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# **Submission of UnionsWA on the 2021 state wage order**

## **Appl No. 1 of 2021 ON THE COMMISSION'S OWN MOTION**

### **Western Australian Industrial Relations Commission**

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## 1. Introduction

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- 1.1. UnionsWA is the governing peak body of the trade union movement in Western Australia, and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). It represents 30 affiliated unions, who in turn represent approximately 150,000 Western Australian workers.
- 1.2. Section 50A(3) of the *Industrial Relations Act 1979 (WA) (IR Act)* states that in making an annual State Wage order the Western Australian Industrial Relations Commission (Commission) shall take into consideration, amongst other things,
- (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;*
  - (b) *the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;*
  - (c) *to the extent that it is relevant, the state of the national economy;*
  - (d) *to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;*
  - (e) *for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;*
  - (f) *relevant decisions of other industrial courts and tribunals; and*
  - (g) *any other matters the Commission considers relevant.*

## 2. UnionsWA position on increasing Award and Minimum Wages

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- 2.1. UnionsWA contends that the Commission should make a substantial real wage increase for award-reliant workers. This is essential to address the ever-widening gap between low paid workers and the rest of the workforce in WA. Therefore, UnionsWA's claim is for an increase of **4% or \$30.40 per week**, whichever is greater. This would bring the State Minimum Wage to **\$790.40 per week**, or **\$20.80 per hour**. See the table for how a 4% state wage increase would impact award rates, based on the *Metal Trades General Award*.

	Current		If 4% increase applied			
Classification	Weekly	Hourly	Weekly	Hourly	\$ Weekly change	\$ Hourly Change
C14	\$760.00	\$20.00	\$790.40	\$20.80	\$30.40	\$0.80
C13	\$778.40	\$20.48	\$809.54	\$21.30	\$31.14	\$0.82
C12	\$803.20	\$21.14	\$835.33	\$21.98	\$32.13	\$0.85
C11	\$826.30	\$21.74	\$859.35	\$22.61	\$33.05	\$0.87
C10	\$865.80	\$22.78	\$900.43	\$23.70	\$34.63	\$0.91
C9	\$889.40	\$23.41	\$924.98	\$24.34	\$35.58	\$0.94
C8	\$912.80	\$24.02	\$949.31	\$24.98	\$36.51	\$0.96
C7	\$934.30	\$24.59	\$971.67	\$25.57	\$37.37	\$0.98
C6	\$981.30	\$25.82	\$1,020.55	\$26.86	\$39.25	\$1.03
C5	\$1,004.90	\$26.44	\$1,045.10	\$27.50	\$40.20	\$1.06

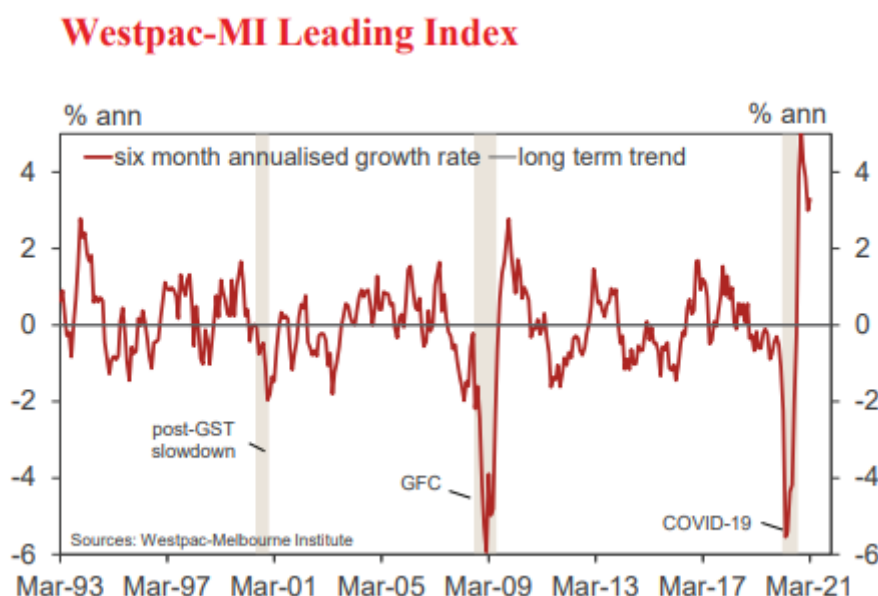
- 2.2. The increase to minimum and award wage should apply from the end of June 2021 onwards. The decision to delay the 2020 increase until the first pay period after 1 January 2021 should not be repeated. The full increase within the Act should be applied to apprentices and juniors.

### 3. The State of the Economy of Western Australia, and Australia

- 3.1. UnionsWA contends that, in a situation in which the WA and Australian economies are recovering from COVID-19, the circumstances requiring a substantial increase in minimum wages continue to apply.

- 3.2. The most recent Westpac Melbourne Institute Leading Index for April 2021 found that<sup>1</sup>

*The growth rate of the Leading Index continues to point to above trend growth in 2021. Westpac is forecasting growth of 4.5% in 2021 largely driven by the consumer who is expected to contribute three of those percentage points.*



<sup>1</sup> Westpac Melbourne Institute Leading Index (21 April 2021)

<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/economics-research/er20210421BullLeadingIndex.pdf>

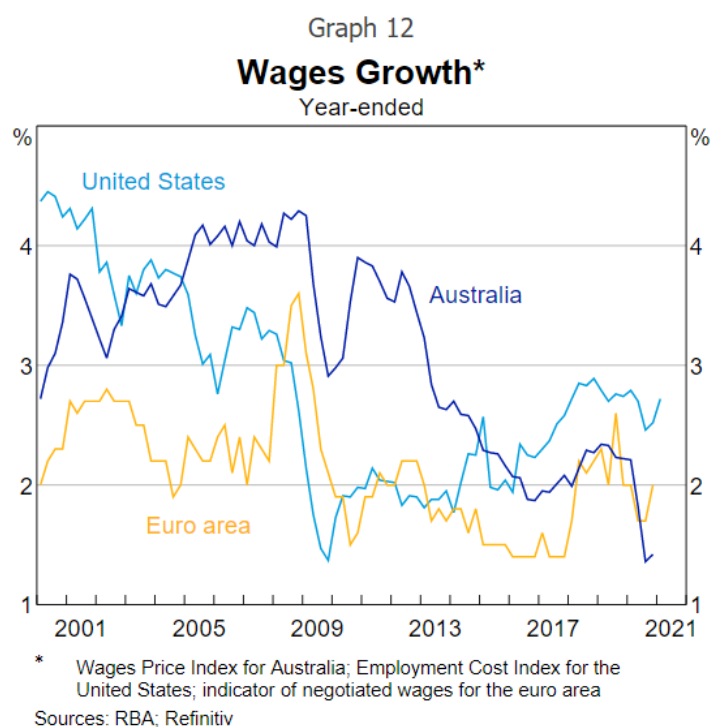
- 3.3. In its most recent Statement on Monetary Policy (May 2021) the Reserve Bank of Australia (RBA) noted that ‘an important source of uncertainty around the outlook for consumption’ was how far households might spend on consumption.<sup>2</sup>

*Conditions supporting a faster pick-up in consumption would also support stronger private investment. In this upside scenario, the unemployment rate declines and wages growth rises at a faster pace than in the baseline scenario. Inflation picks up to around 2¼ per cent by the middle of 2023 and remains on an upward trajectory at that point.*

- 3.4. However, in a ‘downside scenario’, subdued consumption and private investment would result in the unemployment rate remaining a little above pre-pandemic level. Thus, the RBA identifies the importance of stronger wage growth, and the negative impact of policies to restraint that growth in both the private and public sectors

*Wages growth picked up a little in the December quarter, boosted by the reversal of some temporary wage cuts in the private sector, which had been implemented in 2020 in response to the economic downturn. Wages growth has also been supported a little by the implementation of award wage increases previously delayed in response to the pandemic. Abstracting from these factors, wage pressures have been subdued across both the private and public sectors<sup>3</sup>*

