

UNIONSWA

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UnionsWA submissions in reply for the 2022 state wage order

Appl No. CICS 1 of 2022

ON THE COMMISSION'S OWN
MOTION

Western Australian Industrial Relations Commission

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1. Submission in reply

The Western Australian Industrial Relations Commission (Commission) issued an application to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979 (WA) (IR Act)* to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993 (WA) (MCE Act)* and State awards.

UnionsWA filed a submission requesting the Commission issue a general order pursuant to Section 50A of the Act to increase award wages and the statutory minimum wage by 7.6% per week

UnionsWA notes the following submissions made by section 50 parties and other interested stakeholders:

- Professor Alison Preston, UWA Business School
- WA Council of Social Service Inc (**WACOSS**)
- Chamber of Commerce and Industry of WA (**CCIWA**)
- Western Australian Government (**the Minister**)

The submission below is the UnionsWA response to issues raised in these submissions, as well as other matters raised by the parties. There is also a short response to the recent releases:

- Minutes of May 2022 Monetary Policy Meeting of the Reserve Bank Board
- ANZ-Roy Morgan Australian Consumer Confidence Survey

2. Submissions without an amount from Section 50 parties

UnionsWA notes that neither the Minister nor the CCIWA have included a proposed amount for the WA minimum wage in their initial submissions for the 2022 State Wage Case.

While there is no specific obligation to include a quantified increase in any state wage case submission, UnionsWA is of the view that Section 50 parties have a responsibility to do so as part of good practice.

Vague statements about adopting a ‘cautious approach’, or the ‘volatility of the prevailing economic climate’ are not good enough. The WA Industrial Relations Commission is required by legislation to set the minimum wage to apply to employers and employees covered by the WA industrial relations system. Section 50 parties have specific responsibilities within the WA system to support and assist the Commission in doing so. The CICS may or may agree with any party’s position in its ultimate decision – but that is to be expected if you have an independent tribunal.

UnionsWA acknowledges the practice of the Federal government not specifying an amount for the Annual Wage Review in the Fair Work system, but we do not agree with it. It would be a poor development for the state system if this becomes an accepted practice in WA.

It is possible that the CCI and Minister will submit specific claims for WA minimum and award wages later in the process. However, that just means the CICS and other parties have less time to respond to those claims. The absence of a specific amount, any delay in submitting one, means the WA Commission should put less weight on their submissions overall.

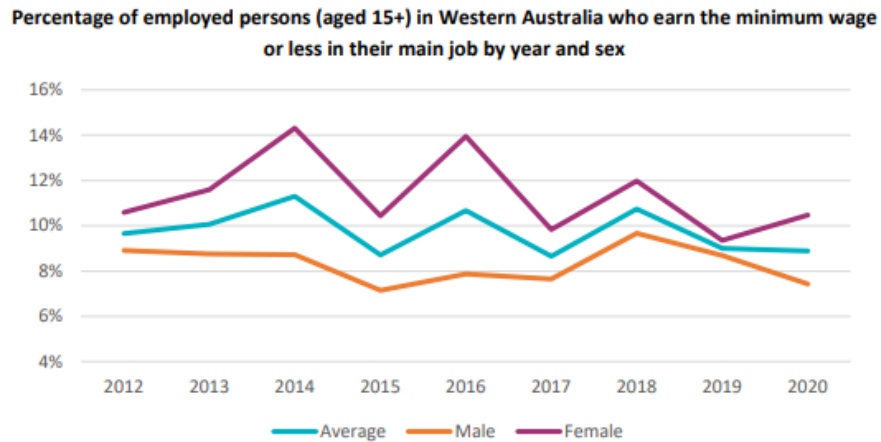
At the time of writing, only UnionsWA and WACOSS have made a specific claim for an increase to minimum and award wages. An increase of 7.6% is a modest claim that is only just keeping pace with the most recent Perth CPI inflation for the year to the March Quarter.

3. Public Submission – Professor Alison Preston, UWA Business School

Professor Preston’s submission cover letter points out that

The State minimum wage provides an important safety net for low paid workers in Western Australia.. These include sectors such as: retail, accommodation and food services, art and recreation services, health and social assistance, and administrative and support services. These sectors are also notable for the relatively high share of females and for the important role they play in the provision of entry level jobs to young people.

It is useful to read this statement alongside the following chart from the WACOSS submission.



