a claim form and other supporting documentation by the employer.</p> <p>Final claims for payment must be lodged by 30 June 2021.</p>
<p>Additional Identified Skills Shortage (AISS) Payment</p> <p>Payment available to eligible apprentices and their employers, in 10 occupations experiencing skills shortages.</p> <p>australianapprenticeships.gov.au/aus-employer-incentives</p>	<p>For an apprentice and their employer to be eligible for the AISS payment, the apprentice must be new to the employer, commencing a Certificate III or IV level qualification leading to one of the following 10 targeted occupations:</p> <ul style="list-style-type: none"> • carpenters and joiners; • plumbers; • hairdressers; • air conditioning and refrigeration mechanics; • bricklayers and stonemasons; • plasterers; • bakers and pastry cooks; • vehicle painters; • wall and floor tiles; and • arborists. <p>Existing workers and their employers are not eligible for the AISS payment. Employers will only be eligible to claim the AISS payment for apprentices that qualify as being additional – that is, over and above the employer's usual apprentice intake.</p>	<p>Eligible apprentices will receive \$1,000 at the 12-month point from commencement of their apprenticeship, and an additional \$1,000 at completion of the apprenticeship.</p> <p>Eligible employers of apprentices will receive \$2,000 at the 12-month point from the commencement of the apprenticeship and an additional \$2,000 at completion of the apprenticeship.</p> <p>These payments will be administered under the Australian Apprenticeships Incentives Program, and are additional to any payments the apprentice or employer may be eligible for under existing Australian Government programs including:</p> <ul style="list-style-type: none"> • trade support loans; and • the Australian Apprenticeships Incentives Program. 	<p>Australian Apprenticeship Support Network (AASN) providers are contracted by the Australian Government to administer the AISS payments as part of the Australian Apprenticeships Incentives Program.</p> <p>Your AASN provider will be able to determine eligibility for the AISS initiative and assist with making a claim.</p>

<p>Support for Adult Australian Apprentices (SAAA) Incentive</p> <p>Payment to encourage upskilling of adult workers through Australian Apprenticeships.</p> <p>australianapprenticeships.gov.au/aus-employer-incentives</p>	<p>An employer may be eligible to attract the SAAA payment where the apprentice is:</p> <ul style="list-style-type: none"> • undertaking a full time or part time Certificate III or IV qualification that leads to an occupation listed on the National Skills Needs List at the date of commencement or recommencement; and • in receipt of an 'actual wage' paid by the employer at the date of commencement or recommencement which is equal to or greater than the National Minimum Wage (as defined and set by the Fair Work Commissioner). <p>To qualify as an 'adult', the Australian Apprentice must be:</p> <ul style="list-style-type: none"> • aged 21 years or older, if the apprentice commenced on or after 1 July 2019; or • aged 25 years or older, if the apprentice commenced prior to 1 July 2019. 	<p>Eligible employers will receive an incentive payment of \$4,000 once their apprentice has successfully completed 12 months of training.</p>	<p>Australian Apprenticeship Support Network (AASN) providers are contracted by the Australian Government to administer the SAAA initiative payments as part of the Australian Apprenticeships Incentives Programme.</p> <p>Your AASN provider will be able to determine eligibility for the SAAA initiative and assist with making a claim.</p>
<p>Disabled Australian Apprentice Wage Support (DAAWS)</p> <p>Payment for employers, and assistance for tutorial, interpreter and mentor services for apprentices.</p> <p>australianapprenticeships.gov.au/aus-employer-incentives</p>	<p>DAAWS is an incentive payable to an employer who employs an Australian Apprentice who satisfies the disability eligibility criteria.</p> <p>DAAWS is also available to employers who employ Australian Apprentices who become disabled during their apprenticeship.</p>	<p>Contact your AASN for payment details.</p> <p>Perth Metropolitan Area The Apprenticeship Community P: 13 28 79</p> <p>MEGT (Australia) Ph: 136 348</p> <p>Apprenticeship Support Australia Ph: 1300 363 831</p> <p>Regional Western Australia Apprenticeship Support Australia Ph: 1300 363 831</p> <p>The Apprenticeship Community Ph: 13 28 79</p>	<p>Australian Apprenticeship Support Network (AASN) providers are contracted by the Australian Government to administer the DAAWS initiative payments as part of the Australian Apprenticeships Incentives Programme.</p> <p>Your AASN provider will be able to determine eligibility for the DAAWS initiative and assist with making a claim.</p>

The Commonwealth incentives included here are part of the *Australian Apprenticeships Incentives Program* available to eligible employers and/or apprentices/trainees. [A summary of the Australian Apprenticeships Incentives Program can be found here.](#)