



2022 State Wage Case

Chamber of Commerce and Industry WA
Labour Force and National Accounts Submission



3 June 2022

We believe in good business

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Industrial Relations Act 1979

In the Western Australian Industrial Relations Commission

Application No. 1 of 2022

2022 STATE WAGE ORDER

On the Commission's own motion

SUBMISSION BY THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

Filed on behalf of the Chamber of Commerce and Industry of Western Australia by:

Paul Moss
Principal Workplace Relations Advocate
Level 5, 235 St Georges Tce
PERTH Western Australia 6000
Email: paul.moss@cciwa.com

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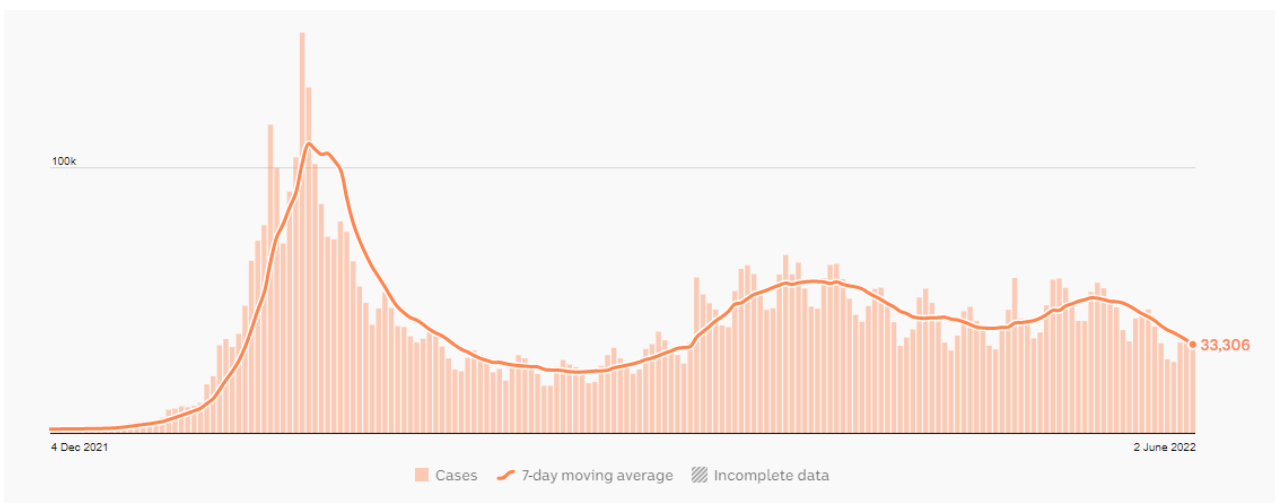
Introduction

1. The Chamber of Commerce and Industry of WA (CCIWA) makes the following submissions in relation to the Australian National Accounts for March 2022.
2. The report highlights the challenges facing businesses both nationally and in WA, reinforcing the need for a cautious approach to be adopted in reviewing the State Minimum Wage (SMW) and award rates of pay.

Gross Domestic Product

3. The National Accounts data¹ shows that nationally, gross domestic product (**GDP**) grew by just 0.8 per cent in the March quarter 2022, resulting in a yearly increase of 3.3 per cent. This is a significant decline from the 3.4 per cent quarterly growth recorded in December 2021 which drove an annual increase of 4.2 per cent.
4. The outcome reflects the impact of the Omicron outbreak on the economy along with the extensive flooding in southeast Queensland and northern NSW. The March quarter coincided with the Omicron outbreak that significantly impacted the east coast of Australia. As shown in the graph below, case numbers increased significantly in mid-December 2022, reaching peak infection rates in mid-January 2022.

