



**GOVERNMENT OF
WESTERN AUSTRALIA**

Industrial Relations Act 1979

**IN THE WESTERN AUSTRALIAN
INDUSTRIAL RELATIONS COMMISSION
No. 1 of 2022
ON THE COMMISSION'S OWN MOTION**

**SUPPLEMENTARY SUBMISSION OF THE MINISTER FOR
INDUSTRIAL RELATIONS**

Re: 2022 STATE WAGE ORDER

Filed by:
Brendon Entekin
Private Sector Labour Relations Division
Department of Mines, Industry Regulation and Safety
on behalf of the Minister for Industrial Relations
Level 3, 1 Adelaide Terrace
East Perth WA 6004
Brendon.Entekin@dmirs.wa.gov.au
Ph: 6552 9434
3 June 2022



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Introduction

1. In February 2022, the Western Australian Industrial Relations Commission (**WAIRC**) issued Application 1 of 2022 on its own motion. The application seeks to make a State Wage order pursuant to section 50A of the *Industrial Relations Act 1979* to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993* and State awards.
2. On 13 May 2022, the Minister for Industrial Relations (**the Minister**) filed a submission on behalf of the Western Australian Government.
3. On 17 May 2022 the Minister filed a Submission in Reply in response to the submissions of the other parties participating in the 2022 State Wage Case proceedings.
4. This Supplementary Submission provides comment on the National Accounts data for the March quarter 2022, released by the Australian Bureau of Statistics (ABS) on 1 June 2022. At the invitation of the WAIRC, it also discusses the most recent labour force data for April 2022.

National Accounts Data

5. On 1 June 2022, the ABS released the National Accounts Data for the March quarter 2022.¹

Gross Domestic Product

6. Australian **Gross Domestic Product (GDP)** rose 0.8 per cent in seasonally adjusted terms in the March quarter 2022 and 5.3 per cent in annual average terms in the year to the March quarter 2022.
7. Household and government spending underpinned growth in the March quarter, with total final consumption contributing 1.4 percentage points (**pp**) to GDP. **Household spending** rose 1.5 per cent with increases across a number of discretionary categories.
8. **Government consumption** contributed to the rise in domestic demand with increased expenditure to support flood-affected regions in New South Wales and Queensland. The weather events during the quarter affected supply chains and dampened activity in industries such as Construction and Mining. The fall in mining production led to a decline in exports of mining commodities resulting in a 0.9 per cent drop in exports.
9. The **household savings ratio** fell from 13.4 per cent to 11.4 per cent, as the increase in household spending outpaced growth in household income. Household gross disposable income rose 0.6 per cent in the March quarter driven by a rise in compensation of employees reflecting robust employment and labour cost pressures. Households received \$2.8 billion in non-life insurance claims related to floods, adding 0.8 percentage points to the saving-to-income ratio.

¹ ABS (2022), *Australian National Accounts: National Income, Expenditure and Product*, Catalogue 5206.0.

10. The ABS has indicated the 11.4 per cent household savings ratio was the lowest since the start of the COVID-19 pandemic, but it remains above pre-pandemic levels.
11. **Imports of goods and services** rose 8.1 per cent and detracted 1.5 pp from GDP. This was the largest rise since December 2009, driven by imports of consumption and intermediate goods. Businesses built up inventories to stock levels closer to pre-pandemic levels as supply constraints on imports eased in the quarter. Changes in inventories contributed 1.0 pp to GDP and partly offset the detraction from imports.
12. The **terms of trade** rose 5.9 per cent with export and import prices both rising strongly. High demand for Australia's mining and rural commodities amidst supply constraints in other producing nations and global uncertainty contributed to the rise in export prices. Mining operating surplus rose 14.7 per cent to reach \$69 billion, reflecting strong commodity prices across coal, LNG and iron ore.