- 3.5. The problems with wage growth can be seen the data showing that, while the Australian economy has experienced better employment outcomes than most other countries, wages growth in Australia has been noticeably weaker than in many comparable economies<sup>4</sup>



- 3.6. The RBA points out that growth in the Wage Price Index increased to 0.6 per cent in the December quarter, but year ended growth remained subdued at 1.4 per cent.<sup>5</sup>

<sup>2</sup> RBA, *Statement on Monetary Policy* (May 2021) p.2

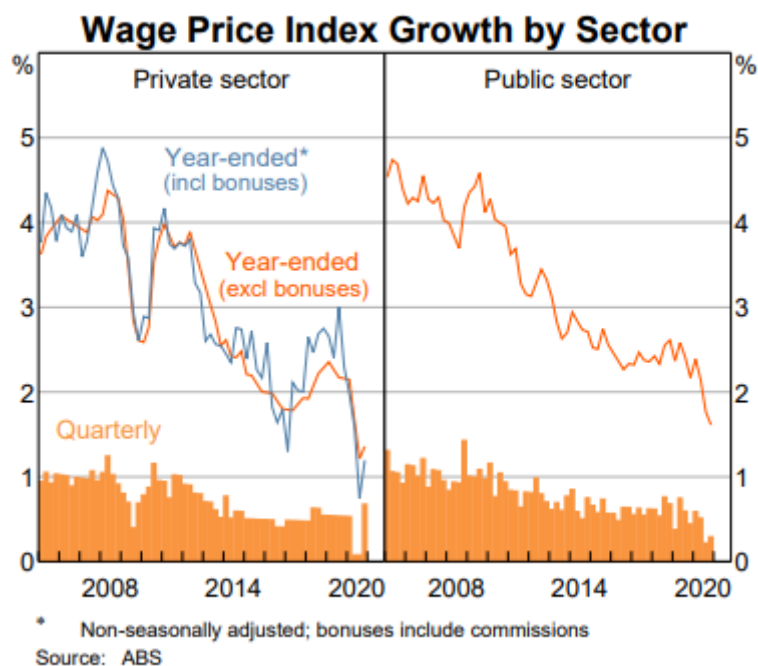
<https://www.rba.gov.au/publications/smp/2021/may/pdf/statement-on-monetary-policy-2021-05.pdf>

<sup>3</sup> *ibid.*, p.63.

<sup>4</sup> Guy Debelle ‘Monetary Policy During COVID’ (6 May 2021) <https://www.rba.gov.au/speeches/2021/sp-dg-2021-05-06.html>

<sup>5</sup> *Ibid.*, p.69.

## Graph 4.15



3.7. This data reflects the impact of wage freezes across the public and private sectors. The heightened level of private sector wage freezes can be seen in the RBA's Firm Liaison data.

## Graph 4.16



3.8. However, there is a sharp contrast between the incidence of wage freezes, and the expectations among firms for wage growth, which are getting stronger.

## Graph 4.17



3.9. Therefore, the RBA is expecting growth in the Wage Price Index (WPI) to pick up to a little under 2 per cent over 2021, before gradually increasing to around 2.25 per cent by mid-2023.

## Graph 5.6

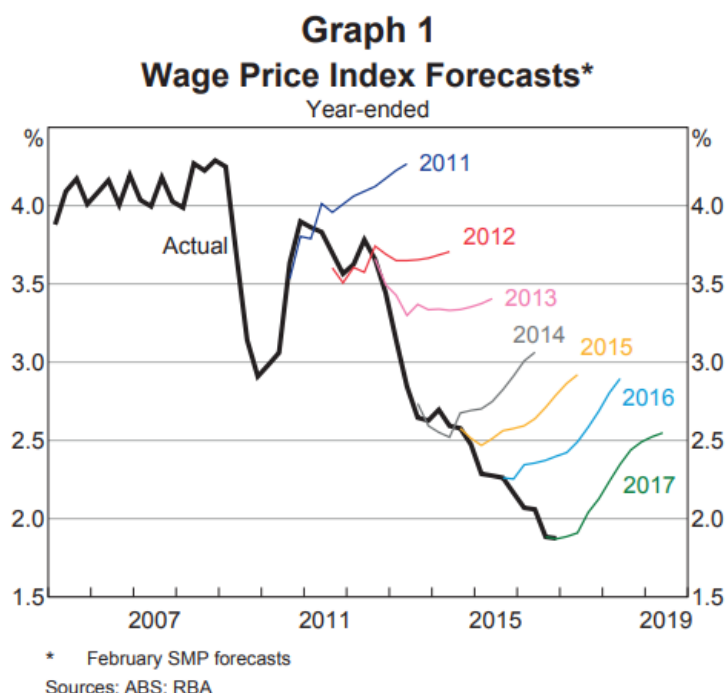


3.10. However, the RBA notes that<sup>6</sup>

*The upward revisions to the outlook for wages are predominantly for private sector wages; the outlook for public sector wages is little changed.*

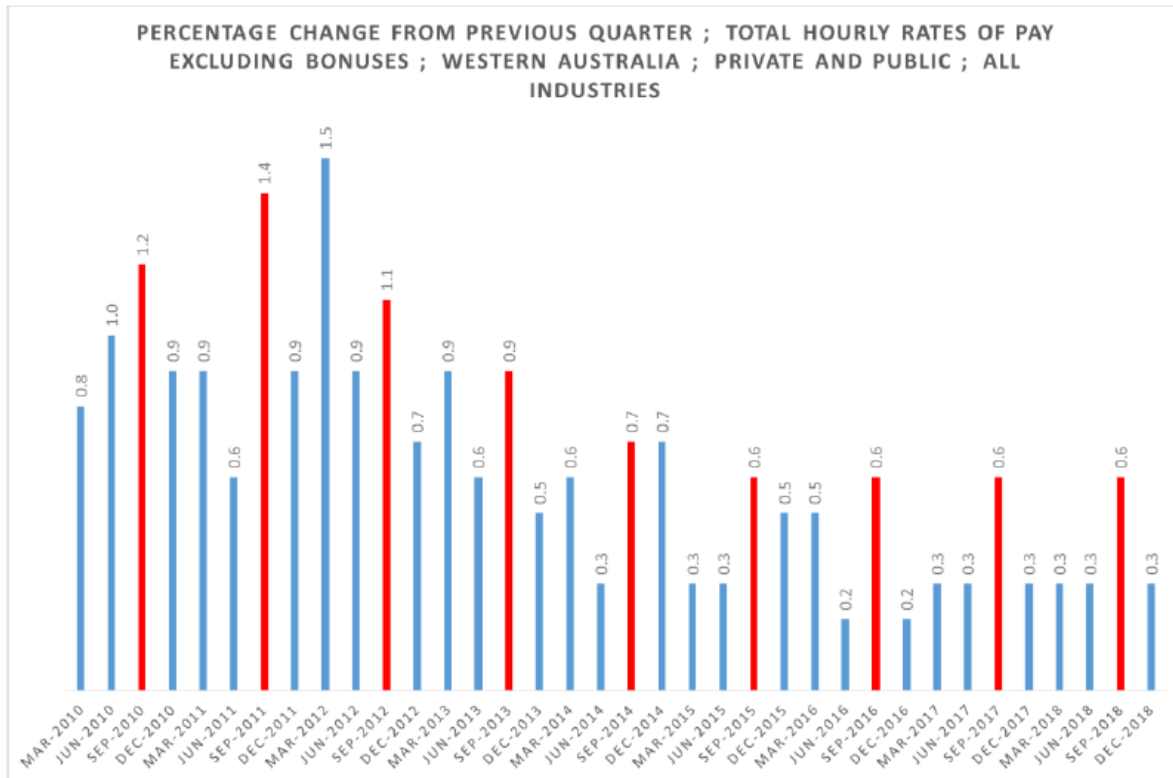
<sup>6</sup> *ibid.*, p.77.