Graph 1 – Daily number of COVID-19 cases - Australia²



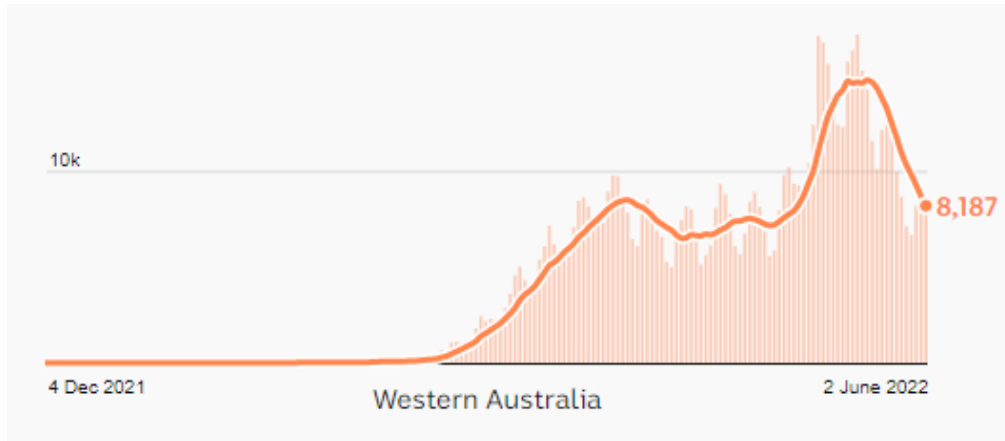
5. In WA the outbreak of the Omicron variant occurred several months later. As shown in the following graph, WA case numbers increased significantly in late February 2022 with peak infection rates occurring in late May 2022. We have since fallen from the high of 17,000 cases per day and currently recording a moving average of 8,187 new cases per day, as at 2 June 2022.

¹ ABS (1 June 2021) *Australian National Accounts: National Income, Expenditure and Product – March 2022*. All statistics quoted in this submission are from this report unless otherwise specified.

² ABC News (2022) *Charting the COVID-19 spread in Australia*. Accessed 3 June 2022

This equates to a daily infection rate of 0.31 cases per 100 people, more than double the national rate of 0.13 cases per 100 people.

Graph 2 – Daily number of COVID-19 cases – Western Australia³



6. Consequently, the impact of the Omicron outbreak on the WA economy is yet to be captured in the National Account data.

Gross Value Added

7. Economic growth has also not been consistent across all industry sectors, with Australia facing a multispeed economy in which some sectors are doing well and others are yet to recover.
8. The table below shows gross value added by industry for:
 - 8.1. the March quarter 2022;
 - 8.2. since the COVID-delta lockdowns (June 2021);
 - 8.3. over the past year (March 2021); and
 - 8.4. since the beginning of the pandemic (March 2020).
9. It identifies that whilst some industries have experienced strong quarterly growth, such as accommodation and food services and arts and recreational services thanks to the easing of restrictions in the eastern states, they still remain below pre-pandemic levels.

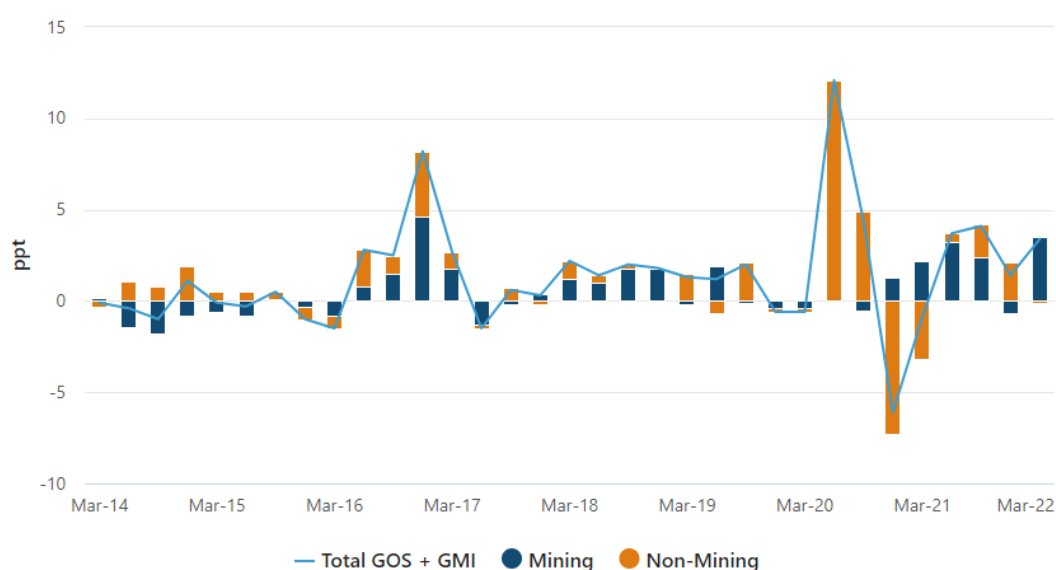
³ Ibid

Table 1: Industry Gross Value Added – Australia (March 2022)