Table 1: Gross Domestic Product (GDP), Australia, March Quarter 2022, percentage changes (a)

	Jun Qtr 21	Sep Qtr 21	Dec Qtr 21	Mar Qtr 22	Annual Average Growth to Mar Qtr 22
Chain Volume GDP and related measures (b)					
GDP	0.8	-1.8	3.6	0.8	5.3
GDP per capita (c)	0.6	-1.8	3.5	0.3	4.9
Gross value added market sector	1.4	-1.6	3.6	0.7	
Real net national disposable income	2.5	-4.0	2.6	1.4	7.8
Productivity					
GDP per hour worked	-1.1	3.1	-0.8	1.7	1.4
Prices					
GDP deflator	2.4	1.3	-0.1	2.9	6.4
Terms of trade	8.0	-0.5	-4.9	5.9	15.8
Current price measures					
GDP	3.2	-0.6	3.5	3.7	12.0
Household saving ratio	11.8	19.7	13.4	11.4	na

na not available

a. Change on preceding quarter, except for the last column which shows the change between the four quarters to March 2022 and the corresponding previous four quarters. Excludes Household saving ratio.

b. Reference year for chain volume measures and real income measures is 2019-20.

c. Population estimates are as published in the [National, state and territory population](#) (cat. no. 3101.0) and ABS projections.

Source: Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product March 2022

State Final Demand

13. The domestic economic recovery in WA has continued at a solid rate into 2022, with the domestic economy, as measured by State Final Demand (SFD), expanding by 2.2 per cent in the March quarter.
14. Growth in SFD in the March quarter was underpinned by strong increases in government consumption (reflecting elevated health-related spending), as well as an increase in business investment (due to a rebound in machinery and equipment investment) and an increase in public investment (with a strong increase in transport spending). However, household spending remained unchanged over the quarter – albeit remaining at very elevated levels.
15. SFD grew by 7.0 per cent in annual average terms in the March quarter. This is the strongest annual growth since the March quarter 2013. All components of the domestic economy contributed to growth over the year, with the largest contributions from household consumption (3.8pp), followed by government combined spending (1.7pp) and business investment (0.7pp).
16. SFD in the year to the March quarter 2022 was 8.8 per cent higher than in 2019 – the strongest recovery since COVID-19 of all States in annual terms.
17. Individual components of WA SFD are discussed in further detail below.

Household consumption

18. Household consumption remained flat (0.0 per cent) in the March quarter, following growth of 1.9 per cent in the previous quarter.
19. Positive contributors during the quarter included purchases of vehicles and health (both contributing 0.3 pp) and transport services (predominantly air travel, which contributed 0.1 pp). These contributions were offset by declines in hotels, cafes and restaurants (detracting 0.3pp), furnishings and household equipment (detracting 0.2pp), as well as recreation and culture spending and clothing and footwear expenditure (both detracting 0.1pp).
20. In annual average terms, household consumption grew by 7.4 per cent over the year to the March quarter 2022. Discretionary spending increased by 10.7 per cent and non-discretionary spending increased by 4.9 per cent.
21. All components of household consumption except cigarettes and tobacco, transport services, and hotels, cafes and restaurants are above pre-COVID-19 levels.

Business investment

22. Business investment grew by 3.9 per cent in the March quarter, following declines in both the December quarter (1.3 per cent) and the September quarter (4.4 per cent).
23. The increase in the March quarter reflected a strong increase in machinery and equipment investment (which contributed 5.2pp to growth), partially offset by a fall in non-dwelling construction (detracting 1.9pp from growth). The ABS noted that growth was led by investment in WA's metal ore mining sector.

24. In annual average terms, business investment grew by 3.7 per cent in the year to the March quarter, down from 5.1 per cent growth in 2020-21. Plant and equipment investment was the largest contributor to growth (3.9 pp), with intellectual property investment also contributing (1.7pp). These increases more than offset a decline in non-dwelling construction (which detracted 2.1pp).

