



**GOVERNMENT OF
WESTERN AUSTRALIA**

Industrial Relations Act 1979

**IN THE WESTERN AUSTRALIAN
INDUSTRIAL RELATIONS COMMISSION**

No. 1 of 2021

ON THE COMMISSION'S OWN MOTION

SUBMISSION OF THE MINISTER FOR INDUSTRIAL RELATIONS

Re: 2021 STATE WAGE ORDER

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Introduction

1. In February 2021, the Western Australian Industrial Relations Commission (WAIRC) issued Application 1 of 2021 on its own motion. The application seeks to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979* (IR Act) to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* (MCE Act) and State awards.
2. In making the State Wage Order, the WAIRC is required each year to consider a number of statutory criteria prescribed in section 50A(3) of the IR Act including:
 - (a) the need to —
 - (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; and
 - (v) protect employees who may be unable to reach an industrial agreement; and
 - (vi) encourage ongoing skills development; and
 - (vii) provide equal remuneration for men and women for work of equal or comparable value; and
 - (b) the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia; and
 - (c) to the extent that it is relevant, the state of the national economy; and
 - (d) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration; and
 - (e) for the purposes of [Section 50A (1)(b) and (c)], the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment; and
 - (f) relevant decisions of other industrial courts and tribunals; and
 - (g) any other matters the Commission considers relevant.
3. This submission outlines the position of the Minister for Industrial Relations (the Minister) on behalf of the Western Australian Government in relation to Application 1 of 2021. The submission also addresses an additional issue that has recently come to light regarding the lack of a minimum pay rate for award free apprentices undertaking two-year apprenticeships.

Minister's Position

4. The Minister believes Western Australian workers should enjoy a modern framework of wages and working conditions that protects and advances their interests, affording them dignity and security in employment.
5. The WAIRC awarded a 1.75 per cent increase in minimum and award wages in 2020. As many industries were significantly affected by the global COVID-19 pandemic at the time of last year's State Wage Case, the operative date of the increase was deferred until the first pay period on or after 1 January 2021.
6. The onset of the COVID-19 pandemic in early 2020 necessitated the introduction of many government-mandated health and social distancing measures to control the spread of the virus. The effects of the pandemic led to a rapid deterioration in economic activity, which resulted in the country entering recession for the first time in nearly 30 years. However, the lifting of many restrictions from mid-2020 onwards has enabled households to resume most normal daily living activities, benefiting the domestic economy.
7. 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.
8. Western Australia has navigated the COVID-19 pandemic effectively over the past 12 months, with the State's avoidance of widespread transmission of the virus enabling the economy and labour market to recover faster than initially predicted.
9. The Minister acknowledges some sectors continue to be adversely affected by measures introduced to contain the spread of COVID-19, in particular international education, the entertainment industry, businesses exposed to international tourism, and parts of retail and hospitality. Minimum and award wages are widely used in some of these industries.
10. In the prevailing climate, the Minister submits it is appropriate the State Minimum Wage and adult award rates of pay be increased by \$19.20 per week in this year's State Wage Case, with a proportionate increase to junior employees, apprentices and trainees.
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. This represents a fair and sustainable quantum that would provide a welcome increase to minimum and award wage earners, whilst not jeopardising the State's ongoing recovery from the impacts of the COVID-19 pandemic.

The Western Australian economy and labour market

Economic outlook

12. The Department of Treasury (Treasury) has provided an economic overview for the Western Australian economy, which is included as **Attachment A** to this submission. As in previous years, Mr David Christmas, Director of the Economic and Revenue Forecasting Division, will be a witness for Treasury in this year's State Wage Case. Mr Christmas' witness statement is included as **Attachment B**.
13. As previously noted, the Western Australian economy was significantly impacted by the onset of the COVID-19 pandemic in March 2020. The introduction of social distancing and other restrictions required to suppress community transmission of the virus forced many businesses to close or operate below capacity, and many workers who were unable to transition to work from home were stood down, or in some cases, lost employment.
14. The June quarter 2020 saw the largest ever contraction in the State's domestic economy, as State Final Demand (SFD) declined by 6.2 per cent. Similarly, the scale of job losses during the height of COVID-19 restrictions far outweighed any previous economic downturn.
15. 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. The recovery has been assisted by unprecedented levels of Government support as well as activity continuing in some of the key industries in the State, most notably mining.
16. Activity has also been particularly strong in the residential construction market, with a higher than expected take-up of the State Government's *Building Bonus* and the Commonwealth Government's *HomeBuilder* grants.
17. Consistent with previous forecasts, both business investment and Government spending are expected to continue to support growth in the domestic economy over the forecast period.
18. The Perth, Peel and South West regions were subject to a five-day lockdown in early February 2021, following the first case of community transmission in 10 months. A further three-day lockdown took place over the ANZAC Day long weekend in April 2021, following several more cases of community transmission.
19. 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. Nonetheless, the recent lockdowns highlight that a potential second COVID-19 outbreak remains the most significant risk to the State's domestic economy.
20. Further details regarding the Western Australian economy are provided in **Attachment A**.

Labour market conditions in Western Australia

21. The following section presents a selection of labour market data detailing the State's performance over recent months. As most of the data indicates, the Western Australian labour market continues to recover from the impacts of the COVID-19 pandemic, in line with trends in the domestic economy.
22. Western Australia lost around 103,000 jobs between February and May 2020, as public health and social distancing measures were implemented to control the spread of the virus. In aggregate, these jobs have now been recovered, and most labour market indices have returned to pre-pandemic levels.
23. Western Australian internet job vacancies have risen steadily over recent months, and now sit well above the level recorded in March 2020.¹
24. 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