	December 2021 - March 2022	June 2021 - March 2022	March 2021 - March 2022	March 2020 - March 2022
Accommodation and food services	3.7%	-3.4%	-0.5%	-1.1%
Transport, postal and warehousing	4.3%	5.3%	8.3%	-0.8%
Air and space	101%	12%	86%	-57%
Rail and pipelines	0.3%	-2.8%	-1.1%	-9.3%
Arts and recreation services	4.4%	7.2%	7.3%	5.4%
Administrative and support services	0.5%	4.7%	11.1%	-0.3%
Manufacturing	1.1%	1.5%	3.2%	2.6%
Construction	0.2%	2.0%	4.2%	3.3%
Retail trade	0.8%	4.3%	4.8%	8.8%
Wholesale trade	3.2%	1.1%	2.3%	9.1%
Health care and social assistance	-0.9%	2.7%	5.1%	9.6%
Agriculture, fishing and forestry	-5.8%	5.5%	10.2%	48.5%
Mining	-1.5%	-1.1%	-2.0%	-3.6%
Electricity, gas, water and utilities	0.9%	0.3%	2.4%	0.9%
Information, media and telecommunications	1.2%	8.1%	10.2%	11.8%
Financial and insurance services	0.7%	2.0%	3.1%	5.1%
Rental, hiring and real estate	-1.8%	-0.2%	1.1%	3.3%
Professional, scientific and technical services	3.1%	8.5%	8.7%	10.4%
Public administration and safety	0.2%	2.7%	2.9%	5.3%
Education and training	0.4%	1.3%	1.5%	2.6%
Other services	-0.2%	1.5%	3.3%	4.7%
GVA at basic prices	0.5%	2.5%	3.8%	5.0%

10. The multispeed nature of the economy is further reflected in gross operating surplus plus gross mixed income (GOSMI) which nationally increased by 3.4% in the March Quarter.
11. As shown in the graph below mining operating surplus rose by 3.5 percentage points on the back of strong growth in commodity prices whilst non-mining operating surplus fell by 0.1 percentage points.

Graph 3 – Mining and non-mining contribution to quarterly growth in GOSMI – National.⁴



⁴ Current prices, seasonally adjusted.

State Final Demand

12. Over the same period, WA's State Final Demand (SFD) grew by 2.2 per cent over the March quarter, largely as a result of government investment and investment in machinery and equipment.

Table 2 - Contribution to SFD Growth - Western Australia (March 2022)

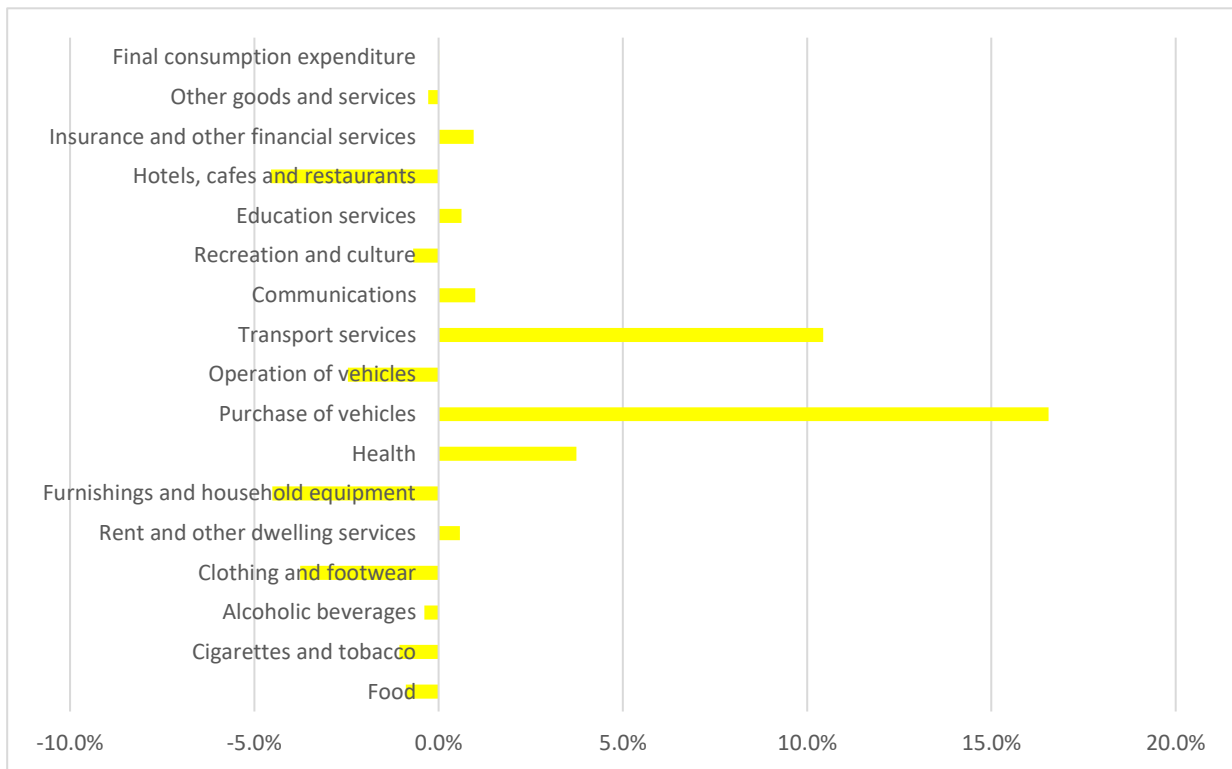
Western Australia, CVM, SA	Household Consumption	Dwelling Investment	Transfer Costs	Business Investment	Government Consumption	Government Investment	SFD
Dec-2021	28856	1960	921	10227	11749	2550	56263
Mar-2022	28859	1907	992	10626	12367	2761	57511
Q/Q	0.0%	-2.7%	7.7%	3.9%	5.3%	8.3%	2.2%
Y/Y	5.7%	-0.9%	11.8%	-1.6%	6.6%	19.7%	4.9%