Dwelling investment

25. Dwelling investment fell by 2.7 per cent in the March quarter, following a decline of 2.8 per cent in the December quarter. This quarterly decline was due to a large fall in alterations and additions (detracting -3.7pp to growth) more than offsetting a 1.4 per cent growth in new dwellings (contributing 0.9pp to growth).
26. While many dwellings are under construction, declines in dwelling investment in recent quarters are consistent with industry guidance suggesting that supply and labour shortages continue to extend the timeline for the construction of residential buildings.
27. Dwelling investment grew by 13.0 per cent in annual average terms in the March quarter 2022, up from 2.7 per cent growth in 2020-21. Annual growth was underpinned by increases in both new dwellings (up 18.9 per cent, contributing 11.2pp) and alterations and additions (up 4.3 per cent, contributing 1.8pp to growth).

Government consumption

28. Government consumption increased by 5.3 per cent in the March quarter, driven by expenditure across both State and local governments (up 5.3 per cent, contributing 3.4pp) and national governments (up 5.2 per cent, contributing 1.9pp) in health-related fields in response to COVID-19. This has included increased expenditure for testing and hospitalisation as a result of elevated COVID-19 cases.
29. In annual average terms, public consumption grew by 4.2 per cent, with national government consumption contributing 2.7pp and spending at the State and local government level contributing 1.5pp.

Government investment

30. Government investment increased by 8.3 per cent in the March quarter, to the highest quarterly level since December 2013. This was supported by an increase in State and local government investment (contributing 6.9pp), underpinned by increased investment in transport. National general government investment also supported growth over the quarter (1.5pp), largely due to higher spending on defence and non-defence assets.
31. In annual average terms, government investment increased by 18.5 per cent, with the largest contributions from State and local government general government investment (10.6 pp) and public corporations (6.2pp).

Trade

32. On 31 May 2022, the ABS released Balance of Payments data for the March quarter 2022.²
33. **Merchandise exports** from Western Australia declined by 2.3 per cent in the March quarter 2022, with monthly data indicating that this was largely due to a fall in the volume of iron ore, confidential goods (including LNG) and non-monetary gold. In annual average terms, exports declined by 1.8 per cent (down from 0.5 per cent in 2020-21).
34. **Merchandise imports** rose by 2.5 per cent in the March quarter, due to higher import volumes of both consumer and investment goods. In annual average terms, imports increased by 0.2 per cent, easing from 4.6 per cent growth in 2020-21.
35. Services trade continues to be impacted by the changes in COVID-19 restrictions. **Services exports** (which includes international education and tourism arrivals) declined by 1.9 per cent in the March quarter, remaining 60.6 per cent below pre-COVID-19 levels. In annual average terms, services exports fell by 10.7 per cent.
36. In contrast, **services imports** (which captures spending by Western Australian residents overseas) rebounded by 12.3 per cent in the quarter but fell by 4.7 per cent in annual average terms.
37. Overall, **net exports of merchandise and services** fell by 3.7 per cent in the March quarter and by 2.3 per cent in annual average terms.

SFD Plus Net Exports

38. SFD data, combined with the latest net exports results, imply a decline of 0.2 per cent in the March quarter but growth of 3.1 per cent in annual average terms in the domestic economy and external sector combined.
39. The following table provides a breakdown of growth by components of State Final Demand and the external sector based on the National Accounts and Balance of Payments data.

² ABS (2022), *Balance of Payments and International Investment Position, Catalogue 5302.0*
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Table 2 - Components of State Final Demand - WA, March 2022

	Growth		Contributions to Growth*		2022-23 Budget Estimate
	Quarter	Annual average	Quarter	Annual average	2021-22
	%	%	% points	% points	%
Household consumption	0.0	7.4	0.0	3.8	5.0
Business investment	3.9	3.7	0.7	0.7	4.75
Dwelling investment	-2.7	13.0	-0.1	0.4	12.75
Government consumption	5.3	4.2	1.1	0.9	3.0
Government investment	8.3	18.5	0.4	0.8	12.5
State Final Demand (SFD)	2.2	7.0	2.2	7.0	5.25
Merchandise exports	-2.3	-1.8	-2.8	-2.2	1.75
Services Exports	-1.9	-10.7	0.0	-0.3	-2.0
Merchandise imports	2.5	0.2	-0.6	0.0	2.5
Services Imports	12.3	-4.7	-0.3	0.1	-4.5
Net Exports (NE)	-3.7	-2.3	-3.7	-2.3	1.75
SFD + NE	-0.2	3.1			
GSP = SFD+NE+Bal Item**	na	na			3.75

* May not add to total due to rounding or as not all components are reported.