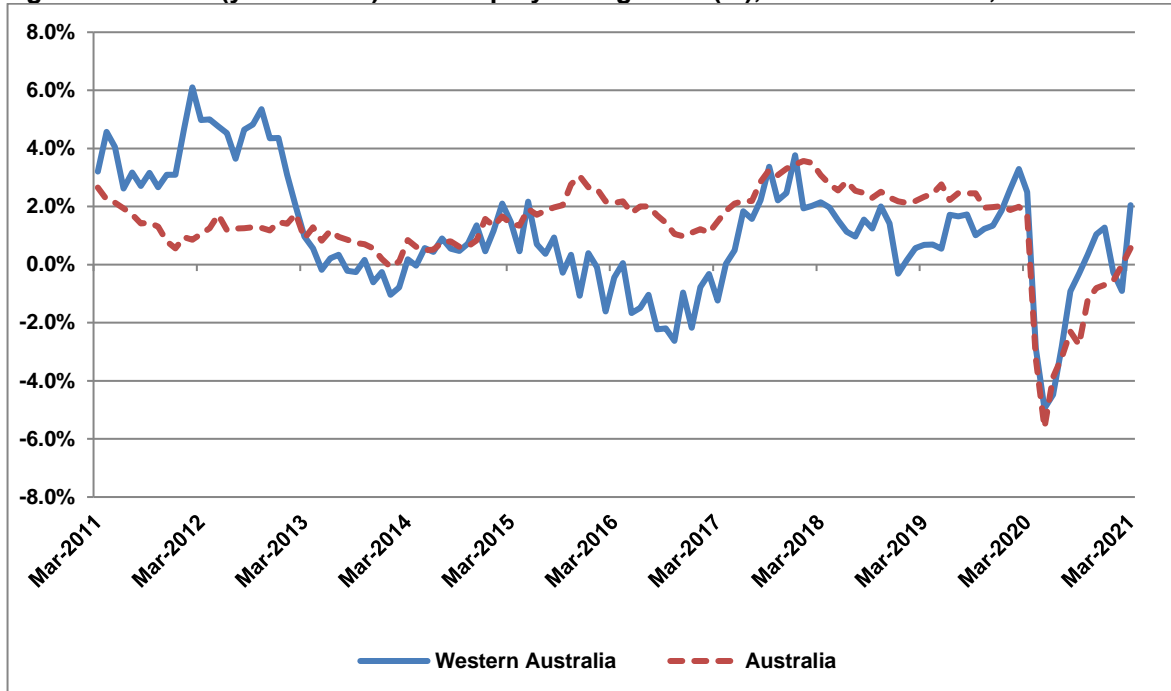
Employment and unemployment

25. In March 2021, total employment in Western Australia rose to 1,402,000 persons, which is 1.5 per cent above its pre-COVID level in February 2020. Nationally, total employment rose to 13,077,600 in March 2021, an increase of 0.5 per cent from February 2020.
26. In term-ended terms, total employment in Western Australia increased by 2.0 per cent in the 12 months to March 2021. Nationally, total employment rose by 0.6 per cent over the same period.

¹ Australian Government National Skills Commission (2021), *Vacancy Report, March 2021*. Available at <https://lmip.gov.au>.

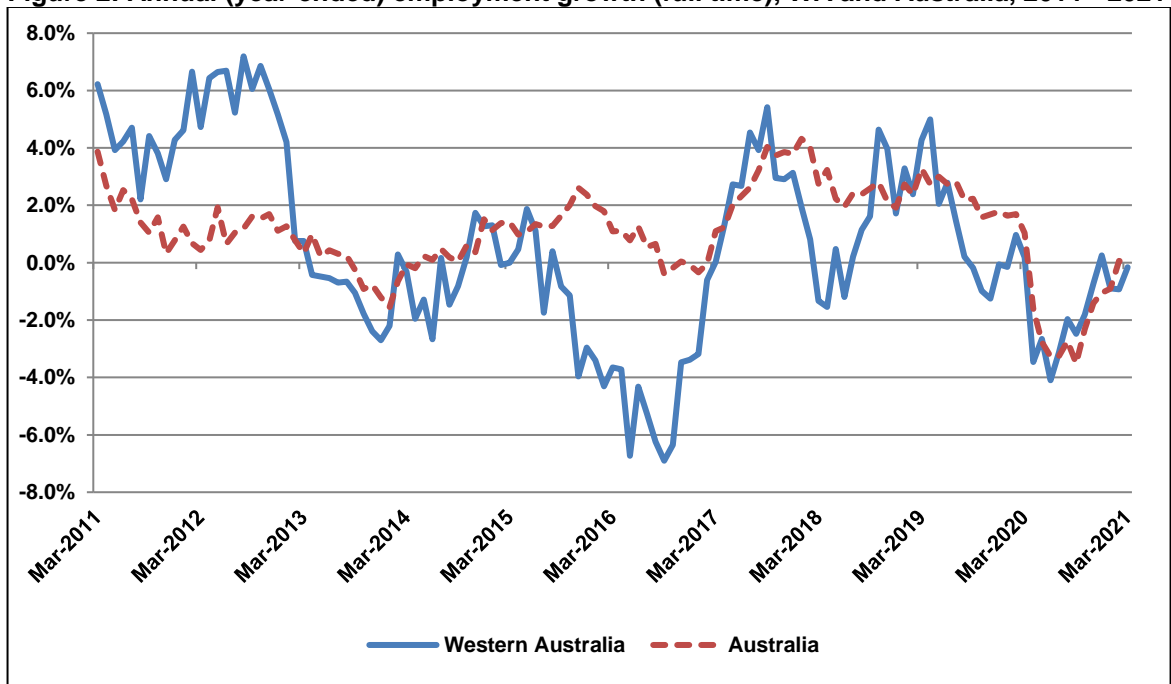
² ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time series, Tables 8 and 19 (seasonally adjusted series).

Figure 1: Annual (year-ended) total employment growth (%), WA and Australia, 2011 to 2021³



27. As shown in Figure 2, full time employment was static in the year to March 2021, both in Western Australia and nationally. Over this period, full time employment declined by 0.2 per cent in Western Australia, while nationally it was unchanged.

Figure 2: Annual (year-ended) employment growth (full time), WA and Australia, 2011 - 2021⁴

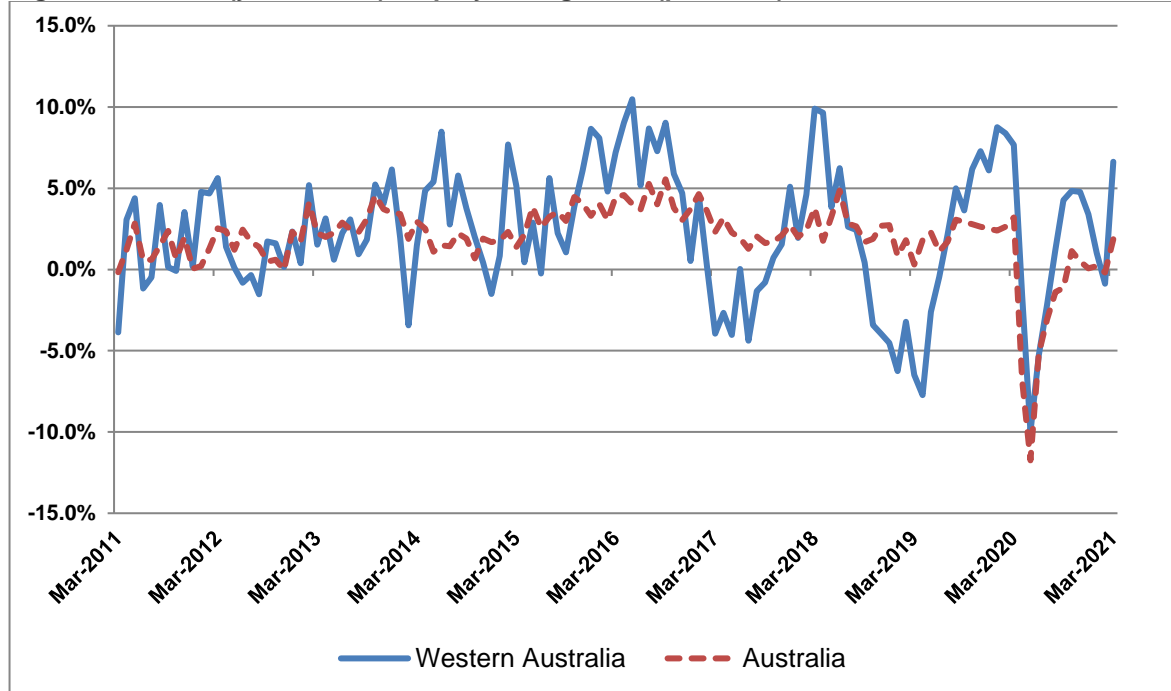


³ ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time series, Tables 1 & 8 (seasonally adjusted series).