3.11. UnionsWA notes that the RBA's wage growth forecasts have been consistently over optimistic for many years now, as was noted by the Bank's own research in 2017.<sup>7</sup>



- 3.12. UnionsWA contends that the RBA, and other forecasters, have consistently been getting wage growth forecast wrong because, while they acknowledge the role of award wage increases, they do not appreciate their importance. The impact of award increases has been 'small' (in the Bank's words) because the increases themselves have been small, and in the case of 2020 – delayed.
- 3.13. In previous submissions, UnionsWA has contended that there is a strong seasonal pattern in the WPI arising from the concentration of wage increases around 1 July (the beginning of the financial year). The original WPI series regularly shows a large jump in the September quarter (the first after July 1), which can be seen in this Chart prepared for the 2019 State Wage Case.

<sup>7</sup> James Bishop and Natasha Cassidy, Insights into Low Wage Growth in Australia, RBA Bulletin (March 2017) <https://www.rba.gov.au/publications/bulletin/2017/mar/pdf/bu-0317-2-insights-into-low-wage-growth-in-australia.pdf>



3.14. In the next section, UnionsWA will argue that binding, institutional increases to wages, such as those brought by the minimum wage, are needed to bring about the increases in consumption to support the RBA's 'upside' scenario.

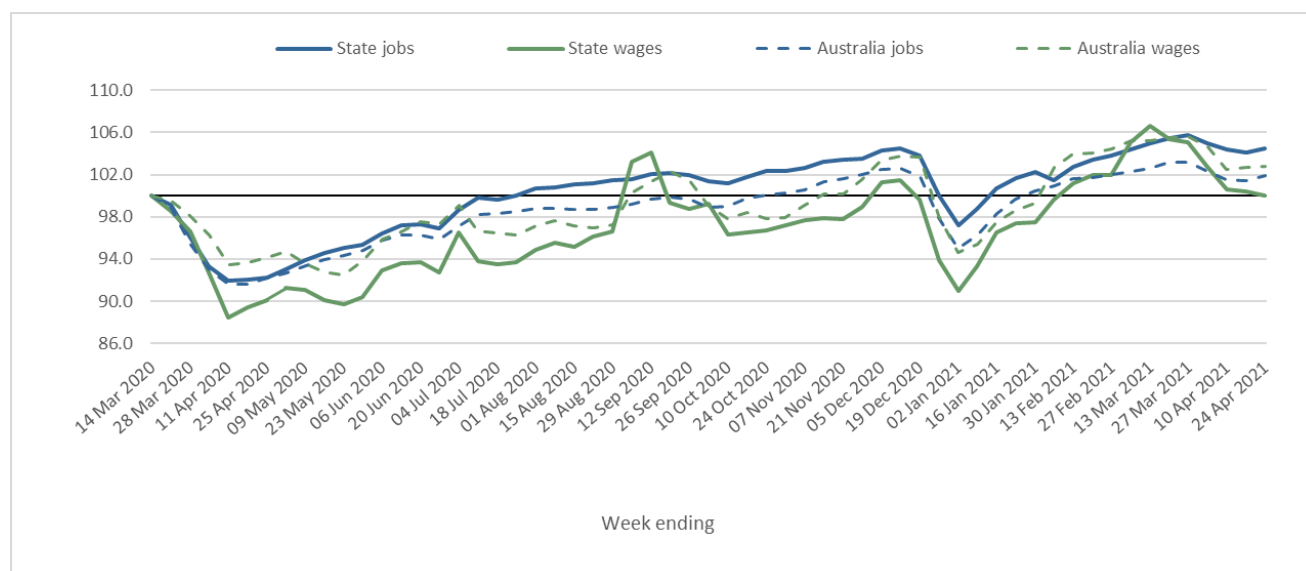
#### 4. The Needs of the Low Paid, Fair wage standards & Improved living standards for employees

- 4.1. There is no dispute that Australia's economy is currently expanding. The ABS release for Weekly Payroll Jobs and Wages in Australia (between weeks ending 10 March and 24 April 2021) found that payroll jobs were above pre-pandemic levels in every state and territory. The largest increases in payroll jobs from pre-pandemic levels were in the Northern Territory, WA, and South Australia (up 5.4 per cent, 4.5 per cent and 3.6 per cent).
- 4.2. However total wages in WA over the same period only increased 0.1 per cent, as opposed to 2.8 per cent nationally. For the shorter time frame 10 April 2021 to 24 April 2021 total wages in WA went backwards by -0.6 per cent compared to national wages increasing 0.3 per cent over the same period.<sup>8</sup>
- 4.3. Since this series was initiated by the ABS near the beginning of the pandemic, the indexed numbers of payroll jobs and total wages have diverged far more in WA than they have for Australia as a whole. The chart below demonstrates that, aside from brief periods in September 2020 and March 2021, the consistent pattern is for total wage outcomes to be worse in WA, even while the job outcomes are better than Australia as a whole.

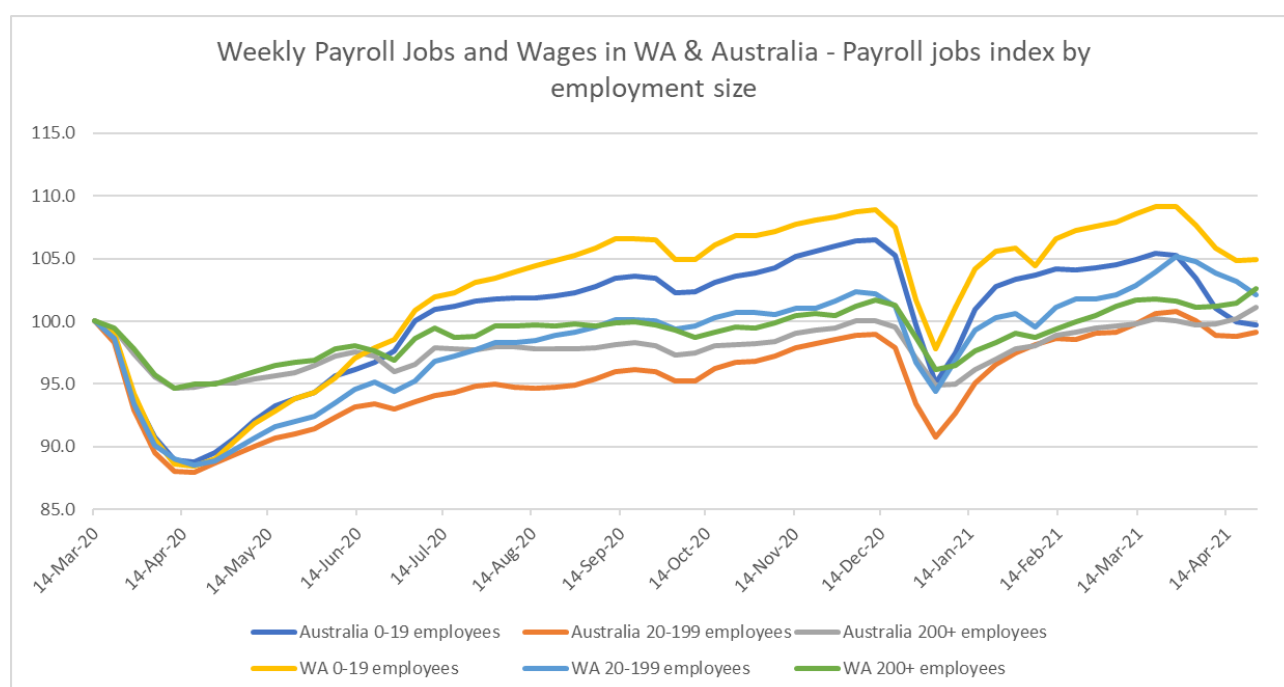
<sup>8</sup> Australian Bureau of Statistics, Weekly Payroll Jobs and Wages in Australia <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/week-ending-24-april-2021#state-and-territory> 'Payroll jobs' are those jobs reported to the Australian Taxation Office (ATO) through Single Touch Payroll (STP) enabled payroll and accounting software. 'Wages' are STP reported wages associated with each payroll job and are gross amounts, prior to taxation and deductions.