She goes onto present the following chart for ‘raw gender wage gaps’ in WA and Australia.

TABLE 1
MEAN GENDER WAGE GAPS, WA AND REST OF AUSTRALIA,
2001/3 AND 2017/19

| | All WA | WA Public Sector | Rest Aust | Public Sector Rest Aust |
|-------------|--------|------------------|-----------|-------------------------|
| GWG 2001/3 | 22.4% | 14.5% | 8.0% | 13.0% |
| GWG 2017/19 | 14.6% | 13.2% | 9.6% | 11.9% |

Notes

1. Sample: Aged 18-64. Estimates weighted to reflect population totals.
2. Estimates based on measures of hourly wage main job, constructed as usual weekly wage main job divided by usual weekly hours main job.
3. The gender wage gap is calculated as the male mean minus the female mean, divided by the female mean. It shows, at the mean, how much female wages need to increase to equal that of males.
4. The mean wage gaps may differ from those reported elsewhere (e.g., gaps reported using Australian Bureau of Statistics data are commonly restricted to persons employed full-time).

Source: HILDA.

Professor Preston points out that the wages growth fostered by public sector wages policies has been so low such that

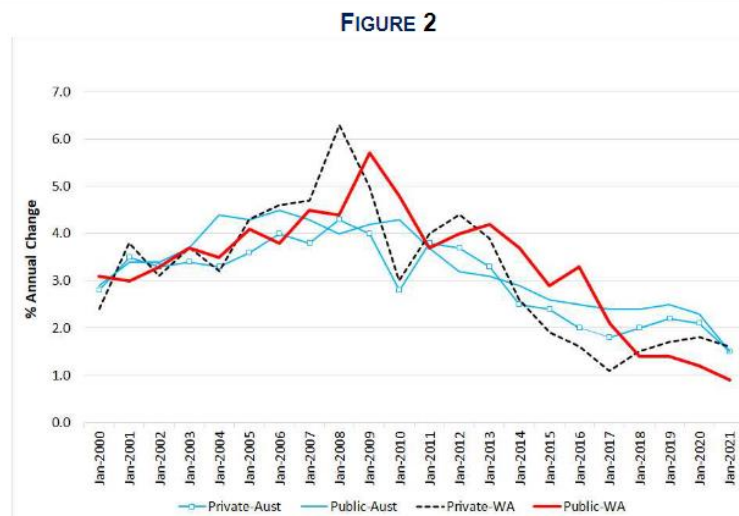
WA public sector employees have experienced a real wage cut in recent years and will likely see further deterioration in their real wage and relative wage position (vis a vis private sector employees in WA) over coming years.

In the recently published report *The Wages Crisis: Revisited* (produced by Adelaide Law School, the Centre for Future Work, and Melbourne Law School) the authors argue that restraint of public sector wages by government has consequences for wage trends across the broader economy:¹

Public sector jobs constitute around 15% of total employment, so anything that reduces wage growth in the public sector will automatically have a compositional impact on economy-wide averages. More powerfully, the imposition of wage caps by governments (who are the largest single employers in the whole economy) sends a strong signal to participants in the broader labour market. Companies that sell goods and services to government will naturally feel pressure to restrain their own wages in line with these new targets. And private employers more generally will feel increasingly empowered to demand similar wage restraint on the part of their own employees. It is no coincidence, therefore, that the imposition of wage restraint by governments has been accompanied by a parallel deceleration of wage growth in the private sector.

Professor Preston presents the following chart which suggests that low public sector wages growth in WA is a weight on wages growth generally, both for WA and Australia as a whole.

Total Hourly Rates of Pay Excluding Bonuses; Percentage Change from Previous Period; All industries; WA and Australia; Private and Public Sectors



Source: ABS 6345.0 Wage Price Index, Australia, Tables 3A and 4A.

The lack of specific claim from the Minister in 2022 should not be allowed to obscure the reality that for many years the WA government has been reformulating and repackaging its public sector wages policy into a percentage state minimum wage claim. This has reinforced the negative impacts of that policy on the overall gender pay gap identified by Professor Preston. Slow wage growth in the public sector has been applied to the low wage private sector in WA, with the impacts as outlined in the *Wages Crisis: Revisited* report. The 2022-23 State Budget shows that real wage growth in WA continues to be postponed. Only strong institutional action to lift wages in line with the latest living cost will turn this trend around. Only an increase such as the 7.6% proposed by UnionsWA along with WACOSS will achieve this.

