

UNIONSWA

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Submission of UnionsWA on 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. Introduction

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

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, and also address the recent substantial increases in Perth CPI inflation, which is particularly impacting non-discretionary spending. Therefore, UnionsWA's claim is for an increase of **7.6%** or **\$59.20 per week**. This would bring the State Minimum Wage to **\$838.20** per week, or **\$22.06** per hour. See the table below for how a 7.6% state wage increase would impact award rates, based on the *Metal Trades General Award*.

Award classification	Current rates		Proposed rates: Year to March Qtr 2022 Perth CPI 7.6% claim				
			Weekly	Hourly	% increase	Weekly \$ increase	Hourly \$ increase
C14	\$779.00	\$20.50	\$838.20	\$22.06	7.6	\$59.20	\$1.56
C13	\$797.90	\$21.00	\$858.54	\$22.59	7.6	\$60.64	\$1.60
C12	\$823.30	\$21.67	\$885.87	\$23.31	7.6	\$62.57	\$1.65
C11	\$847.00	\$22.29	\$911.37	\$23.98	7.6	\$64.37	\$1.69
C10	\$887.40	\$23.35	\$954.84	\$25.13	7.6	\$67.44	\$1.77
C9	\$911.60	\$23.99	\$980.88	\$25.81	7.6	\$69.28	\$1.82
C8	\$935.60	\$24.62	\$1,006.71	\$26.49	7.6	\$71.11	\$1.87
C7	\$957.70	\$25.20	\$1,030.49	\$27.12	7.6	\$72.79	\$1.92
C6	\$1,005.80	\$26.47	\$1,082.24	\$28.48	7.6	\$76.44	\$2.01
C5	\$1,030.00	\$27.11	\$1,108.28	\$29.17	7.6	\$78.28	\$2.06

- 2.2. The increase to minimum and award wage should apply from the end of June 2022 onwards. There should be no delay for selected industries, and 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 WA *State Budget for 2022-23* states that¹

Despite the volatile and uncertain global environment, the Western Australian economy has continued to perform strongly, reflecting the State's positive health outcomes and relatively low levels of public health measures, supported by controlled borders while the COVID-19 vaccination rates picked-up significantly.

The domestic economy (as measured by State Final Demand, SFD) is estimated to grow by a very strong 5.25% in 2021-22 - the strongest in a decade – with further growth of 4% expected in 2022-23. To date, this has been underpinned by a strong lift in household spending, with growth in 2022-23 supported by rebounding business investment and elevated levels of Government investment.

The State's strong economic performance is creating a very tight labour market, with employment forecast to grow by 5% (or 68,700 jobs) in 2021-22, and a further 2% (or 28,900 jobs) in 2022-23. The unemployment rate is projected to average just 3.75% from 2022-23.

- 3.3. A comparison between the economic forecasts of the WA 2021-22 *Government Mid-year Financial Projections Statement* (released 16 December 2021) and the revisions in the WA 2022-

¹ WA Treasury, 2022-23 *Budget. Economic and Fiscal Outlook. Budget Paper No.3* (p.8)
<https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp3/2022-23-wa-state-budget-bp3.pdf>

23 Budget. *Economic and Fiscal Outlook* (released 12 May 2022) demonstrate just how strong this performance has been, but also how wage earners continue to be left behind.²

WA ECONOMIC FORECASTS Annual Growth (%)					
2021–22 Government Mid-year Financial Projections Statement and WA Budget 2022–23 Economic and Fiscal Outlook					
	2020-21	2021-22	2022-23	2023-24	2024-25
Household Consumption (MY Review 2021)	2.6	2.75	2.25	3	2.5
Household Consumption (Budget 2022-23)	2.7	5	2.25	2.75	2.5
State Final Demand (MY Review 2021)	4.4	5	2	2.5	2.25
State Final Demand (Budget 2022-23)	4.4	5.25	4	3	2.25
Gross State Product (MY Review 2021)	2.6	3.5	1	1.25	1.5
Gross State Product (Budget 2022-23)	2.6	3.75	2	1	1.5
Unemployment Rate (MY Review 2021)	6.1	4.25	4.25	4	4
Unemployment Rate (Budget 2022-23)	6.1	4	3.75	3.75	3.75
Consumer Price Index (MY Review 2021)	1.6	2.5	2	2.25	2.25
Consumer Price Index (Budget 2022-23)	1.6	4	2.75	2.5	2.5
Wage Price Index (MY Review 2021)	1.5	2.5	2.75	2.75	2.75
Wage Price Index (Budget 2022-23)	1.5	2	2.75	3	3

3.4. While it is notable that both state final demand and gross state product estimates and forecasts have been revised upwards for 2021-22 and 2022-23, and the unemployment rate has been revised down for each year to 2024-25, real wage growth (WPI minus CPI) has been pushed backwards. The Mid-Year Review suggested WPI would exceed CPI in 2022-23 (WPI 2.75% vs CPI 2%), whereas the Budget shows real wages growth only appearing in 2023-24 (WPI 3% vs CPI 2.5%). Meanwhile in 2021-22, CPI has been revised upwards from 2.5% to 4%, whereas the WPI has been revised downwards from 2.5% to 2%.