## Indexed number of payroll jobs and total wages WA (State) and Australia<sup>9</sup>



- 4.4. That job outcomes are better even for smaller employers in WA can be seen from the following chart, where the job index outcomes for WA's smallest employers (0-19 employees), medium sized employers (20-199 employees), and larger employers (200+ employees) have been consistently stronger than their national equivalents.<sup>10</sup>



- 4.5. Neoliberal economic theory would predict that wages would be increasing in WA under these conditions, because employers would increasingly be 'price takers', as in they would have to accept prevailing prices in a market (in this case, the prices of labour) from workers (as the sellers of labour). This should especially be the case in a 'closed border' situation in which WA workers are not facing as strong a competition from workers travelling to this state from elsewhere in Australia or internationally.

<sup>9</sup> *ibid.*, Table 2: State and territory spotlight, <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/week-ending-24-april-2021#data-download>

<sup>10</sup> *ibid.*, Table 7: Employer characteristics - Payroll jobs index <https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/week-ending-24-april-2021#data-download>

- 4.6. However, the previous data shown on low total wage outcomes shows this is not the case in real world labour markets. Rather they demonstrate that WA employers, even smaller ones, are still ‘price makers’, as in they have enjoy pricing power over sellers (in this case, low wage workers). It is precisely this real-world situation that the minimum wage is intended to address through regular and substantial increases.
- 4.7. UnionsWA has argued in previous minimum wage submissions that the WA labour market (and others in Australia) is more accurately described as a monopsony. This is particularly the case at the low income, minimum wage end of the market.
- 4.8. In his article ‘The Rigged Labor Market’ (to which UnionsWA has previously referred) US Professor of economics at Princeton the late Alan Krueger, described the ‘idealized version of a perfectly competitive labor market’ in which.<sup>11</sup>
- ... many employers freely compete to hire workers from a large pool. Thus, neither employers nor workers have “market power,” meaning the ability to dictate terms of employment that differ meaningfully from the terms offered (or received) by others to workers with comparable skills. In this world, employees can freely (and costlessly) change jobs when better opportunities arise. For their part, employers are able to seamlessly fill job vacancies by simply offering the going wage rate. This wage is determined by the market — by the intersection of the supply and demand curve for labor; nobody has discretion to set pay.*
- 4.9. Krueger argues that this vision hardly ever corresponds to the reality in which labour markets are monopsonistic.
- In a monopsony, one or a few firms will dominate the markets for goods and services, and for labour. This makes those firm price setters for employment, leaving very little market bargaining power for potential employees. Where an employer might bargain with such a potential employee (worker), the employer faces the prospective of not filling a vacancy, and the worker face the prospect of continuing unemployment. However, this situation is not a matter of equal costs versus benefits. Because the consequences of a disagreement over wages are worse for the worker than the employer, especially if the worker has a limited ability to travel to find alternative work.*
- 4.10. Benmelech et.al., in a 2018 article on how employer concentration impacts employees with little bargaining power, examine the concentration within the market for labour: that is, the ability of monopsonist employers to exploit their market power to reduce wages. They find that
- Employers operating in areas with more concentrated labor markets thus appear able to exploit monopsony power in order to reduce employee wages.*
- 4.11. High levels of employer concentration, they also find, will
- ... impede the translation of productivity growth to wage increases, as employers use their monopsony power to prevent wage increases. In contrast, when labour markets are more competitive, productivity increases should give rise to wage growth as employers compete for workers. Put another way, productivity growth should translate into a rise in wages when employee bargaining power is sufficiently high.*
- 4.12. Given that workers who are award-reliant in Australia will lack bargaining power, they will always be behind when it comes to translating productivity growth into wage rises.
- 4.13. This is a reason why minimum wage increases are the causes of reductions in employment:

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<sup>11</sup> Alan B. Krueger, ‘The Rigged Labor Market’, *Milken Institute Review* (28 April 2017)  
<http://www.milkenreview.org/articles/the-rigged-labor-market>

... consistent with nonperfectly competitive labor markets. Other studies show that the propensity of workers to leave their jobs after wage declines is smaller than would be expected in competitive markets, suggestive of employers' wage-setting ability<sup>12</sup>

- 4.14. In a 2018 collection of essays entitled *The Wages Crisis in Australia*, Tim Lyons points out the most recent economic scholarship 'has developed a better model of the labour market that is consistent with what we observe in the real world'.<sup>13</sup>

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

- 4.15. Dynamic monopsony shows how a minimum wage can increase both earnings and employment. Arindrajit Dube, a leading scholar in the field explained the benefits this way:<sup>14</sup>

*[B]y reducing frictional wage inequality, an increased minimum wage reduces job-to-job transitions. Put simply, if McDonald's pays a better wage, fewer of its workers will leave to take better paying jobs — say at the higher wage chain In-and-Out Burgers. A higher statutory minimum reduces vacancies at McDonald's, and makes it more likely that the vacancy at the In-and-Out Burgers is filled from the ranks of the unemployed.*

- 4.16. The ABS data on Weekly Payroll jobs shows that WA has a labour market in which employers have market power, therefore workers are being paid less than the full value of their output given that employment is rising but wages are not. Alan Manning's 2005 study *Monopsony in Motion : Imperfect Competition in Labor Markets* concluded that a binding minimum wage will make workers better off without any consequent impact on unemployment.<sup>15</sup>

## 5. The needs of the low paid and the effect of the delay in implementation

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- 5.1. In last year's decision para 212, the Commission concluded 'that it is appropriate to delay the increases until the first pay period after 1 January 2021'.
- 5.2. The result of this decision was that for low wage state award reliant workers there was no increase for six months. The living standards of these workers fell during this period; thus the decision did not adhere to 50A(3)(a)(iv) 'contribute to improved living standards for employees'. Because Inflation still increased over the period of the delay, while wages were stagnant, for minimum and award reliant workers real wages were falling over this period.
- 5.3. The Perth headline Consumer Price Index (CPI) increased 1.8 per cent between June and September 2020. Childcare was a significant rise (contributing 0.78 percentage points to the headline CPI quarterly movement), following the end of free child care on 13 July. Other significant increases included non-discretionary items such as Automotive fuel (increased by

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<sup>12</sup> Efraim Benmelech, Nittai Bergman, Hyunseob Kim, 'Strong Employers and Weak Employees: How Does Employer Concentration Affect Wages?' *NBER Working Paper* No. 24307 (February 2018), pp.2-6 <http://www.nber.org/papers/w24307>

<sup>13</sup> Tim Lyons, 'Minimum Wages', in Andrew Stewart, Jim Stanford and Tess Hardy (eds) *The Wages Crisis in Australia*, University of Adelaide Press (2018) (p.79) <https://www.adelaide.edu.au/press/titles/wages-crisis/wages-crisis-ebook.pdf>

<sup>14</sup> Statement by Arindrajit Dube, Ph.D. Assistant Professor of Economics University of Massachusetts before the U.S. Senate Committee on Health, Education, Labor & Pensions Hearing on 'Keeping up with a Changing Economy: Indexing the Minimum Wage,' (14 March, 2013) p.16 <https://www.help.senate.gov/imo/media/doc/Dube.pdf>

<sup>15</sup> Alan Manning, *Monopsony in Motion : Imperfect Competition in Labor Markets*, Princeton University Press, 2005 (p.326 fn. 1)

9.7%), and discretionary items such as Furnishings, household equipment and services (increased by 9.3%).<sup>16</sup>

- 5.4. During this period, the state government's \$600 electricity credit did alleviate some of the impacts of having no pay increase. However, this was explicitly a one-off benefit, funded from the Bell Group settlement and will not be repeated.<sup>17</sup>
- 5.5. UnionsWA contends that the needs of the paid were not being met by the Commission's minimum wage decision. There should be no delayed pay increases for the 2021 minimum wage decision.