¹ Andrew Stewart, Jim Stanford and Tess Hardy *The Wages Crisis Revisited* (pp.47-8) <https://australiainstitute.org.au/wp-content/uploads/2022/05/Wages-Crisis-Revisited-WEB.pdf>

4. Submission – Western Australian Council of Social Service (WACOSS)

In its submission (p.46), WACOSS argues that

... a 7.6 per cent increase to the State Minimum Wage will deliver an undeniable benefit to many of the lowest-paid workers, and their families. A strong minimum wage — one which ensures workers are provided with a decent living standard, well above poverty levels is integral for an inclusive and sustainable economy, where the benefits are shared with all Western Australians.

UnionsWA agrees, and commends the WACOSS submission to the CICS, noting that it is the only submission aside from that of UnionsWA to argue for a specific increase.

We would like to draw the Commission’s attention to the following points made by WACOSS.

In their section 3.4 on Energy, WACOSS points out that

The cost of energy also disproportionately impacts households on the lowest incomes, as they spend a significantly higher percentage of their disposable income on energy bills and have little, if any, capacity to absorb additional costs. People on the lowest incomes spend on average 6.4 per cent of their income on energy, compared to households in the highest income quintile, who pay on average only 1.5 per cent. Further, 25 per cent of the lowest income quintile are spending over 8.8 per cent of their income on energy.

In UnionsWA’s Initial submission to the 2022 State Wage Case, we argued that the prominence of an increase in the Electricity expenditure class in the March Quarter CPI results for Perth is no reason to discount the social impact of the overall 7.6% result – just because it may be coming off the end of the WA government’s \$600 household electricity credit.

The WACOSS submission confirms this by providing the following tables on household power disconnection and Hardship Utility Grant application (HUGS) data.

As noted by the Economic Regulation Authority WA, disconnection data is a “valuable indicator of how affordable energy is to customers.”

Synergy Disconnections between 1 August 2021 and 31 March 2022

| | Residential non-payment disconnection notices issues | Residential non-payment disconnection completed | Reconnections after residential non-payment disconnections | HUGS payment-count |
|--------|--|---|--|--------------------|
| Aug 21 | 721 | 373 | 309 | 420 |
| Sep 21 | 1121 | 681 | 528 | 451 |
| Oct 21 | 1074 | 740 | 584 | 531 |
| Nov 21 | 1266 | 858 | 663 | 836 |
| Dec 21 | 486 | 484 | 420 | 868 |
| Jan 22 | 814 | 327 | 192 | 840 |
| Feb 22 | 1945 | 992 | 748 | 767 |
| Mar 22 | 1588 | 1166 | 957 | 798 |

Horizon Power Disconnections between 1 August 2021 and 31 March 2022

| | Residential non-payment disconnection notices issues | Residential non-payment disconnection completed | Reconnections after residential non-payment disconnections | HUGS payment-amount |
|--------|--|---|--|---------------------|
| Aug 21 | 1029 | 265 | 51 | \$41,326 |
| Sep 21 | 1188 | 190 | 32 | \$27,418 |
| Oct 21 | 819 | 172 | 24 | \$19,271 |
| Nov 21 | 1497 | 248 | 37 | \$32,391 |
| Dec 21 | 200 | 105 | 21 | \$18,463 |
| Jan 22 | 959 | 20 | 16 | \$12,087 |
| Feb 22 | 1104 | 203 | 29 | \$25,309 |
| Mar 22 | 1505 | 300 | 28 | \$13,796 |

WACOSS concludes that

Though these figures fluctuate due to seasonal variations and the typical hold on disconnections over the Christmas period, they clearly demonstrate that disconnections and the need for assistance have seen a significant uptick since the end of the moratorium and the impact of the \$600 payment. Energy costs remain a critical concern for low-income workers and their households.

The WACOSS submission also provides results from the *Low Pay Report 2022*, prepared by WACOSS, Unions WA and the Youth Affairs Council of WA (YACWA). The findings of the report

... demonstrate that workers on low wages in Western Australia do not consider that their wages are increasing by the same proportion as their living costs, placing them in a state of financial stress or hardship. 66.3 per cent of respondents with an annual household income before tax that was lower than \$52,000 reported that they had \$100 or less a week after meeting their essential costs. 34.3 per cent reported that they had \$50 or less a week after meeting their costs, the highest response for that income category.