** The balancing item includes net interstate exports of goods and services.

Labour Force Data – April 2022

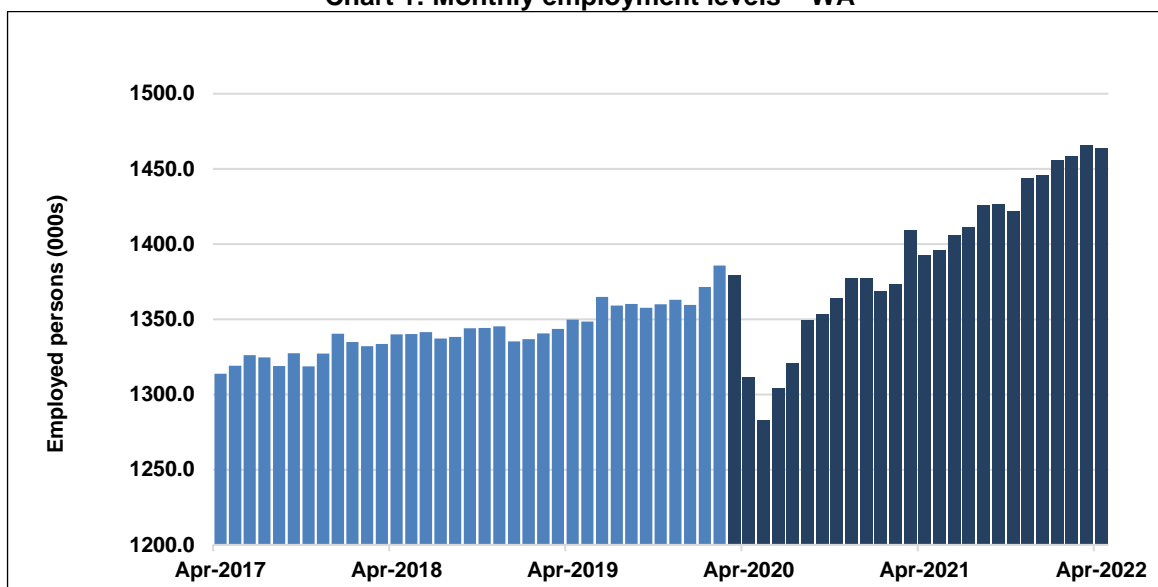
40. On 19 May 2022, the ABS released the monthly Labour Force results for April 2022.³ The following section provides further comment on key data figures concerning WA.

Employment and hours worked

41. In seasonally adjusted terms, total employment in WA declined marginally by 1,900 persons (or 0.1 per cent) in April, from a record 1.466 million persons recorded the previous month. Strong growth in full time employment (up 19,000 persons) was offset by a 20,900 person fall in part time employment. Full time employment surpassed 1 million persons for the first time ever.
42. Employment in WA increased by a robust 5.8 per cent in annual average terms in April, with full time employment (contributing 4.2pp) accounting for the majority of this growth. Total employment in WA remains 5.6 per cent above pre-COVID levels, representing the strongest recovery of all States.
43. Nationally, employment growth was flat in April, but increased by 3.6 per cent in annual average terms.