3.5. The strong performance of the WA economy over the last few years is also reflected in the most recent Australian Bureau of Statistics (ABS) data on *Weekly Payroll Jobs and Wages in Australia* (for the Week ending 16 April 2022). These are payroll jobs and wages estimates, sourced from Single Touch Payroll (STP) data. Below are the State and territory percentage changes in payroll jobs, and total wages, for the previous year.

² WA Treasury, 2021-22 Government Mid-year Financial Projections Statement (page 39)
<https://www.wa.gov.au/system/files/2021-12/2021-22-government-mid-year-financial-projections-statements.pdf>;
 2022-23 Budget. Economic and Fiscal Outlook. Budget Paper No. 3 (pp.9-10)
<https://www.ourstatebudget.wa.gov.au/2022-23/budget-papers/bp3/2022-23-wa-state-budget-bp3.pdf>

Percentage change for Weekly Payroll Jobs and Wages in Total Australia³

	Payroll Jobs	Total wages
	Year (%)	Year (%)
New South Wales	0.2	6
Victoria	2.8	7.6
Queensland	2.7	8.7
South Australia	2.4	7
Western Australia	3.3	9.2
Tasmania	3.6	6.2
Northern Territory	1.9	5.5
Australian Capital Territory	4.3	9
Australia	2	7.4

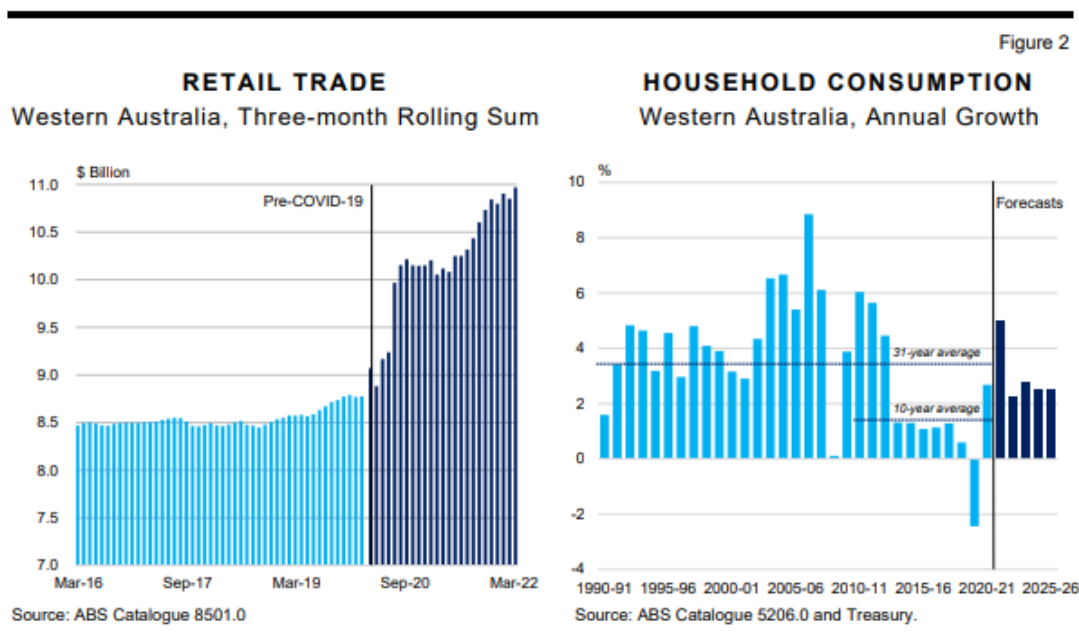
3.6. WA had the second largest change in payroll jobs of all States and was the third largest overall. It also had the largest increase in total wages of all States and Territories. It should be noted that the wages increase of 9.2% is lower than what UnionsWA is proposing for this State Wage Case.

3.7. The 2022 State Budget also states that

Household consumption has continued to exceed expectations, with growth in spending accelerating to 6% in 2021 from 2.7% in the 2020-21 financial year

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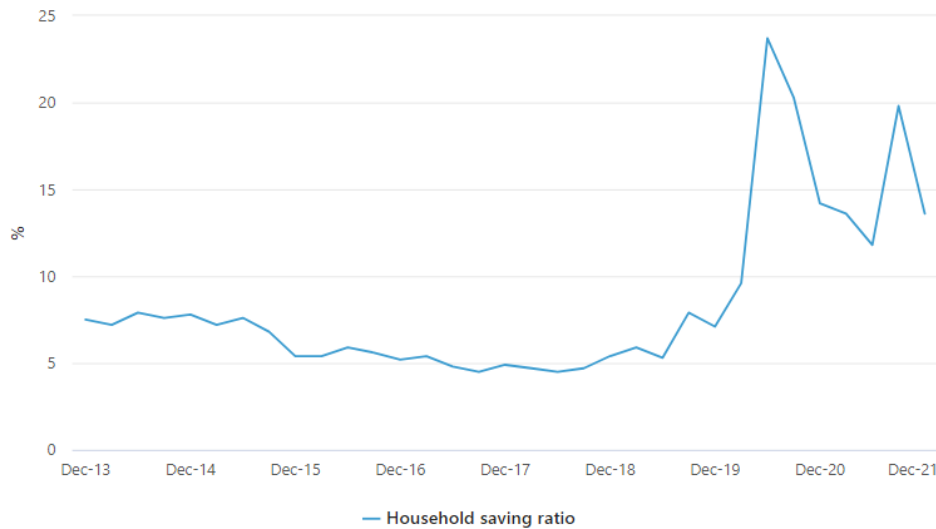
This spending momentum has continued into 2022 (see figure below, left-hand panel). Experience from the eastern States suggests that the outbreak of the Omicron variant in Western Australia during March and April will likely have a negligible impact on spending. As a result, household consumption is forecast to grow by 5% in 2021-22.