The report also examines ‘the disposable income and financial stress levels of just those respondents who reported an annual household income lower than \$52,000, against those in that income bracket who were also in full-time employment’.

Disposable income after essential costs for households with annual income lower than \$52,000

| | All employees | Full-time workers only |
|--------------------------------|---------------|------------------------|
| Under \$100 | 66.3% | 61.9% |
| \$100 - \$200 | 32% | 21.4% |
| \$200 - \$500 | 21.3% | 16.7% |
| More than \$500 | 3% | 0% |
| <i>Total no of respondents</i> | 169 | 42 |

Financial stress levels for households with annual income lower than \$52,000

| | All employees | Full-time workers only |
|---|---------------|------------------------|
| I/we are falling behind into debt | 15.4% | 15.9% |
| My/our income just meets costs of living | 38.9% | 40.9% |
| I/we have a bit of disposable income after meeting costs | 28.6% | 29.5% |
| I/we are able to have a decent disposable income and save as well | 10.3% | 9.1% |
| I/we are comfortable with few financial concerns | 6.9% | 4.5% |
| Total no of respondents | 175 | 44 |

Source: Perroni E. and Hansen, G. (2022)

WACOSS concludes that

... What this comparison indicates is that for those workers who are earning a low wage, access to fulltime work is not in itself a guarantee that workers will earn enough to cover their basic needs or to avoid financial stress, hardship or debt. The fundamental problem is that the income of these workers is simply too low to meet cost-of-living expenses or to provide some discretionary income.

It is worth relating the above data to issues of labour supply in a tightening labour market., as UnionsWA showed in its initial submission on Vacancy data.

State and territory – headline results

| State/Territory | IVI total job advertisements | Change over the month | | Change over the year | | Pre-COVID comparison | |
|------------------------------|------------------------------|-----------------------|-------|----------------------|-------|----------------------|--------|
| | | (no.) | (no.) | (%) | (no.) | (%) | (no.) |
| New South Wales | 99,000 | 7,000 | 7.6% | 22,100 | 28.7% | 40,400 | 68.9% |
| Victoria | 82,000 | 5,000 | 6.5% | 20,000 | 32.4% | 36,300 | 79.6% |
| Queensland | 63,100 | 5,800 | 10.1% | 18,800 | 42.6% | 32,100 | 103.4% |
| South Australia | 15,900 | 1,000 | 7.0% | 3,900 | 32.0% | 8,300 | 108.9% |
| Western Australia | 35,300 | 2,400 | 7.3% | 9,300 | 35.9% | 19,100 | 118.2% |
| Tasmania | 3,700 | 250 | 7.3% | 850 | 29.4% | 2,000 | 112.3% |
| Northern Territory | 3,300 | 180 | 5.7% | 750 | 29.2% | 1,700 | 100.5% |
| Australian Capital Territory | 8,300 | 200 | 2.4% | 1,600 | 23.5% | 2,500 | 42.6% |

In a time of labour and skills shortages, for many people full-time work does not pay in WA. Therefore, why would we expect people to increase their hours of work for a marginal benefit? A decision is needed to increase minimum and award wages to make work pay, and only UnionsWA and WACOSS are prepared to nominate a figure that would do so.

5. Submission – Chamber of Commerce and Industry WA

The Chamber of Commerce and Industry of WA (CCIWA) makes the following submission – that it:

... encourages the Commission in Court Session (the Commission) to adopt a cautious approach in reviewing the State Minimum Wage (SMW) and award rates of pay

However by failing to nominate an actual figure, their submission provides very little in the way of useful guidance for the CICS. Proposals such as making the unnamed increase ‘ a flat dollar increase’ are empty words with an actual amount.

The CCIWA submission should therefore be disregarded by the Commission. Nevertheless, UnionsWA wishes to highlight the following issues raised by the Chamber.