## **6. The needs of the low paid and Discretionary versus non-Discretionary CPI**

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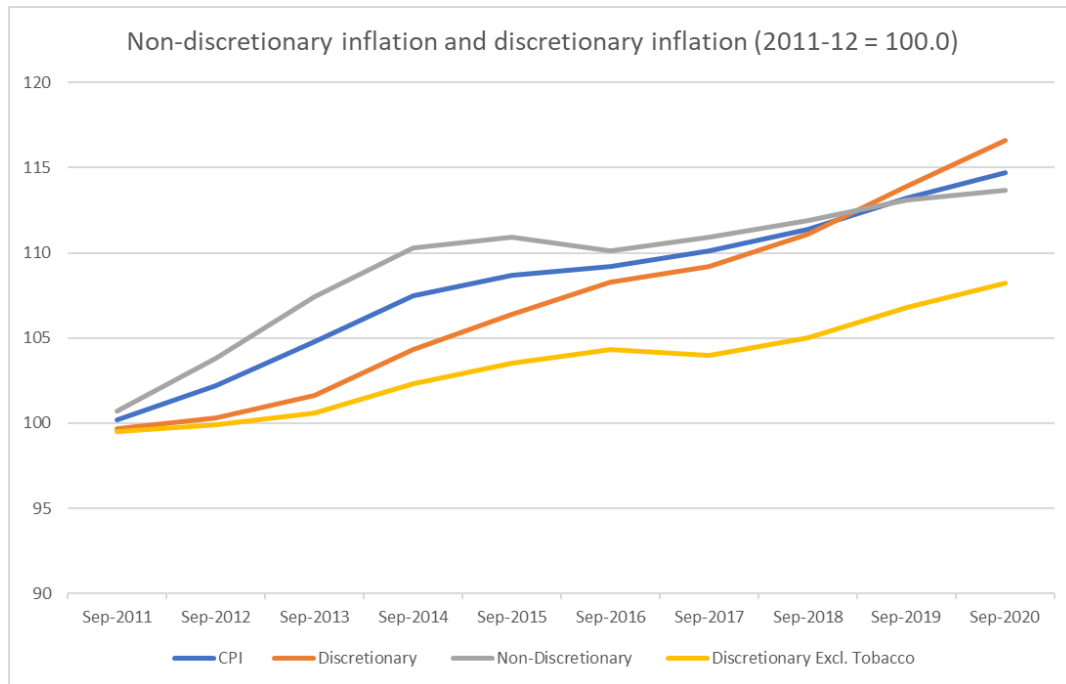
- 6.1. In November 2020, the ABS released an experimental analysis of CPI measures of Non-Discretionary and Discretionary inflation. They were attempting to determine whether prices are increasing at the same rate for goods and services that could be considered essential (non-discretionary), compared to goods and services that are more discretionary in nature.<sup>18</sup>
- 6.2. This was done by separating out CPI Expenditure classes into Discretionary versus Non-Discretionary items. A full listing of these items will be provided as an appendix for this submission.
- 6.3. The Analysis found that nationally:  
*... prices of non-discretionary goods and services increased slightly faster than for discretionary goods and services. Over the period 2012 to 2019, cumulative non-discretionary inflation was 14.8 per cent, whereas discretionary inflation was 12.9 per cent. Excluding the impact of tobacco (which more than doubled in price over the period) resulted in lower discretionary inflation of 6.4 per cent.*
- 6.4. UnionsWA has obtained further experimental measures from the ABS for the Perth CPI for the same period. The results are similar:

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<sup>16</sup> Australian Bureau of Statistics, *Consumer Price Index, Australia, September 2020*  
<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-2020#key-statistics>

<sup>17</sup> 'Every WA household to receive a \$600 electricity bill credit' (Sunday, 4 October 2020)  
<https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/10/Every-WA-household-to-receive-a-600-dollar-electricity-bill-credit.aspx>

<sup>18</sup> Australian Bureau of Statistics *Non-Discretionary and Discretionary Inflation*  
<https://www.abs.gov.au/statistics/research/non-discretionary-and-discretionary-inflation#appendix>



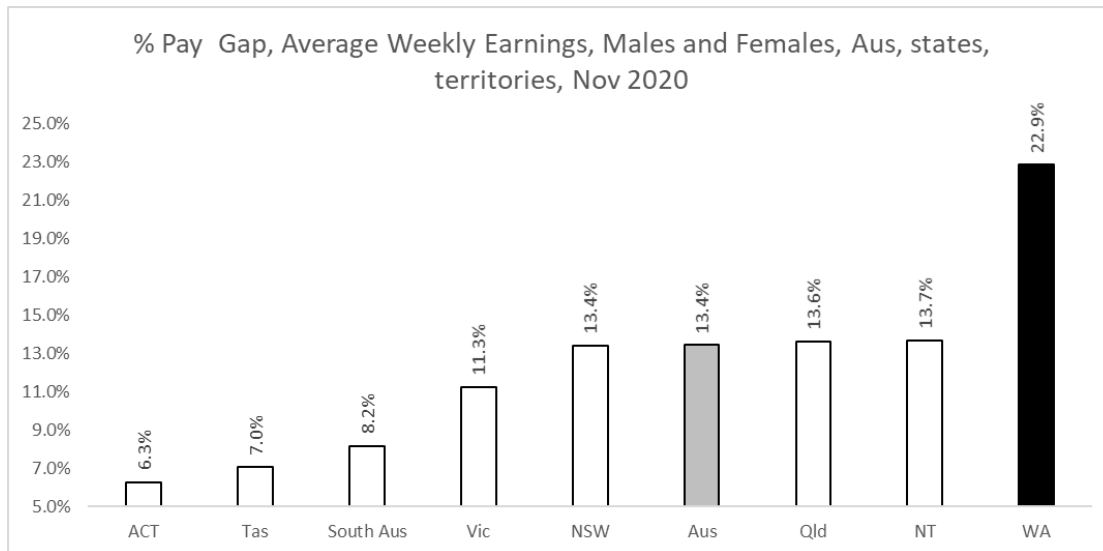
- 6.5. For Perth, cumulative non-discretionary inflation was 12.9 per cent, whereas discretionary inflation was 17 per cent. However, excluding the impact of tobacco (which more than doubled in price over the period) resulted in lower discretionary inflation of 8.7 per cent. Excluding tobacco is an important consideration because tobacco consumption has been declining across Australia. In WA it declined from 14.3% in 2011-12 to 11.8% in 2017-18.<sup>19</sup>
- 6.6. The divergence between Discretionary and Non Discretionary CPI inflation should be noted when considering the cost of living and the needs of the low paid in WA, as increases in Non Discretionary costs will be more impactful for low wage workers. It should be noted that the September CPI increases for all these measures occurred when there had not yet been any increases to state or national minimum wages.