Table 3 - Components of Business Investment - Western Australian (March 2022)

Western Australia, CVM, SA	Non-Dwelling Construction	Machinery and Equipment Investment	Intellectual Property	Investment Total Business
Dec-2021	5072	3616	1437	10227
Mar-2022	4877	4151	1497	10626
Q/Q	-3.8%	14.8%	4.2%	3.9%
Y/Y	-10.9%	7.9%	8.4%	-1.6%

13. As identified in the above table, household consumption was flat for the quarter, with the ABS identifying that the strength in purchase of vehicles (16.5%) and health spending (3.7%) was offset by weakness in hotels, cafe and restaurants (-4.6%), recreation and culture (-0.7%), furnishings and household equipment (-4.5%), and clothing and footwear (-3.8%).

Graph 4 – Quarterly Growth in Household Consumption – Western Australia (March 2022)⁵



14. These outcomes highlight the challenges faced by the retail and hospitality industry due to declining consumer spending. Nationally, hospitality and other service related industries experienced a 6.3 per cent increase in spending as a result of restrictions being lifted in NSW, Victoria and the ACT. This was not the case in WA, noting that we continued to have a number of restrictions that detracted from household spending in these sectors during the March quarter.
15. Furthermore, it is unlikely that the easing of restrictions in WA will have had the same effect given that it has occurred whilst we were experiencing high levels of COVID-19 infections, which has impacted both on consumer behaviour and staff availability.

⁵ Seasonally adjusted Chain Volume Measures.

Compensation of Employees

16. Nationally the total compensation of employees was up 1.8% in the quarter despite working hours falling by 0.9 per cent due to Omicron related absenteeism. For the private sector COE was up 2.3 per cent, with the ABS identifying that this was as a result of wage pressures continuing *“to build from skilled labour shortages, resulting in businesses paying more to attract and retain staff”*.⁶
17. Compensation of employees in WA rose by 2.3% in the March 2022 quarter, contributing to a 10.1 per cent increase over the preceding 12 months. By comparison, working hours increased by just 0.05 per cent in the quarter to March 2022 and 1.0 per cent over the year.⁷
18. It is important to note that compensation of employees includes all payments to employees, including wages and salaries (cash and in-kind), superannuation, overtime, allowances, holiday and sick pay, bonuses and commissions. It currently provides a more accurate understanding of total wage growth unlike the Wage Price Index.