In its para 78, the CCIWA argues that it is ‘*appropriate for the Commission to give consideration to relevant provisions of the State and Federal Government budgets aimed at alleviating pressures experienced by the low paid, particularly cost of living.*’

UnionsWA contends that the information provided by the WACOSS submission, and the reports to which it refers, demonstrate that low wage earners and households are not having their cost of living ‘alleviated’ by very much through the provisions of State and Federal budgets. In any case, the *Wages Crisis: Revisited* report points out that alleviation measures such as tax cuts ‘*cannot replace wage gains*’.²

There are several reasons why tax cuts could not have more than a fleeting and incremental impact on aggregate consumer spending. Mathematically, wage growth generates more powerful and sustained increases in incomes than are possible from tax cuts: wage increases are compounded each year, with subsequent gains applied to a larger base. In contrast, tax cuts – especially if applied to a tax wedge that is shrinking as a result of previous tax cuts – have a diminishing absolute impact on incomes.

However, if the Chamber is of the view that State and Federal Budget measure must be taken into consideration, the following measures that various governments have include for business in their budgets should also be an argument for higher minimum and award wages.

WA government assistance to business includes:³

Small Business Hardship Grants (Expanded Program)

The Small Business Hardship Grants Program is designed to provide financial support for businesses most impacted by Level 2 public health and social measures that came into effect on 3 March 2022.

On 27 April 2022 a revision and expansion of the program was announced. Two tiers of grants will now be available to businesses that experienced a decrease in turnover for a consecutive two-week period between 1 January and 30 April 2022:

A revised tier for businesses that experienced a decline in business turnover of 40 per cent (reduced from the original 50 per cent decline) or more.

² The Wages Crisis: Revisited (p.36)

³ See <https://www.smallbusiness.wa.gov.au/coronavirus/grants>; <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/02/77-million-dollar-Safe-Transition-Industry-Support-Package.aspx>; <https://www.dlgsc.wa.gov.au/funding/arts-funding/getting-the-show-back-on-the-road>

A new tier for businesses that experienced a decline in business turnover of 30 per cent or more.

Payroll tax waiver

Larger hospitality businesses that have a payroll of between \$4 million and \$20 million will be eligible for a three-month payroll tax waiver if they have experienced at least a 40 per cent drop in turnover over any four week period between January 1, 2022 and April 30, 2022, comparable to the same period last year.

Tenant Rent Relief Scheme

Small business tenants can apply for rental relief grants of \$3,000.

Landlord Rent Relief Incentive

Business tenants of State Government buildings (including Government Trading Enterprises) will be offered rent relief of \$6,000 provided they meet the following criteria:

Have an annual turnover of more than \$50,000.

Have a valid and active Australian Business Number (ABN).

Have an Australia-wide payroll of less than \$4 million.

Be able to demonstrate a 30 per cent reduction in revenue for any four-week consecutive time frame between 1 January 2022 to 30 April 2022, compared to the equivalent period in 2021. An alternative period in 2021 may be used if the business did not operate at that time or it provides an inaccurate representation of the business' financial situation.

Provide proof of tenancy (lease) of a WA Government-owned building in WA.

Small Business Assistance Grant - December 2021

Applications are now open for the Small Business Assistance Grant – December 2021 to assist small businesses that were directly financially impacted by the Chief Health Officer's COVID Restrictions (Directions) from 23 December 2021 to 4 January 2022.

\$77 million Safe Transition Industry Support Package

The \$77 million Safe Transition Industry Support Package includes:

- *International Education support:*
- *Tourism support*
- *Other tourism and travel-related support:*
- *Events support*

Federal government assistance to business includes:⁴

JobMaker Hiring Credit

Provides employers with incentive payments for hiring job seekers aged 16 to 35.

Asset write-offs for businesses

⁴ See <https://business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-for-business/covid-19-financial-support-for-small-business>

The \$150,000 Instant Asset Write-Off provides businesses with an asset write-off of up to \$150,000 for assets costing less than the instant asset write-off threshold which are purchased and used in the year that the write-off is claimed.

SME Recovery Loan Scheme

The SME Recovery Loan Scheme enables small and medium-sized enterprises (SMEs) to access funding to get through the impact of coronavirus, recover and invest for the future.

Wage subsidy for employers of Australian apprentices

Boosting Apprenticeship Commencements wage subsidy supports employers of any size to take on new apprentices or trainees.

Accelerated depreciation of new business assets

Eligible businesses, for the 2019–20 and 2020–21 income years, may be able to deduct the cost of new depreciating assets at an accelerated rate using the backing business investment – accelerated depreciation rules.

UnionsWA argues that the CCIWA’s non-existent claim does not adequately consider the legislated criteria of the IR Act for a minimum wage adjustment, and should be disregarded.