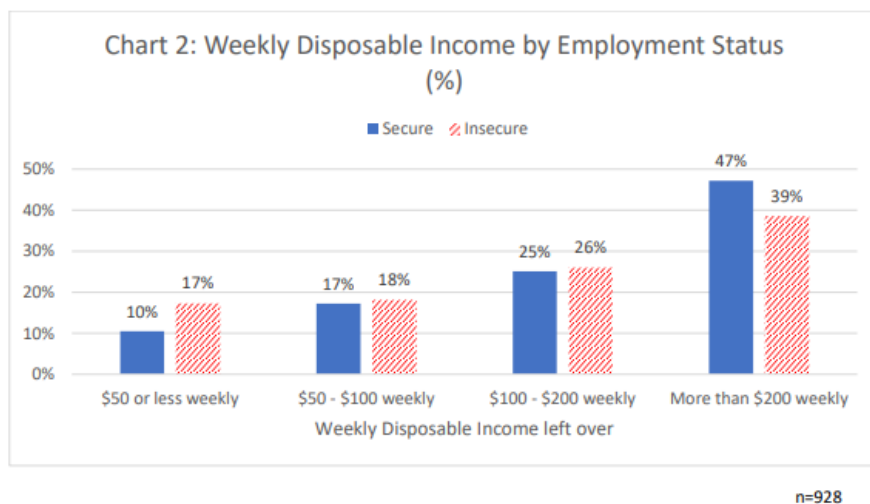
³ ABS, *Weekly Payroll Jobs and Wages in Australia*, 12 May 2022
<https://www.abs.gov.au/statistics/labour/jobs/weekly-payroll-jobs-and-wages-australia/week-ending-16-april-2022#key-statistic>

- 3.8. Treasury has previously forecast higher household consumption, alongside zero real wage growth, by arguing that elevated levels of saving will allow those households to continue spending. However, the most recent National Accounts figures from the ABS show that the household saving ratio decreased from 19.8% (September 2021) to 13.6% (December 2021). Even allowing that these are national figures, it cannot be taken for granted that savings will be able to compensate for lower wages growth, as the chart below shows a more ‘normal’ savings ratio as closer to 5%.⁴

Household saving ratio, seasonally adjusted



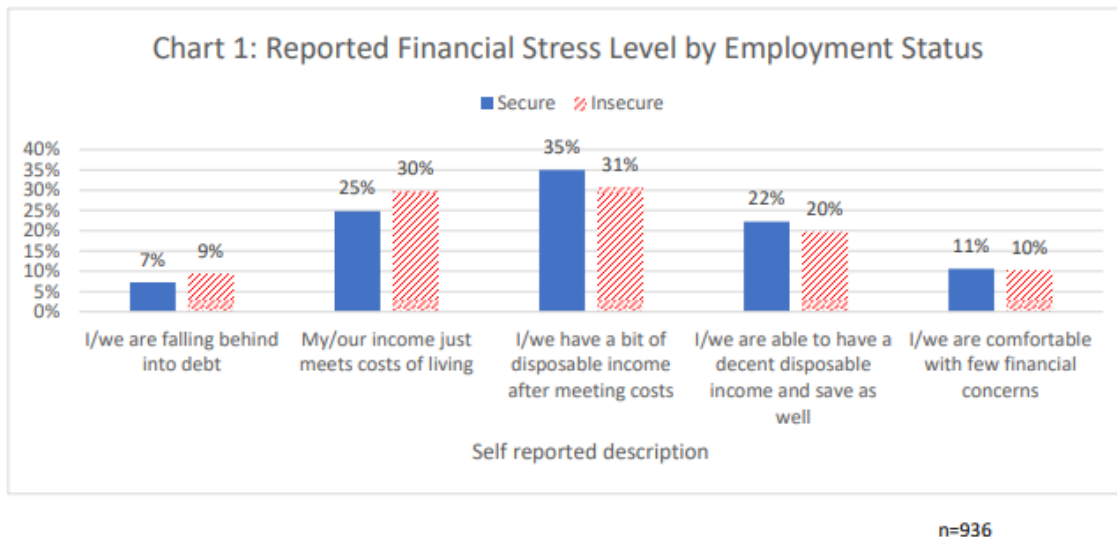
- 3.9. Workers at the lower end of earnings and award rates are also unlikely to have had the ‘depth’ of savings. This is reflected in a recently released UnionsWA survey report on job and wage insecurity among working West Australians.⁵ The report shows that among those in insecure work, almost two in five (39%) say they are either going further into debt or barely meeting costs of living.