## 7. Providing Equal Remuneration for Men and Women for Work of Equal or Comparable Value

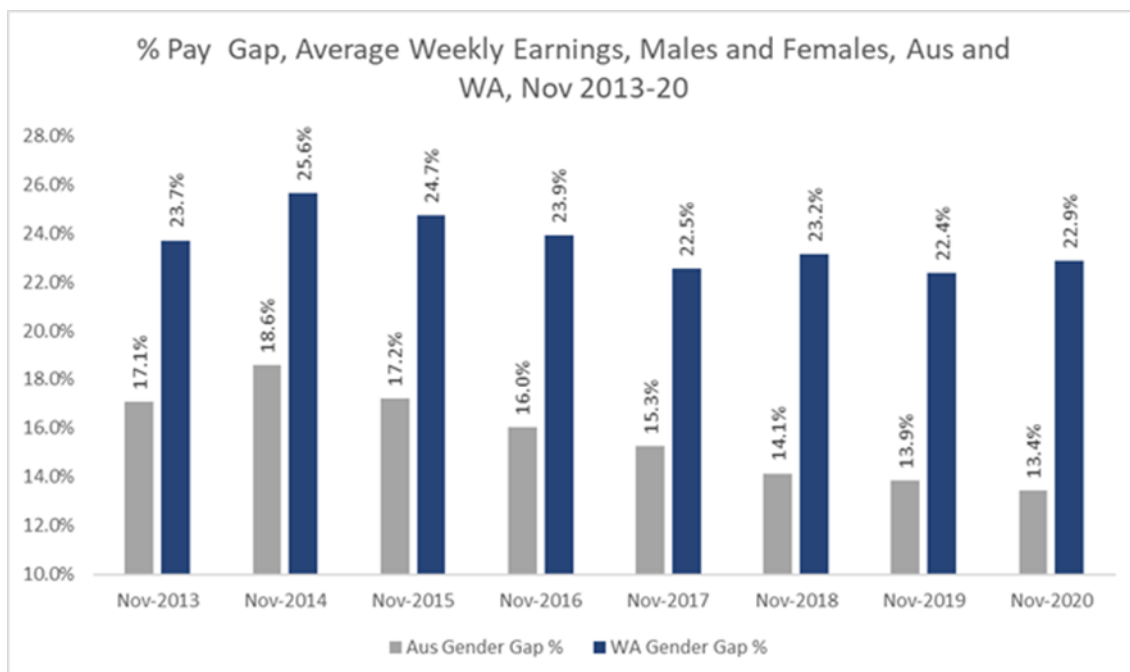
- 7.1. WA continues to have the largest gender pay gap in Australia.<sup>20</sup>

<sup>19</sup> Australian Bureau of Statistics, *Smoking*, 2017-18 financial year  
<https://www.abs.gov.au/statistics/health/health-conditions-and-risks/smoking/latest-release#state-and-territory-findings>

<sup>20</sup> Australian Bureau of Statistics, *6302.0 - Average Weekly Earnings, Australia, Nov 2020*  
<https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/average-weekly-earnings-australia/nov-2020>



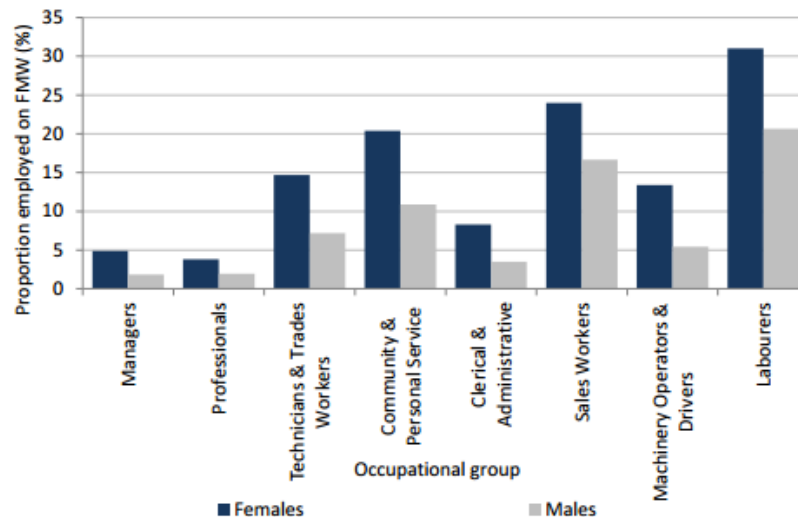
- 7.2. Over the past three years, the national gender pay gap has improved slightly each year: contracting from 14.1 per cent in 2018 to 13.4 per cent in 2020. Unfortunately, there has been no similar improvement in WA. In 2020 the gap was slightly lower than in 2018, however between 2019 and 2020 it got slightly larger – going from 22.4 per cent to 22.9 per cent. UnionsWA also observes that in November 2020 the low paid in WA would not have received a minimum wage increase from either the state or national minimum wages cases.



- 7.3. UnionsWA once again cites the paper *'Reflections on the evolution of the minimum wage in Australia'*, submitted to the Productivity Commission (PC) in its Inquiry into the Workplace Relations Framework released in December 2015. The author Rob Bray points out that while employed women across all occupations were 1.7 times more likely to be minimum wage employees than men, this rose to 2.7 times for those employed as a manager. Women employed as machinery operators and drivers were 2.5 times more likely than males in this grouping to be paid the minimum wage, with a similar rate, 2.4 times, for clerical and administrative staff. The lowest ratio was in sales workers – where 24.0 per cent of women were working for the minimum wage compared with 16.7 per cent of men – giving a ratio of 1.4.



Figure 6. Broad industry sector, proportion of adult employees on minimum wage by gender, HILDA 2011



Source: HILDA – derived from Wave 11 „In Confidence“ release

- 7.4. Male minimum wage employees were more likely to be employed in agriculture (5.3 per cent of male minimum wage workers compared with 2.4 per cent of women), manufacturing (11.6 per cent compared to 3.2 per cent), construction (8.2 per cent compared with 0.9 per cent) and transport and storage (5.9 per cent compared to 1.5 per cent). In contrast while 21.5 per cent of women on the minimum wage were employed in health care and social assistance, only 6.2 per cent of male minimum wage workers were. This was also the case in retail trade (17.8 per cent compared with 12.0 per cent), education and training (9.0 per cent compared with 4.6 per cent) and to a much lesser degree accommodation and food services (15.8 per cent compared with 12.8 per cent).<sup>21</sup>
- 7.5. This data supports the contention that vulnerable groups of employees such as female workers are likely over-represented within the private sector of the state industrial relations system. Workers with this profile are less likely to negotiate their own Agreements, and more likely to be award reliant in the state industrial relations system. The minimum wages are important for ensuring those workers get decent pay outcomes.

## 8. Who is likely to be impacted by the state wage case?

- 8.1. To determine which workers are in the state industrial relations system, UnionsWA is utilising the analysis of contained in the Interim Report - Ministerial Review of the State Industrial Relations System. The Interim Report describes the numbers of employees who are covered by the State system as potentially between 21.7 per cent and 36.2 per cent of the employees in the State.<sup>22</sup>
- 8.2. The Interim Report also includes data from the Wageline contact centre in the Private Sector Labour Relations Division (PSD) of the Department of Mines, Industry Regulation and Safety, which receives approximately 20,000 calls per annum. The internal analysis of Wageline data for 2016/17 shows that, of the calls that pertained to the State system:

a) 20 per cent related to award free employees;

<sup>21</sup> Rob Bray, 'Reflections on the evolution of the minimum wage in Australia' (October 2013) pp.27-28 [http://www.pc.gov.au/data/assets/pdf\\_file/0003/187428/sub0032-workplace-relations-attachment.pdf](http://www.pc.gov.au/data/assets/pdf_file/0003/187428/sub0032-workplace-relations-attachment.pdf)

<sup>22</sup> Interim Report - Ministerial Review of the State Industrial Relations System (20 April 2018), pp.60-1, 440, [https://www.commerce.wa.gov.au/sites/default/files/atoms/files/ministerial\\_review\\_of\\_the\\_state\\_industrial\\_relations\\_system\\_interim\\_report.pdf](https://www.commerce.wa.gov.au/sites/default/files/atoms/files/ministerial_review_of_the_state_industrial_relations_system_interim_report.pdf)

- b) 14 per cent concerned the Building Trades (Construction) Award;
- c) 11 per cent concerned the Restaurant, Tearoom and Catering Workers' Award;
- d) 9 per cent concerned the Hairdressers Award; and
- e) 8 per cent concerned the Shop and Warehouse (Wholesale and Retail Establishments) Award.