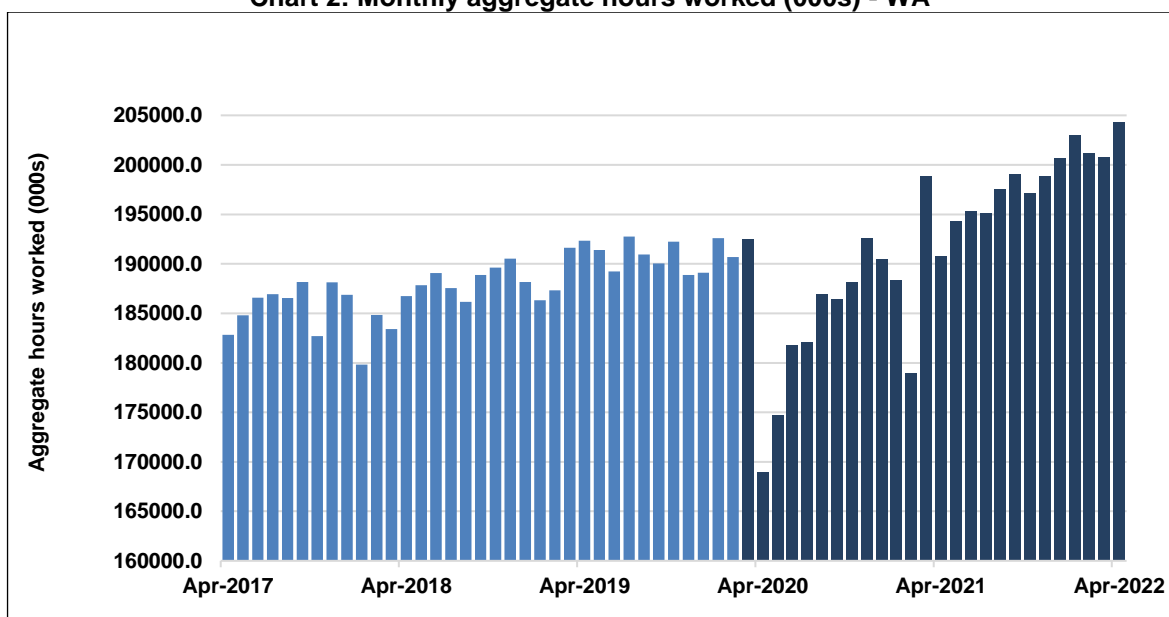
³ ABS (2022), *Labour Force, Australia*, Catalogue 6202.0. All figures are seasonally adjusted, unless stated otherwise.

Chart 1: Monthly employment levels – WA



- 44. Aggregate hours worked in WA increased by 1.8 per cent in April, to reach a new record high of 204.3 million hours during the month. The high level of aggregate hours worked reflects the solid growth in full time employment in recent months.
- 45. Reflecting increased daily COVID-19 case numbers, there was an increase in the number of people that worked reduced hours due to illness in WA in April (86,000 persons, up from 62,000 persons in March), more than double the average in April for the previous five years.
- 46. Aggregate hours worked in WA in April were 7.1 per cent above pre-COVID levels (in February 2020) – the equal strongest recovery of all States.
- 47. Nationally, aggregate hours worked increased by 1.3 per cent in April, despite continuing disruption from the impact of Omicron. This followed the extreme weather events in Queensland and New South Wales in March.