⁴ Ibid.

28. While full time employment was largely unchanged over the year to March 2021, Western Australia recorded a 6.6 per cent increase in part time employment over this period. Nationally, part time employment also increased over this period by 1.9 per cent.

Figure 3: Annual (year-ended) employment growth (part time), WA and Australia, 2011 - 2021⁵



29. Australian Bureau of Statistics (ABS) data regarding employment within Western Australia reveals variations in growth in different industries in the year to February 2021, as outlined in Table 2.
30. It is important to note that the five-day lockdown implemented in the Perth, Peel and South West regions coincided with part of the reference period for the Labour Force Survey in February 2021, which is likely to have affected the latest quarterly figures for employment by industry. Industry employment data is also not seasonally adjusted, so a certain degree of caution should be exercised when interpreting this data.

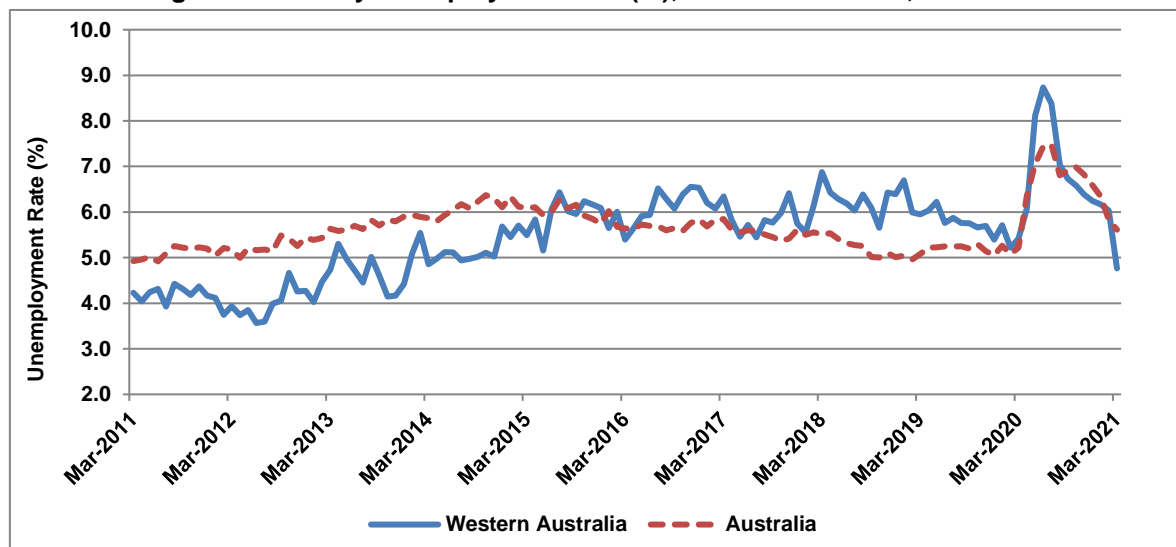
⁵ ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time series, Tables 1 & 8 (seasonally adjusted series).

Table 2 – Employment by industry in WA (000s), February 2020 – February 2021⁶

TOTAL EMPLOYED ('000)	Feb-20	May-20	Aug-20	Nov-20	Feb-21
Agriculture, forestry and fishing	34.8	36.2	36.7	37.4	28.6
Mining	115.5	101.5	114.2	121.2	113.3
Manufacturing	72.4	73.7	77.2	75.4	83.7
Electricity, gas, water and waste services	15.5	27.3	23.5	22.9	27.9
Construction	120.7	128.6	124.6	117.6	111.5
Wholesale trade	43.7	40.4	31.2	42.4	47.2
Retail trade	130.1	111.2	112.7	126.8	113.8
Accommodation and food services	96.3	68.4	81.7	89.9	96.9
Transport, postal and warehousing	69.0	55.3	53.2	64.4	71.0
Information media and telecommunications	14.4	12.5	15.4	11.2	10.1
Financial and insurance services	31.2	29.2	28.2	29.7	32.5
Rental, hiring and real estate services	25.7	32.4	24.8	22.0	22.9
Professional, scientific and technical services	107.6	105.3	108.9	111.3	101.6
Administrative and support services	38.9	36.1	43.2	45.7	38.4
Public administration and safety	98.6	92.9	105.8	87.7	78.2
Education and training	111.7	104.1	110.4	117.8	106.3
Health care and social assistance	171.3	159.5	174.0	183.3	205.8
Arts and recreation services	23.3	17.5	21.9	22.0	20.4
Other services	63.8	56.8	59.3	56.7	60.6
Total	1384.4	1288.8	1347.0	1385.3	1370.6

31. Western Australia’s annual average unemployment rate rose in the year to March 2021, reflecting a significant spike in the period from March to July 2020 as the effect of the early lockdowns and social distancing measures relating to COVID-19 impacted the State’s labour market. However, unemployment has declined in recent months, with the seasonally adjusted unemployment rate falling to 4.8 per cent in March 2021.

Figure 4: Monthly unemployment rate (%), WA and Australia, 2011 – 2021⁷

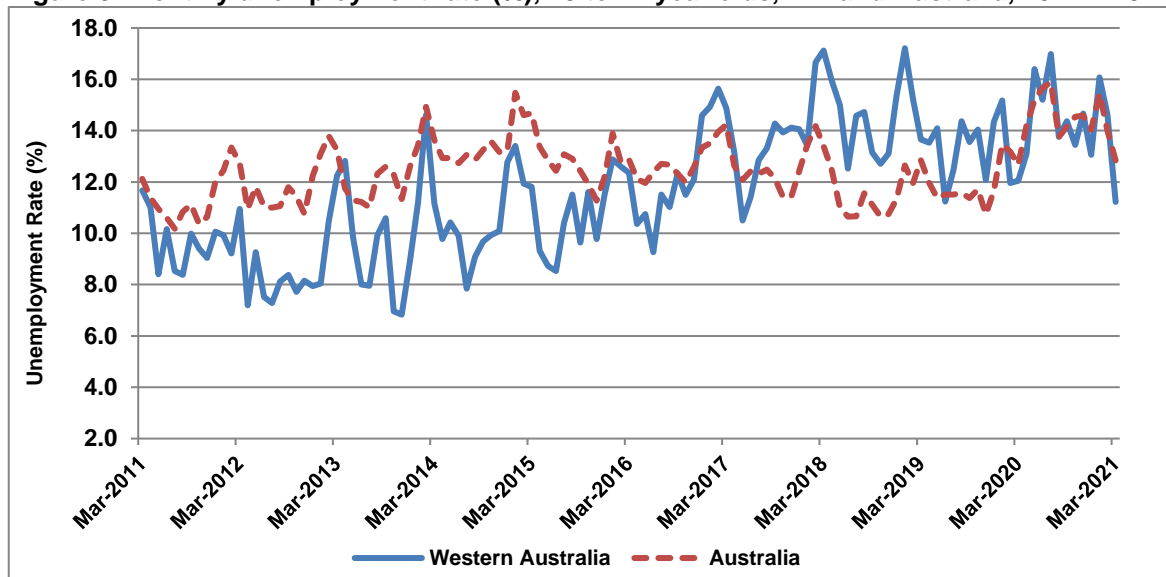


⁶ ABS (2021), *Labour Force, Australia, Detailed, March 2021*, Catalogue 6291.0.55.003, Table 5 (original data). Note: Industry employment data is only released four times per year and is not seasonally adjusted. Aggregate figures will therefore differ from those displayed elsewhere for March 2021.