⁴ ABS, *Australian National Accounts: National Income, Expenditure and Product*
<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>

⁵ UnionsWA 'Job and Wage Insecurity in Western Australia Survey Report 2022' (pp4-5,7)
https://www.unionswa.com.au/new_study_lays_bare_wa_job_wage_insecurity

- 3.10. Even accepting that low paid work is not necessarily insecure work, 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.



- 3.11. The personal accounts from workers in this Report (which UnionsWA will submit as an attachment) also offer powerful testimony to the problems of relying on low wage and insecure workers drawing on their savings to maintain household consumption.

"Marita" has worked casually for the past three years as a Retail Assistant for a large corporation. This is her sole source of income. She lives with her partner in a house owned by their parents.

"The shifts can vary a lot from week to week and I have to draw on savings when there's not enough work. I have to give plenty of notice if I need a break from work such as for my birthday, and find someone to fill my allocated shift, but they give very little notice if I have to come in or if they cancel."

Jaxon is 29 years of age and has only ever worked in insecure jobs. For several years he lived independently but is currently living with his parents. He works in a call centre, mostly after hours. The work hours vary, which means his income can fluctuate considerably. He is also attempting to establish his own business, which at present isn't providing income.

"There's a lack of free time and stress with long and unusual hours of paid and unpaid work. This often means not eating well, ironically when doing so is most important."

- 3.12. Turning to the national economy, Warren Hogan managing director of EQ Economics and former principal adviser to The Federal Treasury, recently called the labour market 'white hot' and argued that:⁶

⁶ 'Australia must avoid entrenching a US-style 'working poor'' <https://www.smh.com.au/national/australia-must-avoid-entrenching-a-us-style-working-poor-20220511-p5akbe.html>

Raising the minimum wage may seem counter-intuitive if inflation control is the ultimate objective. But supporting household incomes while raising interest rates gives us our best chance of getting monetary policy settings right for the long-term.

Maintaining a strong baseload demand in the economy through maintaining the real wages of low and middle income households will alleviate the risk of a widespread fall in consumer spending as interest rates rise.

3.13. The Federal Budget for 2022-23 was handed down in March 2022 and included the following forecasts;⁷

Table 1.1: Major economic parameters^(a)

	Outcome	Forecasts				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Real GDP	1.5	4 1/4	3 1/2	2 1/2	2 1/2	2 1/2
Employment	6.5	2 3/4	1 1/2	1 1/2	1	1
Unemployment rate	5.1	4	3 3/4	3 3/4	3 3/4	4
Consumer price index	3.8	4 1/4	3	2 3/4	2 3/4	2 1/2
Wage price index	1.7	2 3/4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	4.4	10 3/4	1/2	3	5 1/4	5

(a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through the year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia and Treasury.

3.14. It is notable that this Budget has real wage growth commencing in 2022-23. By contrast the Federal Budget for 2021-22 (below) did not have real wage growth starting until 2024-25.⁸

Table 1.2: Major economic parameters^(a)

	Outcome	Forecasts				
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Real GDP	-0.2	1 1/4	4 1/4	2 1/2	2 1/4	2 1/2
Employment	-4.2	6 1/2	1	1	1 1/4	1 1/4
Unemployment rate	6.9	5 1/2	5	4 3/4	4 1/2	4 1/2
Consumer price index	-0.3	3 1/2	1 3/4	2 1/4	2 1/2	2 1/2
Wage price index	1.8	1 1/4	1 1/2	2 1/4	2 1/2	2 3/4
Nominal GDP	1.7	3 3/4	3 1/2	2	4 3/4	5

(a) Real GDP and Nominal GDP are percentage change on preceding year. The consumer price index, employment, and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter.

Source: ABS Australian National Accounts: National Income, Expenditure and Product; Labour Force, Australia; Wage Price Index, Australia; Consumer Price Index, Australia and Treasury.

3.15. The Real GDP growth forecast for 2022-23 was 2.5% in the 2021-22 Budget. In the 2022-23 Budget it is now 3.5%.

3.16. 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.

⁷ Commonwealth Treasury, *Budget Strategy and Outlook Budget Paper No. 1 2022-23* (p.6)
https://budget.gov.au/2022-23/content/bp1/download/bp1_2022-23.pdf

⁸ Commonwealth Treasury, *Budget Strategy and Outlook Budget Paper No. 1 2021-22* (p.9)
https://archive.budget.gov.au/2021-22/bp1/download/bp1_2021-22.pdf

4. **The Needs of the Low Paid, Fair wage standards & Improved living standards for employees** UnionsWA is proposing a 7.6% increase in WA minimum and Award wages to reflect the reality that Perth CPI inflation is currently the highest in Australia for both quarterly and annual movements.⁹