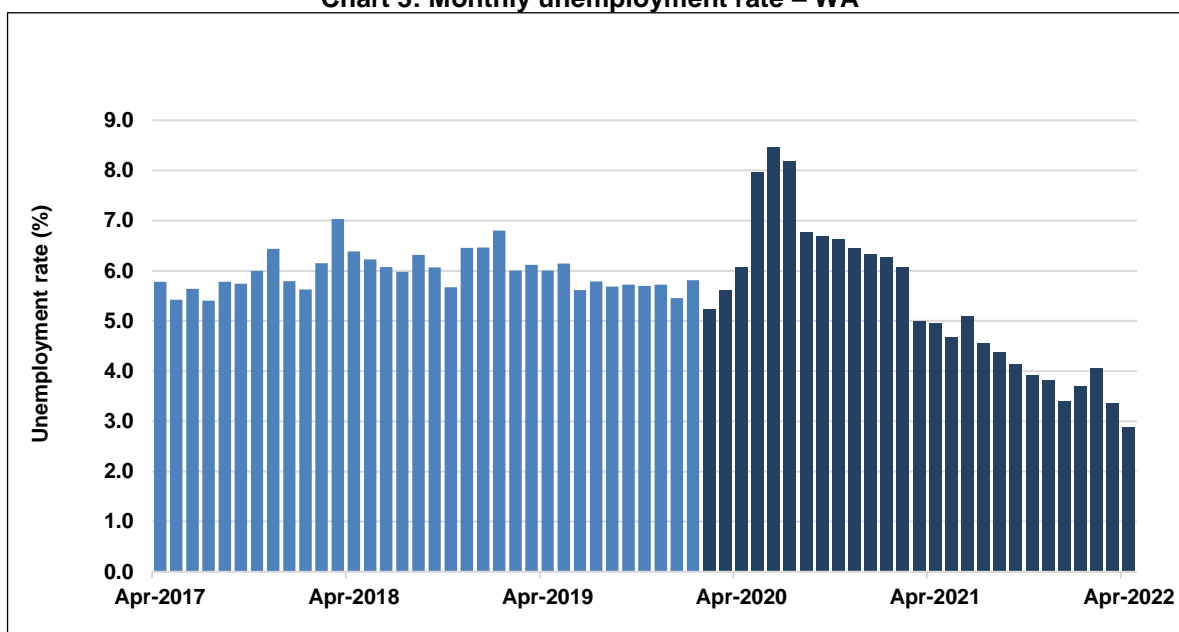
Chart 2: Monthly aggregate hours worked (000s) - WA



Unemployment and underemployment

48. The seasonally adjusted unemployment rate in WA fell to 2.9 per cent in April, the lowest of all the States and the lowest since October 2008. Since current records began in February 1978, no other State has recorded an unemployment rate below 3.0 per cent.
49. The WA unemployment rate has averaged 3.8 per cent in 2021-22 to date, and 4.0 per cent in the 12 months to April 2022.
50. Nationally, the unemployment rate was steady at 3.9 per cent in April, unchanged from March following a revision to that month's data. This is the lowest rate of unemployment since modern records began in February 1978. The national unemployment rate has averaged 4.5 per cent in the 12 months to April 2022.

Chart 3: Monthly unemployment rate – WA



51. The monthly underemployment rate in WA fell to 6.2 per cent in April (down from 6.6 per cent in March) – the lowest since February 2014. Nationally, the underemployment rate fell to 6.1 per cent in April, down from 6.3 per cent a month earlier.
52. The monthly youth unemployment rate in WA fell to 6.3 per cent in April, down from 9.1 per cent in March. This was lowest rate since December 2008 and the lowest of all the States. WA's monthly youth unemployment rate has averaged 9.7 per cent over the year to April, which is also the lowest of the States.
53. Nationally, youth unemployment fell to 8.9 per cent in April, down from 9.1 per cent in March. Youth unemployment averaged 10.0 per cent per month throughout Australia in the year to April.

Participation rate

54. The participation rate in WA fell to 69.3 per cent in April, from 69.8 per cent in March. The monthly participation rate has averaged 69.1 per cent in the year to April 2022, the highest monthly average since May 2013.
55. Nationally, the participation rate moderated to 66.3 per cent in April, from 66.4 per cent in the previous month. The national participation rate has averaged 65.9 per cent in the 12 months to April 2022.
56. WA's monthly participation rate remains well above the other States and the national average.

Table 3: Labour Force – April 2022

	WA	AUS
Total employment	1,463,900	13,401,700
Full time employment	1,007,900	9,342,900
Part time employment	456,000	4,058,800
Aggregate hours worked	204,300,000	1,833,000,000
Unemployment rate	2.9%	3.9%
Youth unemployment rate	6.3%	8.9%
Underemployment rate	6.2%	6.1%
Participation rate	69.3%	66.3%