⁷ ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time Series, Table 1 & 8 (seasonally adjusted series).

32. 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



33. It is possible there will be some increase in unemployment in April 2021, with the Commonwealth Government's JobKeeper payments ceasing on 28 March 2021. However, the gradual unwinding of fiscal support measures has not had a material impact on the overall economy to date, and it is anticipated that any impact on the Western Australian labour market is likely to be relatively subdued.

Underemployment

34. Reflecting the onset of the COVID-19 pandemic, underemployment in Western Australia rose sharply between March and June 2020, as the lockdowns and social distancing measures agreed to by National Cabinet were implemented. However, underemployment has fallen in recent months with the gradual lifting of restrictions from June 2020 onward, and stood at 7.4 per cent in March 2021.⁹
35. Western Australia experienced a short-term spike in underemployment in February 2021, due to the five-day lockdown implemented in the Perth, Peel and South West regions coinciding with part of the reference period of the ABS Labour Force Survey. However, this did not reflect underlying trends, which was evident in the data for the following month.¹⁰ As could be expected, some effects were seen in respect to a decrease in hours worked over the month.

⁸ ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time Series, Table 16 (original data).

⁹ ABS (2021), *Labour Force, Australia, March 2021*, Catalogue 6202.0, Time Series, Table 23 (seasonally adjusted series). The underemployment rate measures the number of underemployed workers (those who are employed but would like more hours of work) expressed as a percentage of the civilian labour force.

¹⁰ Ibid.

Inflation

36. Recent Consumer Price Index (CPI) data has been impacted by various policy measures implemented in response to COVID-19.
37. For Perth's CPI, the Western Australian Government's \$600 Household Electricity Credit from 1 November 2020 is particularly distortionary. It is treated as a reduction in electricity costs borne by the consumer, which has resulted in volatility in headline inflation that is likely to continue into 2021-22.
38. To see through this temporary volatility, Treasury's Pre-election Financial Projections Statement forecasts exclude the electricity sub-index from the total CPI in 2020-21 and 2021-22.
39. Excluding the electricity sub-index, Perth's CPI increased by 1.0 per cent in the March quarter 2021, and by 1.5 per cent in annual average terms in March 2021. Nationally, the CPI grew by 0.6 per cent in the March quarter 2021, and 0.8 per cent in annual average terms in March 2021.¹¹
40. Western Australia's electricity credit is not the only factor that has been weighing down the CPI. In recent quarters the State Government's *Building Bonus* and the Commonwealth Government's *HomeBuilder* grants have also put downward pressure on headline inflation. For instance, without the State and Federal Government home building grants, the price of new dwelling purchases by owner-occupiers in Perth would have increased 6.2 per cent in the March quarter 2021, rather than the official figure of 2.8 per cent.
41. 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.

Trends in wages

42. Wages growth has slowed in recent years, both in Western Australia and across the country.
43. 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.¹²
44. Growth in the WPI at the national level has also been subdued in recent years, with annual average growth in the national WPI standing at 1.7 per cent in the December quarter 2020, down from 2.3 per cent a year earlier. In year-ended terms, the national WPI was 1.4 per cent in the 2020 calendar year.¹³

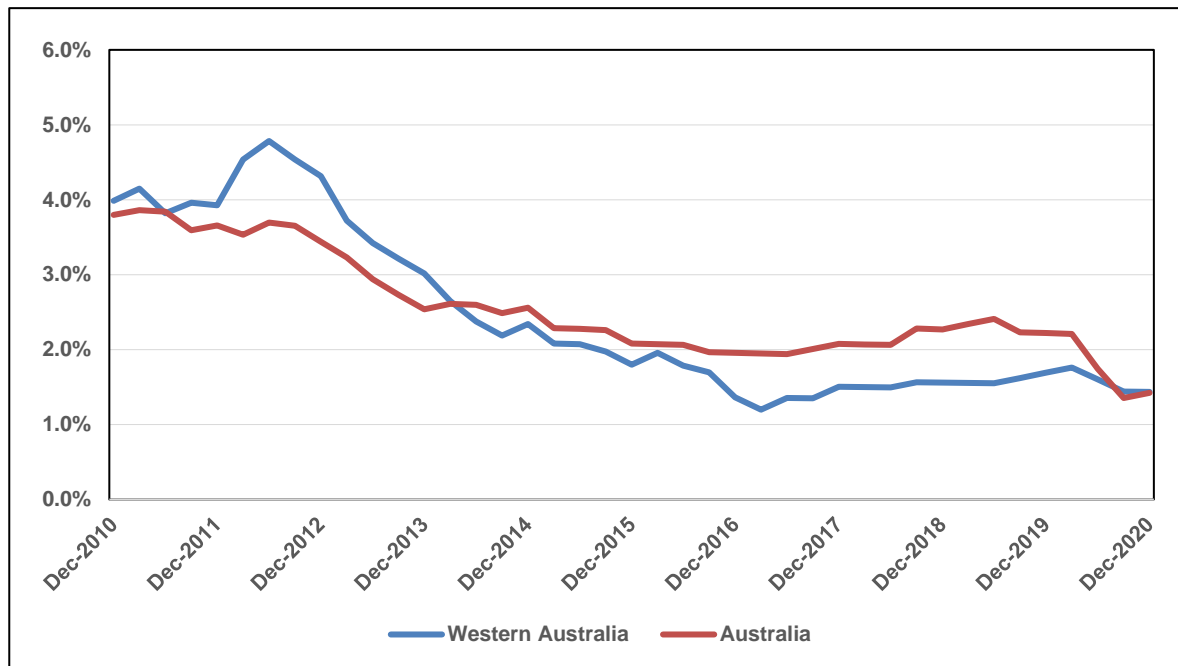
¹¹ ABS (2021), *Consumer Price Index, March 2021*, Catalogue 6401.0, Time Series, Tables 1 & 2 and 5. National CPI figures refer to the weighted average of the eight capital cities.

¹² ABS (2021), *Wage Price Index, Australia, December 2020*, Catalogue 6345.0, Time Series, Table 2b.

¹³ ABS (2021), *Wage Price Index, Australia, December 2020*, Catalogue 6345.0, Time Series, Table 1.

45. As shown in the chart below, growth in the State's WPI has slowed considerably since 2012, following the end of the mining-led investment boom.

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



46. The WPI measures the change in wages and salaries by controlling the quantity and quality of jobs and excluding compositional factors, such as the growth in part time work. Due to the control for changes in labour market composition, the WPI is the preferred measure for wages growth.
47. While the WPI is generally considered the most useful indicator of wage inflation, the ABS Average Weekly Earnings series is used to provide an indication of earnings in dollar amounts.¹⁵
48. The latest figures indicate that full time Average Weekly Ordinary Time Earnings (AWOTE) in Western Australia rose by 3.5 per cent in the year to November 2020, from \$1,777.80 to \$1,840.50.¹⁶
49. Across the whole workforce, average weekly total earnings (AWE) in Western Australia increased by 2.0 per cent in the year to November 2020, rising from \$1,334.90 to \$1,362.20.¹⁷

¹⁴ ABS (2021), *Wage Price Index, Australia, December 2020*, Catalogue 6345.0, Time Series, tables 1 and 2b (year-ended growth).