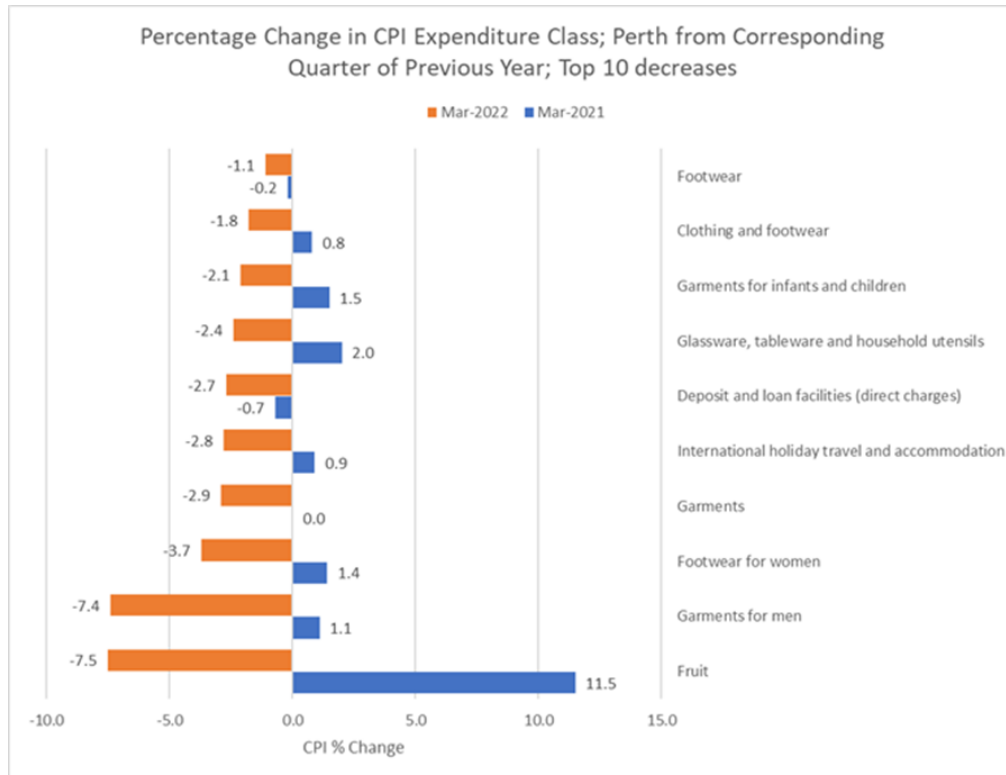
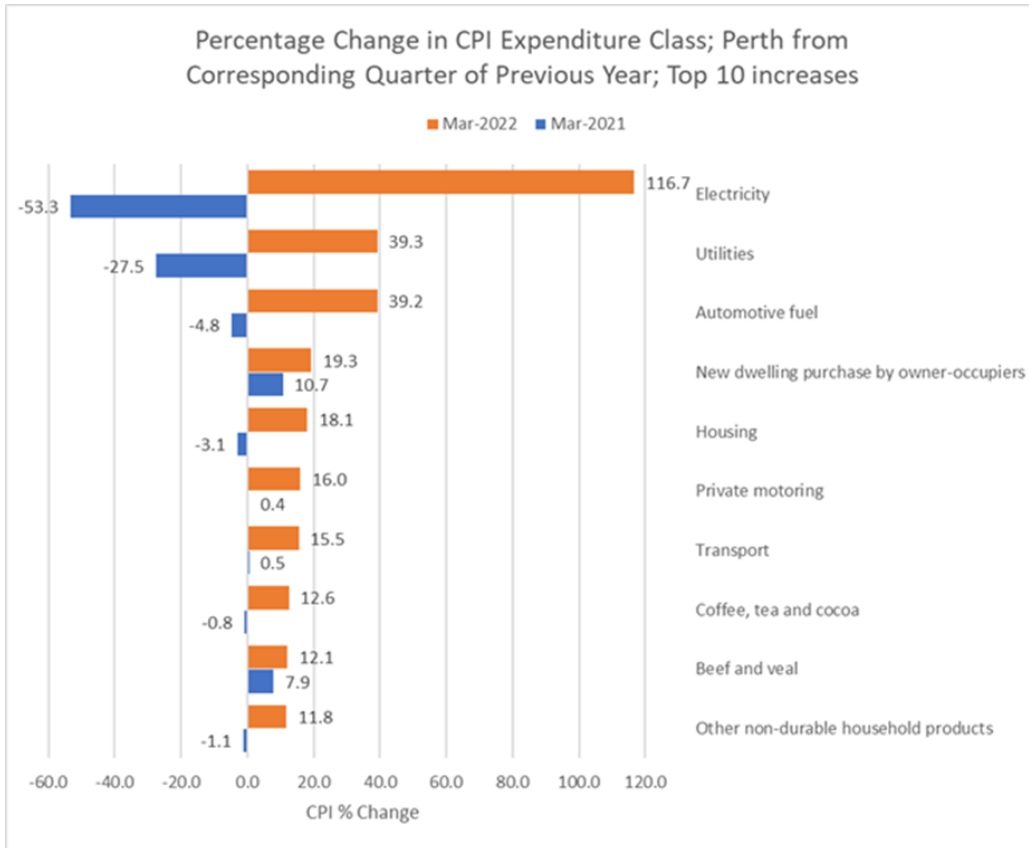
All groups CPI, All groups index numbers and percentage changes			
	Index number(a)	Percentage change	
	Mar Qtr 2022	Dec Qtr 2021 to Mar Qtr 2022	Mar Qtr 2021 to Mar Qtr 2022
Sydney	123.7	1.7	4.4
Melbourne	124.2	2.3	4.5
Brisbane	125.3	2.2	6.0
Adelaide	122.7	1.9	4.7
Perth	123.3	3.3	7.6
Hobart	125.4	2.0	5.8
Darwin	120.7	2.1	5.5
Canberra	123.6	2.2	5.4
Weighted average of eight capital cities	123.9	2.1	5.1