Business Conditions

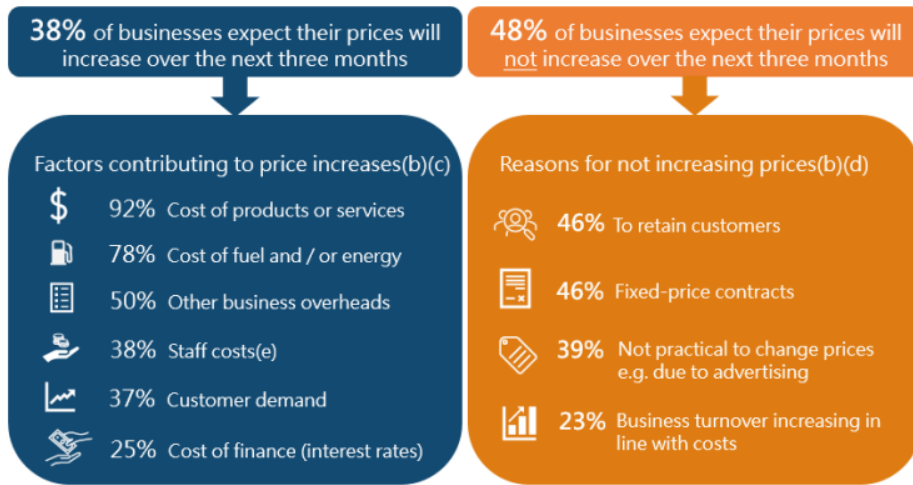
19. The challenges facing businesses identified in the National Accounts data is also reflected the *ABS Business Conditions and Sentiment Survey* released on 26 May 2022.⁸
20. The survey identified that 38 per cent of businesses expect to increase their prices more than usual over the coming quarter predominately as a result of increased costs of costs of products and services (92%), rising fuel and/or energy costs (78%), other business overheads (50%) and staff costs (38%).
21. Despite the widespread effect of these cost pressures, 48 per cent of businesses identified that they would not increase their prices due to the need to retain customers (46%), fixed-price contracts (46%) and inability to vary prices due to advertising arrangements (39%).

⁶ ABS (1 June 2021) *Australian National Accounts: National Income, Expenditure and Product – March 2022*

⁷ ABS (19 May 2022) *Labour Force, Australia – April 2022*.

⁸ ABS (26 May 2022) *Business Conditions and Sentiments -May 2022*.

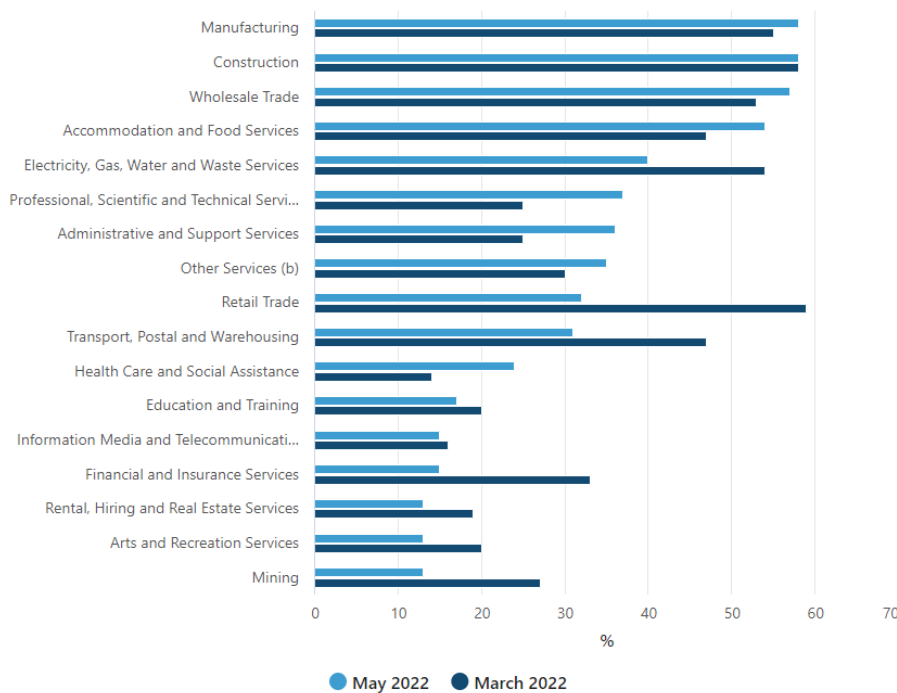
Diagram 1 – Whether businesses expect their prices to increase⁹



(a) Proportions are of all businesses.
 (b) Businesses could select more than one response.
 (c) Proportions are of businesses that expect their prices to increase over the next three months.
 (d) Proportions are of businesses that expect their prices will remain unchanged or decrease over the next three months.
 (e) Includes staff wages or salaries, overtime, or other staff related costs.

22. More than half of all businesses in the manufacturing (58%), construction (58%), wholesale trade (57%) and accommodation and food services (54%) industries expect to face increases in the price of their goods and services over the next three months, as shown in the graph below.

Graph 5 – Businesses expecting cost increases over next quarter by Industry¹⁰



⁹ Ibid
¹⁰ Ibid