¹⁵ It should be noted that figures for Average Weekly Earnings are likely to have been distorted since the onset of the COVID-19 pandemic, as a number of casual and part time employees received increased weekly pay because of JobKeeper. Many of the jobs that were initially lost in the early months of the pandemic were also lower paid positions, which can increase average earnings across the workforce.

¹⁶ ABS (2021), *Average Weekly Earnings, Australia, November 2020*, Catalogue 6302.0, Time Series, Table 12E (seasonally adjusted data).

¹⁷ Ibid.

Additional ABS products measuring the impact of COVID-19

Weekly Payroll Jobs and Wages data

50. In response to the COVID-19 pandemic, the ABS and the Australian Taxation Office (ATO) fast-tracked work to use new Single Touch Payroll (STP) data to provide timely insights on changes in the labour market as a result of the impact of COVID-19. In April 2020, the ABS began releasing experimental data using weekly payroll jobs and wages indexes to complement the ABS' existing labour market statistics.
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.¹⁹
52. Caution should be exercised when using STP jobs and wages data, as not all small businesses have made the transition to the STP system, and as such, these figures do not account for all Western Australian employees. As this is still a relatively new dataset, there has also been a high degree of revision to published figures between releases.

Table 3 – Change in payroll jobs and total wages – by State²⁰

	Payroll jobs	Total wages
	Change between 14 Mar 2020 and 10 Apr 2021	Change between 14 Mar 2020 and 10 Apr 2021
New South Wales	0.4%	0.7%
Victoria	0.5%	3.9%
Queensland	0.6%	1.9%
South Australia	2.8%	3.2%
Western Australia	3.6%	0.7%
Tasmania	0.7%	1.0%
Northern Territory	4.6%	4.6%
Australian Capital Territory	0.8%	3.1%
Australia	1.0%	2.0%

¹⁸ ABS (2021), *Weekly Payroll Jobs and Wages in Australia*, week ending 10 April 2021. Note that payroll jobs comes from the single touch payroll system and this data is not comparable to the monthly Labour Force Survey.

¹⁹ The wages index in the ABS *Weekly Payroll Jobs and Wages in Australia* data is distorted by bonuses paid by mining companies in March and September each year. Due to the prevalence of the mining industry in Western Australia and its relatively high wages, comparisons to pre-COVID levels in the wages index may not necessarily reflect underlying conditions.

²⁰ ABS (2021), *Weekly Payroll Jobs and Changes in Australia*, week ending 10 April 2021.

Equal remuneration

53. Another relevant consideration in minimum and award wage determinations is the principle of equal remuneration for work of equal or comparable value.
54. The most recent AWOTE data indicates that the gap between male and female earnings in Western Australia increased in the 12 months to November 2020, as male earnings grew at a faster rate than female earnings.
55. As indicated in Table 4 below, the gender pay gap in Western Australia rose from 22.4 per cent to 22.9 per cent between November 2019 and November 2020. Nationally, the gender pay gap declined over the same period, falling from 13.9 per cent to 13.4 per cent.

Table 4: Average weekly ordinary time earnings and the gender pay gap (GPG), WA and Australia, November 2019 and November 2020²¹

		Nov 2019	Nov 2020	Change over year
WA	Males	\$ 1,928.10	\$ 1,995.60	3.5%
	Females	\$ 1,497.10	\$ 1,539.30	2.8%
	GPG	22.4%	22.9%	+ 0.5 percentage points
Australia	Males	\$ 1,750.80	\$ 1,804.20	3.1%
	Females	\$ 1,508.30	\$ 1,562.00	3.6%
	GPG	13.9%	13.4%	- 0.5 percentage points

56. As can be seen from the table below, Western Australia still has the largest gender pay gap in Australia, as measured by AWOTE.

Table 5: Gender Pay Gap by State / Territory, November 2020²²

State / Territory	Male AWOTE	Female AWOTE	Gender Pay Gap
NSW	\$1,848.20	\$1,600.40	13.4%
VIC	\$1,787.00	\$1,592.30	10.9%
QLD	\$1,703.00	\$1,474.90	13.4%
SA	\$1,587.60	\$1,456.50	8.3%
WA	\$1,995.60	\$1,539.30	22.9%
TAS	\$1,527.80	\$1,420.20	7.0%
NT	\$1,822.20	\$1,569.70	13.9%
ACT	\$1,943.00	\$1,820.50	6.3%
AUS	\$1,804.20	\$1,562.00	13.4%

57. 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.

²¹ ABS (2021), *Average Weekly Earnings, Australia, November 2020*, Catalogue 6302.0, Time Series, Table 2 and 12E (seasonally adjusted data).

²² ABS (2021), *Average Weekly Earnings, Australia, November 2020*, Catalogue 6302.0, Time Series, Tables 2 and 12A-12H (seasonally adjusted data).

Operating conditions for Western Australian businesses

58. The criteria specified in section 50A(3) of the IR Act require the WAIRC to consider the capacity of employers as a whole to bear the cost of increased wages and the likely effect of its State Wage Order on the economy and employment levels.
59. While there is limited specific data available to assess the health of those businesses likely to be affected by the State Wage Order, select macroeconomic figures can be used to gauge the profitability of Western Australian businesses by industry in a given year. The figures below relate to the 2019-20 financial year, which includes the onset of the COVID-19 pandemic.
60. The Gross Operating Surplus (GOS) plus Gross Mixed Income (GMI) measure produced by the ABS suggests certain industries performed better than others in 2019-20. While it is important to note that this data reveals little about the profitability or otherwise of individual businesses, the measure provides some insight into local conditions at the aggregate industry level.
61. 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. Across all industries GOS plus GMI increased by 16.9 per cent in 2019-20, led by the Mining industry, which recorded the strongest growth for the third year in a row.²³ The strong increase in mining profitability reflects the strength of commodity prices, most notably the iron ore price, which increased by 15.6 per cent between 2018-19 and 2019-20. Excluding mining, GOS plus GMI increased by 2.1 per cent.²⁴
62. 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, such as the JobKeeper program and various business grants. JobKeeper payments were intended to provide support to firms significantly impacted by COVID-19, such as Accommodation and food services and Arts and recreation services. As such, a certain degree of caution needs to be exercised when interpreting these figures.

²³ ABS (2020), *Australian National Accounts: State Accounts, 2019-20*, Catalogue 5220.0, Time Series, Table 6 (original data).

²⁴ Ibid.