4.2. When looking at the CPI Expenditure Groups for year to March Quarter 2022 (and comparing them with the year to March Quarter 2021), it can be seen that the top 10 percentage increases specific components are all higher than the UnionsWA claim for a 7.6% increase in the State Minimum Wage. Of the Top 10 decreases, none of those exceed 7.6%.

4.3. The Top 10 increases that fall into the ABS's classification of 'non-discretionary' (Goods or services which are purchased because they meet a basic need) are: Electricity; Automotive fuel; New dwelling purchase by owner-occupiers; and other non-durable household products (e.g. Dustpans, dusters; cloths; kitchen paper, baking parchment roll, aluminium foil; garbage bags). Whereas the Top 10 decreases that are non-discretionary are: Deposit and loan facilities (direct charges); and Fruit.¹⁰

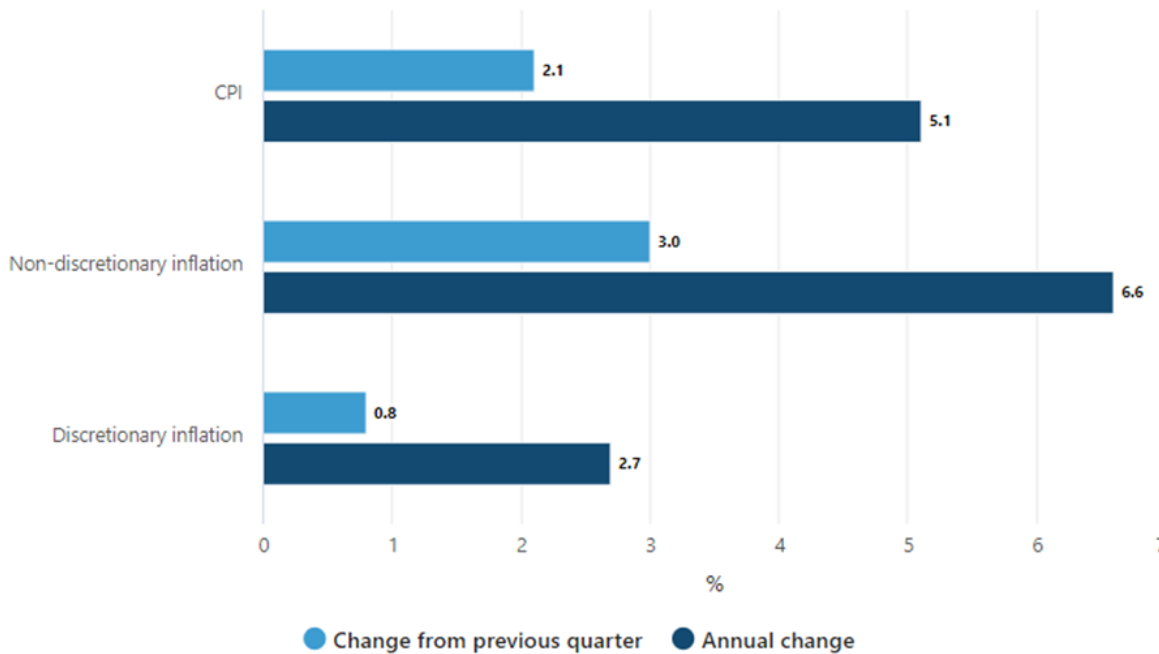
⁹ ABS, *Consumer Price Index, Australia*, March 2022 <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

¹⁰ ABS, 'Measuring Non-discretionary and Discretionary Inflation' <https://www.abs.gov.au/articles/measuring-non-discretionary-and-discretionary-inflation>



4.4. The most recent CPI release also notes that nationally non-discretionary inflation has gone up more than discretionary, and CPI, for both the Quarter and the Year.