8.3. In its submission to the National Wage Case, the WA government pointed out that 'over 37 per cent of all Western Australian employees work in the five most award-reliant industries'.<sup>23</sup>

**Table 2: Employment and award reliance by industry - WA and Australia, February 2021**

Industry	WA: Proportion of Workforce <sup>13</sup>	Australia: Proportion of Workforce <sup>13</sup>	Australia: Proportion of employees paid by award <sup>14</sup>
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 <sup>*</sup>
<b>All industries</b>	<b>100.0%</b>	<b>100.0%</b>	<b>22.5%</b>

<sup>\*</sup> N/A: Enterprises primarily engaged in agriculture, forestry and fishing are outside the scope of the ABS *Employee, Earnings and Hours* survey from which this data is drawn.

8.4. The submission also points out that:

*Many award-reliant employees are dependent on increases determined in the AWR to meet changes in their everyday living costs. It is therefore important that such employees are afforded regular and meaningful adjustments to pay to ensure their needs are adequately safeguarded.*

8.5. And notes

*... the high level of award reliance in two of Australia's largest employing industries – Health Care and Social Assistance and Retail Trade, and contends that a fair and sustainable increase in award wages is important if such employees are to maintain a decent standard of living.*

<sup>23</sup> Submission of the Government of Western Australia, Annual Wage Review 2021, p.9  
<https://www.fwc.gov.au/documents/wage-reviews/2020-21/submissions/wagov-sub-awr2021.pdf>



8.6. The 2009 Australia at Work Report by the Workplace Research Centre found that employees who were less likely to have the power to negotiate their pay and conditions were likely to be:

- a) aged less than 24 years;
- b) female; and
- c) in precarious employment arrangements.<sup>24</sup>

8.7. UnionsWA contends that an increase in the state minimum wage in WA of 4 per cent or \$30.40 per week, whichever is greater, is more likely to assist workers and vulnerable groups of employees who are less likely to negotiate decent increases for themselves. An increase will also benefit lower income households in which people are working. The increase will also benefit households with mixture of lower and higher income earners, by providing more independence for the lower earners, and taking financial pressure off higher earners.

## 9. The Capacity of Employers as a Whole to Bear Costs of Increased Wages

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9.1. The situation for businesses covered by the state industrial relations system was challenging in 2020, and UnionsWA certainly does not contend that the problems created by the pandemic have been resolved. Workers and employers have co-operated to ensure that the WA economy is emerging from the COVID-19 in as robust a condition as possible.

9.2. It should be noted that the most recent NAB SME (Small and Medium Enterprises) Business Survey: Quarter 1 2021, found that conditions and confidence were well into positive territory for WA.<sup>25</sup>

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

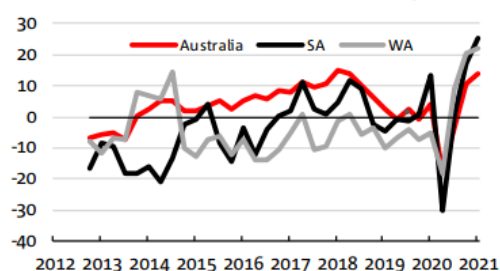
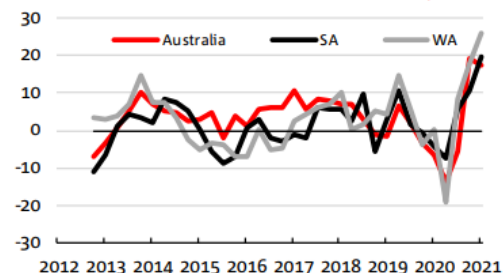


CHART 22: SME BUSINESS CONFIDENCE BY STATE (NET BAL., S.A.)



9.3. The Federal Budget delivered on 6 October 2020 also contained a range of programs to help small business, including:<sup>26</sup>

- Wage subsidies for apprentices and trainees
- JobMaker Hiring Credits to incentivise hiring new employees aged between 16 and 35
- Enabling Small businesses to write-off the full value of assets purchased before June 2022
- Tax and FBT concessions

UnionsWA notes that the next Federal Budget is about to be handed down, which will contain further benefits for small business.

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<sup>24</sup> van Wanrooy, B, Wright, S, Buchanan, J, Baldwin, S, Wilson, S, *Australia at Work in a Changing World*, Workplace Research Centre (2009), pp.69-72, <http://www.australiaatwork.org.au/temp-1913374402.php>

<sup>25</sup> NAB Quarterly SME Business Survey (Q1 2021) <https://business.nab.com.au/nab-sme-business-survey-quarter-1-2021-46048/>

<sup>26</sup> What the 2020-21 Federal Budget means for small business <https://www.smallbusiness.wa.gov.au/blog/what-2020-21-federal-budget-means-small-business>

- 9.4. As UnionsWA noted last year, these measures, while being implemented during an extraordinary situation, are aimed at enabling businesses to return to a 'normal' situation. That situation should include the expected, annual minimum wage increase, at both the state and national levels.

## **10. Encouraging Ongoing Skills Development**

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- 10.1. As noted, the Federal government has also provided support to business to retain their apprentices and trainees. In the October Budget, it announced \$1.2 billion for the Boosting Apprenticeship Commencements Wage Subsidy program, which covers 50 per cent of wages, up to \$7,000 per quarter for 12 months, paid to an eligible apprentice or trainee between 5 October 2020 and 30 September 2021.
- 10.2. It is the practice for increases to the state minimum wage to flow onto apprentice and trainee rates. UnionsWA argues that a substantial wage increase that seeks to address the disparity between minimum rates and weekly earnings will play its part in making apprenticeships more attractive thereby encouraging greater skills development.
- 10.3. UnionsWA has in previous submissions cited a report on apprenticeships prepared by an Expert Panel entitled '*A shared responsibility - Apprenticeships for the 21st Century*'.
- 10.4. Researchers for the Report found a clear link between low wages and apprenticeship commencements – noting that:
- ... nearly half (49 per cent) [of apprentices] said they would not recommend an apprenticeship to friends or relatives because of the low level of pay. Nearly one in ten students reported that their key reason for not planning to pursue an apprenticeship was the inadequate pay.*
- The report's researchers also found that award rates for first year apprentices are often below the Henderson poverty line.
- 10.5. UnionsWA has also cited a study by the NCVER on 'The Cost of Training Apprentices' which found that the 'main cost to employers to be in the supervision of the apprentice' rather than the wage costs.
- When apprentice productivity is measured against the wage paid to the apprentice, the relationship is shown to be very close. This results in employers' costs for wages effectively being neutralised by apprentice productivity.*
- 10.6. For the apprentice however there is an opportunity cost involved in the time spent as an apprentice. Unless regular and generous increases in apprenticeship wages flow on from decisions such as those from the minimum wage, apprenticeships become increasingly unattractive.
- 10.7. Given the compensation being provided by the Federal government to employers with apprentices, there is no reason to not provide a strong minimum wage increase in 2021.

## **11. the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment**

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- 11.1. UnionsWA is advocating that the Commission increase Award wages and the statutory minimum wage by 4%. Such an increase would ensure relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.