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

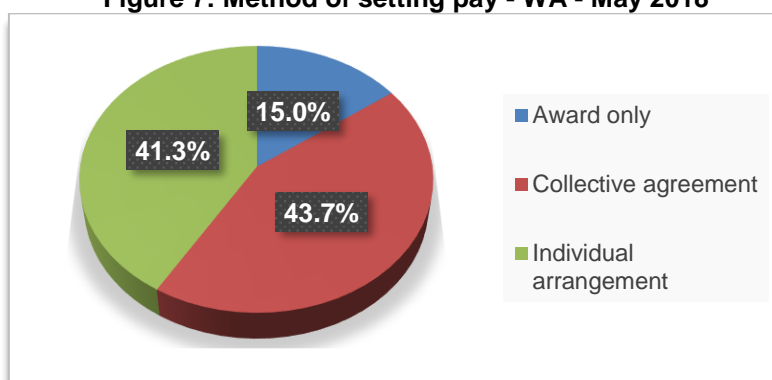
Industry	GOS + GMI June 2019 (\$m)	GOS + GMI June 2020 (\$m)	Annual Increase (\$m)	Annual Increase (%)
Agriculture, forestry and fishing	4,696	4,025	-671	-14.3
Mining	91,814	117,350	25,536	27.8
Manufacturing	5,240	5,149	-91	-1.7
Electricity, gas, water and waste services	2,992	3,021	29	1.0
Construction	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

²⁵ ABS (2020), *Australian National Accounts: State Accounts, 2019-20*, Catalogue 5220.0, Time Series, Table 6 (original data).

Coverage of the State Wage Order

63. The most recent 'Employee Earnings and Hours' (EEH) data from 2018 indicates that 15.0 per cent of non-managerial employees in Western Australia are paid entirely in accordance with a State or national award.²⁶
64. In Western Australia, award reliance fell from 16.4 per cent of all non-managerial employees in 2016 to 15.0 per cent in 2018.²⁷ This equates to approximately 162,000 employees being paid entirely in accordance with a State or national award in 2018.
65. Nationally, award reliance fell from 24.5 per cent to 22.5 per cent amongst non-managerial employees between 2016 and 2018.²⁸ As at May 2018, approximately 2.23 million Australian employees were paid entirely in accordance with an award.

Figure 7: Method of setting pay - WA - May 2018²⁹



66. Table 7 illustrates proportions of employment by industry in both Western Australia and Australia, and shows that those industries known to have a high degree of award reliance (such as Accommodation and food services; Retail trade; and Health and community services) make up a sizable portion of the State's workforce.

²⁶ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, Datacube 5.

²⁷ ABS (2019), *Employee, Earnings and Hours, Australia, May 2018*, Datacube 5 and ABS (2017), *Employee Earnings and Hours, Australia, May 2016*, Datacube 5.

²⁸ Ibid. It should be noted that the ABS conducted a refinement to the categorisation of employees between 2016 and 2018, which resulted in some employees in New South Wales, Victoria and Queensland previously considered to be paid on an award only basis in 2016 being categorised as being paid according to a collective agreement in May 2018. Had the new methodology of categorising employees been used throughout the series, there would have been a slight increase in award reliance in Australia between 2016 and 2018 (from 22.4 per cent to 22.5 per cent).

²⁹ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, Catalogue 6306.0.

Table 7 - Employment and award reliance by industry, WA and Australia, February 2021

Industry	WA: Proportion of Workforce ³⁰	Australia: Proportion of Workforce ³⁰	Australia: Proportion of employees paid by award ³¹
Accommodation and food services	7.1%	6.5%	44.9%
Administrative and support services	2.8%	3.0%	41.3%
Other services	4.4%	3.9%	38.1%
Health care and social assistance	15.0%	13.9%	31.7%
Retail trade	8.3%	10.2%	30.1%
Rental, hiring and real estate services	1.7%	1.6%	29.4%
Arts and recreation services	1.5%	1.9%	22.5%
Manufacturing	6.1%	6.8%	20.8%
Construction	8.1%	8.8%	16.6%
Wholesale trade	3.4%	3.0%	16.1%
Transport, postal and warehousing	5.2%	5.3%	12.7%
Public administration and safety	5.7%	6.6%	10.9%
Education and training	7.8%	8.1%	10.0%
Professional, scientific and technical services	7.4%	9.4%	8.0%
Information, media and telecommunications	0.7%	1.5%	7.1%
Financial and insurance services	2.4%	3.7%	5.2%
Electricity, gas, water and waste services	2.0%	1.2%	4.1%
Mining	8.3%	1.9%	0.9%
Agriculture, forestry and fishing	2.1%	2.6%	N/A [†]
All industries	100.0%	100.0%	22.5%

67. 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.
68. 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.
69. The Department of Mines, Industry Regulation and Safety (DMIRS) has analysed the top 10 mostly frequently accessed Western Australian Award Summaries for private sector awards on its website, which are outlined in Table 8 below.

³⁰ ABS (2021), *Labour Force, Australia, Detailed, February 2021*, Catalogue 6291.0.55.001, (original data). The share of the Western Australian workforce employed in most industries is lower than it is at the national level due to the significance of the Mining industry in the State.

³¹ ABS (2019), *Employee Earnings and Hours, Australia, May 2018*, Catalogue 6306.0.

Table 8 – Top 10 most frequently accessed award summaries prepared by Wageline³²

Rank	Award
1	Restaurant, Tearoom and Catering Workers' Award
2	Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977
3	Building Trades (Construction) Award 1987
4	Hairdressers Award
5	Clerks (Commercial, Social and Professional Services) Award
6	Metal Trades (General) Award
7	Social and Community Services (Western Australia) Interim Award 2011
8	Farm Employees' Award 1985
9	Electrical Contracting Industry Award
10	Cleaners and Caretakers Award 1969

70. Table 9 outlines the top 10 private sector awards that are discussed with employers and employees who contact Wageline.

Table 9 – Top 10 most frequently discussed awards in calls to Wageline³³

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

71. The above tables indicate that State awards in the hospitality, retail, building trades, hairdressing, metal trades, social and community services, transport, cleaning, clerical and agricultural sectors are some of the most widely utilised. However, there are also a significant number of award free employees in the State industrial relations system.

³² Refers to the award summaries produced by Wageline that were the most frequently viewed between 1 July 2020 and 15 April 2021. It should be noted information produced by Wageline for award free employees is generally downloaded more than any individual award summary.

³³ Refers to the top 10 awards that Wageline advised on between 1 July 2020 and 31 March 2021. There were also a significant number of calls concerning information for award free employees.

Fairness, living standards and the needs of the low paid

72. The Minister notes the essential role the minimum and award wage framework plays in protecting the needs of the low paid and ensuring their living standards are maintained and improved in line with those in the broader community.
73. The Minister submits that in meeting the objectives of the IR Act, the WAIRC should take a balanced approach to its statutory functions, so that economic, social and industrial criteria are given appropriate consideration and Western Australian workers are protected by a framework of minimum wages that affords them dignity and security.
74. The most recent EEH data from 2018 indicates that award-reliant employees in Western Australia receive significantly lower average hourly rates of pay than those engaged under collective agreements and individual arrangements.³⁴
75. 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.
76. The Minister notes that there are sections of the workforce that are currently award free in the State jurisdiction, including workers engaged in occupations that would traditionally be considered award type work. This is due to a variety of factors, including historic anomalies in award creation, award scope clauses losing currency over the course of time, significant changes in the constitutional coverage of the State jurisdiction and the development of new industries and occupations.
77. 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.

³⁴ ABS (2019) *Employee Earnings and Hours, Australia, May 2018*, Catalogue. No. 6306.0, Datacube 5, Table 5.