CPI, Non-discretionary and discretionary, quarterly and annual movement (%)

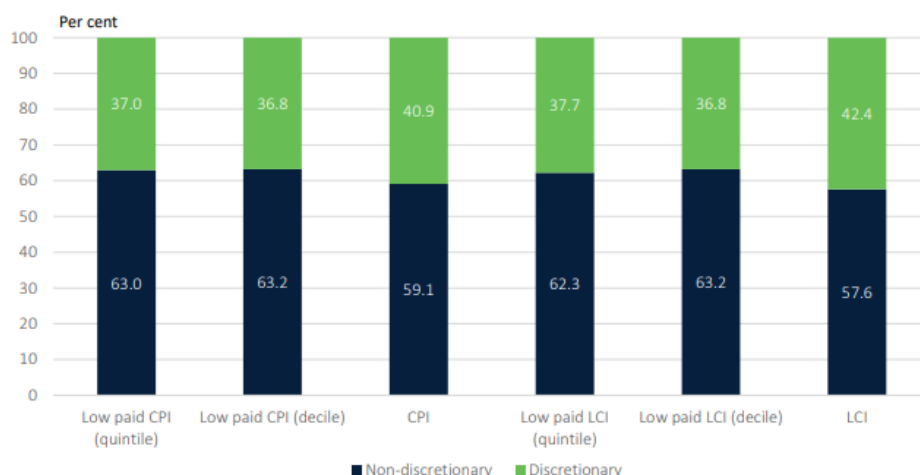


4.5. In the research report undertaken for the 2021–22 Fair Work Commission Annual Wage Review, ‘Experimental estimates of a Consumer Price Index for low-paid employee households’ - the authors used CPI and the Selected Living Cost Indexes (LCIs) to measure the spending patterns of low-paid employee households and compare them with other households. While they did not find large differences, they are notable in the context of sharp divergences between discretionary and non-discretionary inflation.¹¹

Chart 7.1 shows the proportion of non-discretionary and discretionary expenditure using the CPI and LCI for both types of low-paid employee households compared with the published CPI and LCI.³⁵ Non-discretionary expenditure accounted for around 63 per cent of total expenditure for both measures of the low-paid CPI, which is higher than for the published CPI (59.1 per cent). Similarly, the proportion of expenditure on nondiscretionary items was also higher for the measures of the low-paid LCI (around 62–63 per cent) than the published LCI (57.6 per cent), showing that low-paid employee households have higher expenditure on essential or non-discretionary items than average.

¹¹ Kelvin Yuen and David Rozenbes, ‘Experimental estimates for a Consumer Price Index for low-paid households’ (pp.34-6) <https://www.fwc.gov.au/documents/wage-reviews/2021-22/correspondence/lowpaidcpi.pdf>

Chart 7.1: Non-discretionary and discretionary expenditure as a proportion of total expenditure for the CPI and LCI, low-paid employee households, September quarter 2017



Note: These data are presented as at the September quarter 2017 as this is when the published CPI and LCI expenditure weights were updated using the 2015–16 HES.

Source: ABS, *Microdata: Household Expenditure, Income and Housing, 2015–16*; ABS (2017b); ABS, *Selected Living Cost Indexes: 17th Series Weighting Pattern*, Sep 2017.

- 4.6. Dramatic increases in the costs of living in the context of low-to-no wages growth, particularly in non-discretionary spending, are likely to hit the low paid particularly hard. The WA Commission should take this into consideration when determining the WA minimum wage increase – particularly taking account of the higher inflation figures in this state.
- 4.7. Returning for a moment to the WA Expenditure groups. Comment has been made by Aaron Morey of the CCIWA to the effect that the March CPI outcomes for Perth (+3.3% and +7.6%) reflect the end of the WA government’s \$600 household electricity credit. This makes the March CPI somehow ‘artificial’ - with the implication that it is somehow not real and can be ignored.
- 4.8. However, this ignores the reality that CPI is a measure of the change in the prices paid by households for goods and services consumed.¹² When the price of an item such as electricity increases, it is a real increase felt by households - whether it ‘one off’ or ‘ongoing’. Thus it warrants being taken into account when considering changes to the cost of living.
- 4.9. While the WA government’s \$400 Household Electricity Credit to help reduce cost-of-living pressures for households is certainly welcome, it should be noted that the state budget still contains increases in items such as Driver’s licence fees and the Emergency Services Levy.¹³

¹² ABS, ‘Consumer Price Index: Concepts, Sources and Methods, 2018’, <https://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6461.0Main%20Features22018>

¹³ Budget Paper No. 3 (p.327).

The impact of changes in tariffs, fees and charges in 2022-23 on the 'representative' household is shown in the table below.

Table 8.7

ESTIMATED IMPACT ON THE 'REPRESENTATIVE' HOUSEHOLD				
	2021-22 \$ level	% change	\$ change	2022-23 \$ level
Motor Vehicles ^(a)				
Vehicle licence charge	399.56	3.8	15.36	414.92
Recording fee	10.30	—	—	10.30
Driver's licence	88.10	6.4	5.60	93.70
Motor Injury Insurance (MII)	416.00	2.4	10.10	426.10
Total	913.96	3.4	31.06	945.02
Utility Charges ^(b)				
Electricity ^(c)	1,768.30	2.5	44.22	1,812.52
\$400 Household Electricity Credit ^(d)	n/a	n/a	-400.00	-400.00
Water, wastewater, and drainage ^{(e)(f)}	1,759.79	2.5	43.92	1,803.71
Total	3,528.09	-8.8	-311.86	3,216.23
Public Transport ^(g)				
Student fares ^(h)	280.00	—	—	280.00
Standard fares ⁽ⁱ⁾	1,128.96	2.0	23.04	1,152.00
Total	1,408.96	1.6	23.04	1,432.00
Emergency Services Levy (ESL) ^(f)	283.09	5.0	14.17	297.26
Stamp Duty ^(j)				
Stamp duty on general insurance ^(k)	203.50	—	—	203.50
Stamp duty on MII	42.61	—	—	42.61
Total	246.11	—	—	246.11
Total Expenditure	6,380.21	-3.8	-243.59	6,136.62