6. Submission – Minister for Industrial Relations

Minister’s submission states that

Given the volatility in the prevailing economic climate, and the fact that further key sources of data are set to be released in coming weeks, the Minister has not recommended a specific position for minimum and award wage adjustments in this submission, but reserves the right to do so at a later stage of proceedings should this be deemed appropriate.

Not only does the failure to nominate a figure make the Minister’s submission incomplete, by giving themselves the right to submit a figure at the last possible moment, they are avoiding proper scrutiny and evaluation by the CICS and the other parties to the state wage case. The Commission should only provide minimal weight to the Minister’s submission.

What value this submission has is that it corroborates the submissions of UnionsWA, WACOSS, and Professor Preston. For example, at page 16, para 57 the Minister states that

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 equitable adjustments to minimum pay rates can play a role in helping to reduce gender pay inequality

The non-existent inadequate quantum proposed by the Minister is also not supported by other points made in the submission about the situation of the WA economy.

E.g. Page 5, para 16 of the Minister’s Submission includes the following:

In line with national trends, labour market conditions in Western Australia have tightened significantly in recent months, with stronger than anticipated employment levels and a large decline in the unemployment rate. Job vacancies are also around the highest levels on record.

The preceding para 15 states that

The State's economy, as measured by Gross State Product (GSP), is forecast to grow by 3.75 per cent in 2021-22 and by 2.0 per cent in 2022-23. 1 This is being underpinned by a very strong domestic economy, as measured by State Final Demand (SFD), which is forecast to grow by 5.25 per cent in 2021-22 - the highest rate of growth since 2012-13.

On the capacity of businesses to pay, the Minister's page 17, para 60 points out that

Figures produced by the ABS indicate that Gross Operating Surplus (GOS) plus Gross Mixed Income (GMI) increased across most industries over the course of the 2020-21 financial year. 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

Table 4: Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) by industry, WA, current prices, 2020 and 2021³²

| Industry | GOS + GMI June 2020 (\$m) | GOS + GMI June 2021 (\$m) | Annual Increase (\$m) | Annual Increase (%) |
|---|---------------------------------|---------------------------------|-----------------------------|---------------------------|
| Agriculture, forestry and fishing | 4,053 | 5,369 | 1,316 | 32.5% |
| Mining | 112,171 | 150,559 | 38,388 | 34.2% |
| Manufacturing | 6,334 | 6,639 | 305 | 4.8% |
| Electricity, gas, water and waste services | 2,970 | 2,683 | -287 | -9.7% |
| Construction | 5,723 | 6,136 | 413 | 7.2% |
| Wholesale trade | 2,828 | 3,624 | 796 | 28.1% |
| Retail trade | 3,041 | 3,884 | 843 | 27.7% |
| Accommodation and food services | 1,619 | 1,763 | 144 | 8.9% |
| Transport, postal and warehousing | 4,869 | 4,896 | 27 | 0.6% |
| Information media and telecommunications | 1,745 | 1,956 | 211 | 12.1% |
| Financial and insurance services | 7,135 | 7,248 | 113 | 1.6% |
| Rental, hiring and real estate services | 2,797 | 3,196 | 399 | 14.3% |
| Professional, scientific and technical services | 3,943 | 4,317 | 374 | 9.5% |
| Administrative and support services | 1,052 | 1,100 | 48 | 4.6% |
| Public administration and safety | 1,871 | 1,908 | 37 | 2.0% |
| Education and training | 1,464 | 1,395 | -69 | -4.7% |
| Health care and social assistance | 2,279 | 2,459 | 180 | 7.9% |
| Arts and recreation services | 511 | 503 | -8 | -1.6% |
| Other services | 1,677 | 1,823 | 146 | 8.7% |
| Total all industries | 183,147 | 226,889 | 43,742 | 23.9% |

The Ministers paras 75 and 76 on page 22 also point out that

Many low paid workers are solely dependent on increases awarded in the State Wage Case to meet their everyday living costs. This includes those employees who are not presently covered by an award and who are paid in accordance with the statutory minimum rates of pay provided for under the MCE Act.

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. 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 adjustments to the statutory minimum pay rates.