11.2. In 2019 the Commission awarded a percentage increase of 2.75%, with the following relativity results.

<b><i>Metal Trades (General) Award</i></b>	<b><i>2018</i></b>	<b><i>% of C14</i></b>	<b><i>2019</i></b>	<b><i>% of C14</i></b>	<b><i>Change in relativity 2018-19</i></b>
C14	\$726.90	100.0%	\$746.90	100.0%	0.0%
C13	\$744.50	97.6%	\$765.00	97.6%	0.0%
C12	\$768.30	94.6%	\$789.40	94.6%	0.0%
C11	\$790.40	92.0%	\$812.10	92.0%	0.0%
C10	\$828.10	87.8%	\$850.90	87.8%	0.0%
C9	\$850.70	85.4%	\$874.10	85.4%	0.0%
C8	\$873.10	83.3%	\$897.10	83.3%	0.0%
C7	\$893.60	81.3%	\$918.20	81.3%	0.0%
C6	\$938.60	77.4%	\$964.40	77.4%	0.0%
C5	\$961.20	75.6%	\$987.60	75.6%	0.0%

11.3. In 2020 the Commission awarded a percentage increase of 1.75%, with the following relativity results.

<b><i>Metal Trades (General) Award</i></b>	<b><i>2019</i></b>	<b><i>% of C14</i></b>	<b><i>2020</i></b>	<b><i>% of C14</i></b>	<b><i>Change in relativity 2019-20</i></b>
C14	\$746.90	100.0%	\$760.00	100.0%	0.0%
C13	\$765.00	97.6%	\$778.40	97.6%	0.0%
C12	\$789.40	94.6%	\$803.20	94.6%	0.0%
C11	\$812.10	92.0%	\$826.30	92.0%	0.0%
C10	\$850.90	87.8%	\$865.80	87.8%	0.0%
C9	\$874.10	85.4%	\$889.40	85.5%	0.0%
C8	\$897.10	83.3%	\$912.80	83.3%	0.0%
C7	\$918.20	81.3%	\$934.30	81.3%	0.0%
C6	\$964.40	77.4%	\$981.30	77.4%	0.0%
C5	\$987.60	75.6%	\$1,004.90	75.6%	0.0%

11.4. If the Commission accepts the 2021 claim from UnionsWA, the relativities of award rates would be similar.

			<b><i>If UnionsWA claim accepted for 2021</i></b>		
<b><i>Metal Trades (General) Award</i></b>	<b><i>2020</i></b>	<b><i>% of C14</i></b>	<b><i>2021</i></b>	<b><i>% of C14</i></b>	<b><i>Change in relativity 2020-21</i></b>
<b><i>C14</i></b>	<b><i>\$760.00</i></b>	<b><i>100.0%</i></b>	<b><i>\$790.40</i></b>	<b><i>100.0%</i></b>	<b><i>0.0%</i></b>
<b><i>C13</i></b>	<b><i>\$778.40</i></b>	<b><i>97.6%</i></b>	<b><i>\$809.54</i></b>	<b><i>97.6%</i></b>	<b><i>0.0%</i></b>

			<i>If UnionsWA claim accepted for 2021</i>		
<i>C12</i>	<i>\$803.20</i>	<i>94.6%</i>	<i>\$835.33</i>	<i>94.6%</i>	<i>0.0%</i>
<i>C11</i>	<i>\$826.30</i>	<i>92.0%</i>	<i>\$859.35</i>	<i>92.0%</i>	<i>0.0%</i>
<i>C10</i>	<i>\$865.80</i>	<i>87.8%</i>	<i>\$900.43</i>	<i>87.8%</i>	<i>0.0%</i>
<i>C9</i>	<i>\$889.40</i>	<i>85.5%</i>	<i>\$924.98</i>	<i>85.5%</i>	<i>0.0%</i>
<i>C8</i>	<i>\$912.80</i>	<i>83.3%</i>	<i>\$949.31</i>	<i>83.3%</i>	<i>0.0%</i>
<i>C7</i>	<i>\$934.30</i>	<i>81.3%</i>	<i>\$971.67</i>	<i>81.3%</i>	<i>0.0%</i>
<i>C6</i>	<i>\$981.30</i>	<i>77.4%</i>	<i>\$1,020.55</i>	<i>77.4%</i>	<i>0.0%</i>
<i>C5</i>	<i>\$1,004.90</i>	<i>75.6%</i>	<i>\$1,045.10</i>	<i>75.6%</i>	<i>0.0%</i>

11.5. We would ask the Commission to consider these results, as the data shows that the relativities C14 to C5 were preserved by both the 2019 and 2020 decision. A decision favouring the UnionsWA claim would preserve these results. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications.

## 12. Conclusion

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12.1. UnionsWA contends that the Commission should make a substantial real wage increase for award-reliant workers. This is essential to address the ever-widening gap between low paid workers and the rest of the workforce in WA. Therefore, UnionsWA's claim is for an increase of 4% or \$30.40 per week, whichever is greater.

Below is summary of our positions under the statutory considerations in section 50A of Industrial Relations Act.

*(3) In making an order under this section, the Commission shall take into consideration —*

*(a) the need to —*

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

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

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

Binding, institutional increases to wages, such as those brought by the minimum wage, are needed in order to bring about the increases in consumption to support the RBA's 'upside' scenario for the economy.

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

The divergence between Discretionary and Non Discretionary CPI inflation should be noted when considering the cost of living and the needs of the low paid in WA, as increases in Non Discretionary costs will be more impactful for low wage workers.

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

The ABS data on Weekly Payroll jobs shows that WA has a labour market in which employers have market power, therefore workers are being paid less than the full value of their output given that employment is rising but wages are not.

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

An increase in the state minimum wage in WA of 4 per cent or \$30.40 per week, whichever is greater, is more likely to assist workers and vulnerable groups of employees who are less likely to negotiate decent increases for themselves.

*(vi) encourage ongoing skills development; and*

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

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

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

- (a) the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;*
- (b) to the extent that it is relevant, the state of the national economy;*

*(d) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;*

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

Growth forecasts for the national economy are similarly positive.

The lack of wage growth in WA, and Australia, derives from the power of employers to decline to increase wages.

*(e) for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;*

An increase of 4%, balances the range of factors that the Commission must take into account. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications.

*(f) relevant decisions of other industrial courts and tribunals; and*

*(g) any other matters the Commission considers relevant.*

UnionsWA contends that, while the COVID-19 crisis has been an unprecedented event, the economy is recovering. Not only can employers afford a substantial minimum wage increase that improves living standards, there is no good reason not to apply that increase from the end of June onwards.

## Appendix

### Classification of Expenditure Classes into Non-Discretionary and Discretionary by ABS

Group	Non-discretionary	Discretionary
Food and non-alcoholic beverages	Bread	Cakes and biscuits
	Breakfast cereals	Ice cream and other dairy products
	Other cereal products	Snacks and confectionery
	Beef and veal	Waters, soft drinks and juices
	Pork	Restaurant meals
	Lamb and goat	Take away and fast foods
	Poultry	
	Other meats	
	Fish and other seafood	
	Milk	
	Cheese	
	Fruit	
	Vegetables	
	Eggs	
	Jams, honey and spreads	
	Food additives and condiments	
	Oils and fats	
	Other food products n.e.c.	
	Coffee, tea and cocoa	
Alcohol and tobacco		Spirits
		Wine
		Beer
		Tobacco
Clothing and footwear		Garments for men
		Garments for women
		Garments for infants and children
		Footwear for men
		Footwear for women
		Footwear for infants and children
		Accessories
		Cleaning, repair and hire of clothing and footwear

Housing	Rents	
	New dwelling purchase by owner-occupiers	
	Maintenance and repair of the dwelling	
	Property rates and charges	
	Water and sewerage	
	Electricity	
	Gas and other household fuels	
Furnishings, household equipment and services	Cleaning and maintenance products	Furniture
	Personal care products	Carpets and other floor coverings
	Other non-durable household products	Household textiles
	Child care	Major household appliances
		Small electric household appliances
		Glassware, tableware and household utensils
		Tools and equipment for house and garden
		Hairdressing and personal grooming services
Health	Other household services	
	Pharmaceutical products	
	Therapeutic appliances and equipment	
	Medical and hospital services	
	Dental services	
Transport	Automotive fuel	Motor vehicles
	Maintenance and repair of motor vehicles	Spare parts and accessories for motor vehicles
	Other services in respect of motor vehicles	
	Urban transport fares	

Communication	Postal services	
	Telecommunication equipment and services	
Recreation and culture	Pets and related products	Audio, visual and computing equipment
	Veterinary and other services for pets	Audio, visual and computing media and services
		Books
		Newspapers, magazines and stationery
		Domestic holiday travel and accommodation
		International holiday travel and accommodation
		Equipment for sports, camping and open-air recreation
		Games, toys and hobbies
		Sports participation
		Other recreational, sporting and cultural services
Education	Preschool and primary education	Tertiary education
	Secondary education	
Insurance and financial services	Insurance	
	Deposit and loan facilities (direct charges)	