Protecting employees who are unable to bargain

78. Section 50A of the IR Act requires that, when making the State Wage Order, the WAIRC consider the need to protect employees who may be unable to reach an industrial agreement.
79. 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.
80. 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.

Skills development

81. The WAIRC is required under section 50A (3) of the IR Act to consider the need to encourage ongoing skills development when making the State Wage Order. This section provides key data on commencements of apprenticeships and traineeships for 2020 and previous years, including information on the proportion of each type of training arrangement undertaken by employees over the age of 21. Data on the total number of apprentices and trainees in training is also presented.³⁵
82. This data has been supplied by the Department of Training and Workforce Development. These figures are included to provide guidance on longer-term trends in the take up of apprenticeships and traineeships in Western Australia.

Apprenticeship data

83. As shown in Table 10 below, apprenticeship commencements increased from 7,069 in 2019 to 8,528 in 2020. This is the fourth straight year in which apprenticeship commencements have increased.

Table 10: Apprenticeships commenced in WA, 2010 to 2020³⁶

Year	Under 21 years	21 years & over	Total	% 21 years & over
2010	2,708	7,647	10,355	73.8%
2011	2,925	6,907	9,832	70.3%
2012	3,220	6,456	9,676	66.7%
2013	2,784	5,928	8,712	68.0%
2014	2,946	5,759	8,705	66.2%
2015	2,711	5,176	7,887	65.6%
2016	2,314	4,110	6,424	64.0%
2017	2,381	4,056	6,437	63.0%
2018	2,645	4,202	6,847	61.4%
2019	2,810	4,259	7,069	60.2%
2020	3,547	4,981	8,528	58.4%

84. Apprenticeship commencements peaked in 2010, before declining by 38 per cent over the next six years, from 10,355 to 6,424. After stabilising in 2017, apprenticeship commencements have increased by more than 2,000 in the last three years.
85. As can be seen in Table 11, apprenticeship commencements have increased notably in a number of sectors, including Automotive trades; Building and Construction; Electrical trades; and Metals, Manufacturing and Services.

³⁵ Data is for apprentices and trainees in both the State and national industrial relations systems. It does not break down the proportion of these employees working in the State jurisdiction.

³⁶ Department of Training and Workforce Development, 22 March 2021.

Table 11 – Apprenticeship commencements by trade category³⁷

Contract type / trade category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Arts, Sport & Recreation	7	5	5	5		5	2	3	2	1	2
Automotive	1,601	1,655	1,797	1,451	1,225	1,048	1,026	1,253	1,540	1,743	2,029
Building & Construction	2,654	1,978	1,760	2,130	2,635	2,330	1,499	1,275	1,140	1,145	1,524
Community Services, Health & Education	25	19	15	10	8	6	10	11	16	7	17
Electrical	1,618	1,651	1,642	1,453	1,537	1,493	1,116	1,157	1,199	1,241	1,499
Food	385	361	351	261	212	217	206	203	181	167	180
Hospitality & Tourism	569	588	596	590	492	428	481	370	390	362	353
Light Manufacturing	452	373	310	319	317	319	242	202	195	197	275
Metals, Manufacturing & Services	2,016	2,253	2,220	1,570	1,390	1,231	1,071	1,274	1,437	1,419	1,695
Primary Industry	98	57	123	122	79	78	73	74	53	60	101
Process Manufacturing	9	10		1			17	6	11	37	32
Utilities, Electrotechnology & Printing	17	86	151	100	153	108	93	77	122	177	155
Wholesale, Retail & Personal Services	904	796	706	700	657	624	588	532	561	513	666
Total	10,355	9,832	9,676	8,712	8,705	7,887	6,424	6,437	6,847	7,069	8,528

Traineeship data

86. As outlined in Tables 12 and 13 below, traineeship commencements declined every year from 2012 to 2019, falling from 26,175 to 10,953. However, this trend reversed in 2020, with the State recording an increase in commencements for the first time in eight years. There was a particularly marked increase in the number of trainee commencements amongst those aged under 21 years.
87. In 2020, traineeship commencements increased noticeably in Building and Construction; Community Services, Health and Education; Finance, Property and Business Services; Food; Metals, Manufacturing and Services; and Wholesale, Retail and Personal Services.

³⁷ Department of Training and Workforce Development, 22 March 2021.

Table 12: Traineeships commenced in WA, 2010 to 2020³⁸

Year	Under 21 years	21 years & over	Total	% 21 years & over
2010	13,074	6,112	19,186	31.9%
2011	13,524	6,221	19,745	31.5%
2012	19,419	6,756	26,175	25.8%
2013	17,701	5,064	22,765	22.2%
2014	15,630	5,146	20,776	24.8%
2015	15,124	4,313	19,437	22.2%
2016	10,920	4,165	15,085	27.6%
2017	10,245	4,445	14,690	30.3%
2018	7,186	4,309	11,495	37.5%
2019	6,972	3,981	10,953	36.3%
2020	8,443	4,234	12,677	33.4%

Table 13 – Traineeship commencements by trade category³⁹

Contract type / Trade category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Arts, Sport & Recreation	269	230	355	274	351	252	268	323	302	320	301
Automotive	414	303	317	270	185	143	136	135	122	124	175
Building & Construction	604	544	707	614	613	744	405	559	422	394	576
Community Services, Health & Education	2,277	2,523	2,834	2,608	2,471	1,776	1,337	1,239	1,150	1,464	1,856
Electrical										1	4
Finance, Property & Business Services	3,221	4,354	6,716	4,863	5,110	4,608	3,800	3,291	1,934	2,391	2,691
Food	571	495	578	397	352	295	227	219	223	191	382
Hospitality & Tourism	1,646	1,514	2,652	2,866	2,876	2,836	2,560	2,241	1,971	1,386	1,111
Light Manufacturing	209	110	146	74	71	52	77	41	51	27	33
Metals, Manufacturing & Services	238	297	211	133	319	259	105	128	176	124	319
Mining Industry	1,397	1,470	1,400	1,396	1,382	1,550	1,327	1,885	2,087	1,962	2,091
Primary Industry		4	1			2					3
Process Manufacturing	852	682	780	806	632	500	440	409	471	348	403
Public Administration	1,989	1,689	2,723	3,611	2,204	2,529	958	1,111	344	353	382
Transport & Storage	309	104	359	336	266	218	213	199	153	165	164
Utilities, Electrotechnology & Printing	2,160	2,361	2,865	2,079	1,638	1,480	1,350	1,111	763	505	531
Wholesale, Retail & Personal Services	263	344	853	712	652	536	429	395	172	125	321
Other	2,767	2,721	2,678	1,726	1,654	1,657	1,453	1,404	1,154	1,073	1,334
Total	19,186	19,745	26,175	22,765	20,776	19,437	15,085	14,690	11,495	10,953	12,677

³⁸ Department of Training and Workforce Development, 22 March 2021.

³⁹ Ibid.

Total numbers in training

Apprentices

88. The total number of apprentices in training increased by 15.6 per cent between 2019 and 2020, from 15,688 to 18,134. This is the third year in a row that total apprenticeship numbers have increased in Western Australia, with growth driven by increases in Automotive trades; Building and Construction; Electrical trades; and Metals, Manufacturing and Services.