UnionsWA argues that the Minister's nonexistent claim does not adequately consider the legislated criteria of the IR Act for a minimum wage adjustment. This is demonstrated by the fact that the information in the Minister's submission would justify a larger increase, particularly on the grounds of addressing the gender pay gap and equal remuneration.

Only the claims by UnionsWA and WACOSS to increase award wages and the statutory minimum wage by 7.6%, address the range of criteria the Commission needs to consider.

7. Minutes of May 2022 Monetary Policy Meeting of the Reserve Bank Board

On 17 May 2022 the Reserve Bank released the minutes for its Monetary Policy meeting of 3 May, at which it decided to increase the cash rate target by 25 basis points to 35 basis points.⁵

The Board noted that

Real wages in advanced economies had fallen over the preceding year as consumer prices increased by more than wages despite the tightening in labour markets.

In Australia specifically, it has been reported to the Board that

... upstream price pressures were increasingly being passed on to final consumer prices of many goods, as supply chain pressures persisted and demand remained strong. Members noted it was possible that firms' price-setting behaviours were undergoing a change from the pre-pandemic period, with businesses becoming more confident that raising prices would not significantly reduce demand or erode their competitive position.

When considering wages the Board noted

The outlook for broader measures of labour costs had also been revised up; average earnings were expected to increase at a faster pace than the WPI, as firms turned to bonuses, allowances and other measures to attract and retain workers. While the inertia arising from multi-year enterprise agreements and current public sector wages policies would continue to weigh on aggregate wages growth in the near term, a period of faster growth in labour costs overall was in prospect.

The RBA Board has highlighted that recent years have seen a lack of real wage growth. However the cost of living is still rising, and employers are both anticipating and expecting labour costs to increase at the same time as they are experiencing labour supply issues. Firms paying minimum and award wages will need to attract and retain workers in this increasingly competitive environment for labour. Given that public sector wages and enterprise agreements 'continue to weigh on aggregate wages growth in the near term' - institutional steps such as a substantial increase in the minimum wage of 7.6% (which only UnionsWA and WACOSS have bothered to quantify) are needed to match living costs and allow businesses to attract workers on a level playing field of labour costs.

8. ANZ-Roy Morgan Australian Consumer Confidence Survey

According to the Survey⁶

Consumer confidence decreased 1.3% last week, dropping to its lowest level since mid-August 2020.

Among the major states, confidence increased in NSW and Queensland, while it dropped in Victoria, SA and WA.

ANZ Head of Australian Economics, David Plank, commented:

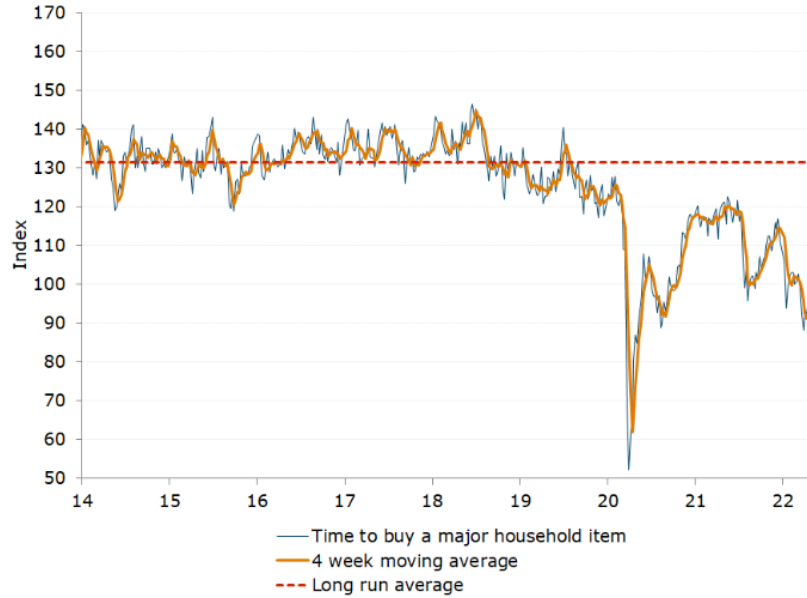
⁵ Minutes of the Monetary Policy Meeting of the Reserve Bank Board (3 May 2022)

<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2022/2022-05-03.html>

⁶ ANZ Research, ANZ-Roy Morgan Australian Consumer Confidence Media Release, 'Consumer confidence drops again' (17 May 2022)

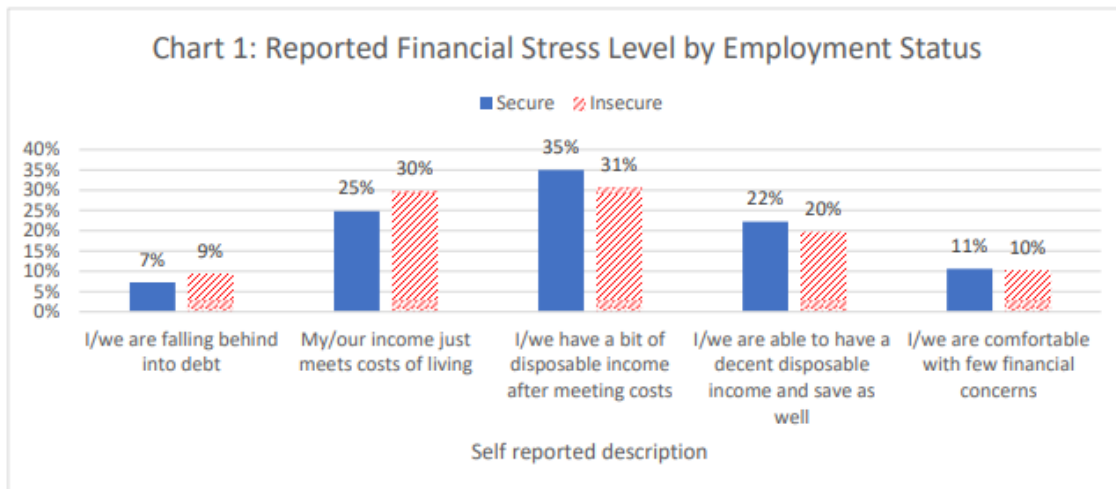
Consumer confidence dropped 1.3% last week, its third consecutive weekly loss. Last week's decline was mainly driven by drops in the subindices that capture the 'financial situation compared to a year ago' and whether it is a 'good time to buy a major household item'.

Figure 7. 'Time to buy a major household item' declined 2.7%



Source: ANZ-Roy Morgan

These results reinforce the information provided by UnionsWA in our initial submission concerning the results of survey report on job and wage insecurity among working Western Australians. Even for those in secure jobs life is often lived close to the financial breadline with one in three (32%) reporting that they are either going further into debt or just meeting costs of living.



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9. State Wage Principles

UnionsWA is supportive of the Minister's proposed Amendment to the Equal Remuneration Principle

10. Conclusion

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, the recent dramatic increases in the cost of living, and the continuing postponement of real wage growth for WA workers. Therefore, UnionsWA's claim is for an increase of 7.6% or \$59.20 per week at the C14 classification, and 7.6% to subsequent classifications.

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 for all workers, with no delays for selected industries. 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 to ensure workers, particular low wage and award reliant ones, are benefiting from the 'white hot' economies at both the state and national level. The disjunction between zero real wage growth and strong economic growth must be addressed by decisions of the WA Industrial Relations Commission.

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

The costs of living in WA have increased dramatically, as have been demonstrated by the ongoing need to revise key budget estimates and forecasts upwards, but not real wages growth. The divergence between discretionary and non-discretionary CPI inflation should also 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 Vacancy Data for WA shows that employees are in demand, particularly in occupations and skills levels that are more likely to be impacted by minimum and award wages, but real wages are not going up. Workers are being paid less than the full value of their output given that the WA economy is the standout performer in Australia.

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

An increase in the state minimum wage in WA of 7.6% or \$59.20 per week, is more likely to assist workers and vulnerable groups of employees who are less likely to negotiate decent increases for themselves. This is particularly the case when it appears that collective bargaining generally (at least as reflected in the Fair Work system) appears to be in long term decline.

(vi) encourage ongoing skills development; and

For apprentices 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. Apprentice and trainee wages should be lifted in the usual way to attract new entrants and recognise increased demand.

(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;

Growth forecasts for the both the WA and national economy are similarly positive, making both economies well placed to increase minimum and award wages in such a way that maintains and materially improves the living standards of low wage workers. 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 7.6%, as a percentage increase, balances the range of factors that the Commission must consider. 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 the WA and Australian economies are not only recovering quickly but are well placed to make increases to minimum and award wages that will compensate for the rising costs of living and materially improve people's circumstances.