Trainees

89. The total number of trainees in training also rose considerably between 2019 and 2020, from 11,573 to 14,007. Notable increases were recorded in Building and Construction; Community Services, Health and Education; Finance, Property & Business Services; and Wholesale, Retail & Personal Services.

Apprentices and trainees

90. Across Western Australia, the total number of people in training (apprentices and trainees) rose by 17.9 per cent between 2019 and 2020, from 27,261 to 32,141.

Table 14 - Apprentices and trainees in training by trade category⁴⁰

Contract type / Trade category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Apprenticeships	18,698	18,558	19,070	18,272	17,862	17,320	15,697	15,079	15,217	15,688	18,134
Arts, Sport & Recreation	9	9	12	5	1	6	6	8	6	6	4
Automotive	3,057	3,162	3,471	3,317	3,044	2,665	2,462	2,702	3,173	3,751	4,515
Building & Construction	4,253	3,834	3,511	3,465	4,018	4,379	3,797	3,299	2,883	2,615	2,951
Community Services, Health & Education	57	49	40	30	25	21	21	22	27	28	37
Electrical	3,580	3,822	4,074	4,121	4,113	4,089	3,649	3,453	3,283	3,233	3,627
Food	585	536	548	427	371	358	389	391	367	298	350
Hospitality & Tourism	679	671	673	665	614	600	666	619	608	561	602
Light Manufacturing	780	691	621	562	572	587	533	487	457	401	497
Metals, Manufacturing & Services	4,219	4,336	4,655	4,192	3,657	3,168	2,785	2,855	3,165	3,436	3,951
Primary Industry	176	155	203	218	207	176	164	151	140	130	174
Process Manufacturing	19	19	4	2			16	22	33	67	73
Utilities, Electrotechnology & Printing	47	91	212	273	307	294	258	181	199	305	361
Wholesale, Retail & Personal Services	1,237	1,183	1,046	995	933	977	951	889	876	857	992
Traineeships	18,663	19,193	23,600	23,044	22,494	21,978	19,044	17,006	13,567	11,573	14,007
Arts, Sport & Recreation	242	214	197	168	143	90	87	111	93	86	66
Automotive	327	248	219	232	219	193	107	126	102	120	180
Building & Construction	497	558	629	562	692	855	657	631	500	462	683
Community Services, Health & Education	2,220	2,289	2,548	2,587	2,494	2,307	1,761	1,500	1,308	1,516	2,214
Electrical										1	4
Finance, Property & Business Services	2,410	3,345	5,669	5,022	5,280	5,350	4,699	4,291	2,506	2,119	2,778
Food	571	495	570	476	355	329	288	217	227	206	410
Hospitality & Tourism	1,386	1,281	2,177	2,739	2,490	2,571	2,704	2,336	2,147	1,476	1,233
Light Manufacturing	300	197	132	87	54	54	71	56	59	41	38
Metals, Manufacturing & Services	264	322	223	108	278	301	183	134	191	156	332
Mining Industry	1,629	1,840	1,477	1,224	1,486	1,638	1,604	2,036	2,329	2,298	2,357
Other		4	4	2		2					3
Primary Industry	652	506	569	566	434	395	349	327	395	335	410
Process Manufacturing	2,337	2,298	2,857	3,913	3,834	3,378	2,245	1,439	918	558	649
Public Administration	529	290	405	334	319	195	215	165	113	133	140
Transport & Storage	2,722	2,902	3,258	2,916	2,370	2,228	2,260	2,007	1,387	883	819
Utilities, Electrotechnology & Printing	351	442	797	741	591	490	448	415	190	149	329
Wholesale, Retail & Personal Services	2,226	1,962	1,869	1,367	1,455	1,602	1,366	1,215	1,102	1,034	1,362
Total	37,361	37,751	42,670	41,316	40,356	39,298	34,741	32,085	28,784	27,261	32,141

⁴⁰ Department of Training and Workforce Development, 22 March 2021.

Other State Wage Case matters

Two-year apprenticeships

91. The Minister submits that a further issue that warrants addressing in this year's State Wage Case concerns minimum pay rates for award free apprentices. There is presently a gap in the State Wage Order, whereby award free apprentices undertaking a two-year apprenticeship do not have a relevant minimum wage.
92. Information supplied by DTWD indicates there are currently two apprenticeships in Western Australia that can be undertaken on a two-year basis - both of them in the building trades industry. All other apprenticeships are between three and four years in duration.
93. In 2006, the Building Trades (Construction) Award was amended to include minimum rates of pay for apprentices undertaking a two-year apprenticeship. However, apprentices in Concreting fall outside the scope of the award, as there is no recognised trade of Concreting provided for in the award. The absence of a minimum wage for award free apprentices undertaking a two-year apprenticeship has been brought to light by affected employers who have contacted Wageline for information on their minimum wage obligations.
94. Pursuant to s 50B(3) of the IR Act the WAIRC must ensure that at any particular time there is an applicable minimum weekly rate of pay in place for each class of apprentice. The Minister therefore recommends 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 proceedings.
95. For a number of years the WAIRC has linked the minimum weekly rate of pay for award free apprentices undertaking an apprenticeship of three to four years' duration to the rates contained in the Metal Trades (General) Award. For consistency with the existing State Wage Order, it is recommended this award also be used to establish minimum pay rates for award free apprentices undertaking a two-year apprenticeship, with the applicable minimum wages equal to the second and third year rates for a four-year apprenticeship.

96. Based on the existing minimum wages in the Metal Trades (General) Award, award free apprentices would therefore be entitled to the following rates:

	<i>Total rate per week</i>
<i>Four year term</i>	
First year	\$363.60
Second year	\$476.20
Third year	\$649.40
Fourth year	\$761.90
<i>Three and a Half Year Term</i>	
First six months	\$363.60
Next year	\$476.20
Next year	\$649.40
Final year	\$761.90
<i>Three year term</i>	
First year	\$476.20
Second year	\$649.40
Third year	\$761.90
<i>Two year term</i>	
First year	\$476.20
Second year	\$649.40

Note: Adult apprentices aged 21 and above receive the minimum adult apprentice wage (currently \$649.40 per week) or the prescribed apprenticeship rate, whichever is the higher, for ordinary hours of work.

Conclusion

97. The Minister believes Western Australian workers should enjoy a modern framework of wages and working conditions that protects and advances their interests, affording them dignity and security in employment.
98. The Western Australian economy was significantly impacted by the onset of the COVID-19 pandemic in 2020, and the introduction of social distancing and other restrictions required to suppress community transmission of the virus saw a significant contraction in the State's domestic economy at the time.
99. Western Australia has navigated the unprecedented events surrounding COVID-19 effectively, enabling the State's economy and labour market to recover faster than initially predicted. All of the jobs that were lost between February and May 2020 have now been recovered, and almost all indices are now above pre-pandemic levels.
100. It is acknowledged that some sectors continue to be adversely affected by measures introduced to contain the spread of COVID-19, and it is appropriate the WAIRC's deliberations are made having regard to the varying conditions experienced by employers throughout the economy.
101. The Minister submits that a \$19.20 per week increase would be an appropriate quantum that balances the competing priorities the WAIRC is required to have regard to in this year's State Wage Case proceedings.