- 4.10. A reduction in Tariffs, Fees, and Charges of 3.8% in the 2022-23 WA Budget is not sufficient to compensate for its estimates of real wage decline in 2021-22, and postponement of real wage growth (again) until 2023-24. The UnionsWA proposal for an increase in WA minimum and award wages of 7.6% is both moderate (given it only matches the most recent inflation) and reasonable (given the real wage decline of recent years and ongoing postponement of real wage growth).

5. The operation of the labour market in WA: Why make a decision on wages?

- 5.1. There is no dispute that Australia's economy is currently expanding. However while 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.
- 5.2. 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 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.
- 5.3. 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.
- 5.4. 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.¹¹

... 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.

- 5.5. 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.

- 5.6. 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.

- 5.7. 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.

- 5.8. 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.

- 5.9. This is a reason why minimum wage increases are not causing reductions in employment:

... 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 ability¹²

- 5.10. 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’. ¹³

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.

- 5.11. 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:¹⁴

[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.

- 5.12. The contradictions of a lift in demand for workers, but no forecast for a real lift in wages until 2023-24, are demonstrated by data contained in the most recent Internet Vacancy Index.¹⁴

- 5.13. WA has had the largest increase in job advertisements since before the COVID – 19 Pandemic of any state and territory jurisdiction.

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.)	(%)
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%

- 5.14. Using slightly earlier data, WA's vacancies in occupations and skill levels more likely to be covered by minimum and award wages have also increased more than the national increases since pre-covid times.¹⁵

¹⁴ Internet Vacancy Index, <https://labourmarketinsights.gov.au/our-research/internet-vacancy-index/#5>

¹⁵ Vacancy Report <https://lmip.gov.au/default.aspx?LMIP/GainInsights/VacancyReport>

Table A2: State and Territory IVI – Seasonally Adjusted

IVI by Occupation & State/Territory - February 2022	Index (Jan-06 = 100)	Monthly change (%)	Monthly change (no.)	Pre-COVID change (%)	Pre-COVID change (no.)	Number of job advertisements
Australia	127.6	3.6%	9,300	60.4%	101,600	269,700
Managers	141.5	2.9%	810	35.6%	7,600	28,900
Professionals	154.8	3.6%	2,600	44.1%	22,700	74,200
Technicians and Trades Workers	154.4	4.3%	1,500	65.8%	14,700	37,000
Community and Personal Service Workers	237.2	7.6%	2,100	102.3%	15,000	29,600
Clerical and Administrative Workers	100.6	4.1%	1,600	47.1%	13,300	41,400
Sales Workers	95.1	2.8%	590	72.9%	9,300	22,000
Machinery Operators and Drivers	117.3	1.1%	170	91.1%	7,100	14,800
Labourers	78.2	1.1%	250	130.1%	12,700	22,400

Western Australia	169.2	1.7%	510	88.7%	14,300	30,500
Managers	197.7	3.1%	80	77.6%	1,200	2,700
Professionals	189.3	2.6%	190	66.3%	3,000	7,600
Technicians and Trades Workers	261.9	1.0%	60	81.8%	2,700	5,900
Community and Personal Service Workers	350.2	2.0%	50	133.3%	1,500	2,700
Clerical and Administrative Workers	117.0	3.3%	140	89.4%	2,000	4,300
Sales Workers	140.9	-1.9%	-40	122.4%	1,200	2,200
Machinery Operators and Drivers	188.3	5.4%	140	86.6%	1,300	2,700
Labourers	94.9	2.5%	70	170.2%	1,800	2,800

Table A4: State and Territory Skill Level Internet Vacancy Index – Seasonally Adjusted

IVI by Skill Level & State/Territory - February 2022	Index (Jan '06 = 100)	Monthly change (%)	Monthly change (no.)	Pre-COVID change (%)	Pre-COVID change (no.)	Number of job advertisements
Australia	127.6	3.6%	9,300	60.4%	101,600	269,700
Skill Level 1 - Bachelor degree or higher	148.9	3.2%	2,900	40.3%	27,100	94,400
Skill Level 2 - Advanced Diploma or Diploma	139.0	4.3%	1,200	44.8%	8,600	27,600
Skill Level 3 - Certificate IV or III* (Skilled VET)	151.5	5.3%	2,000	68.1%	16,200	40,000
Skill Level 4 - Certificate II or III	126.7	4.2%	2,900	73.2%	30,400	71,800
Skill Level 5 - Certificate I or secondary education	82.5	2.8%	1,000	119.8%	19,800	36,400

Western Australia	169.2	1.7%	510	88.7%	14,300	30,500
Skill Level 1 - Bachelor degree or higher	187.5	2.5%	230	65.5%	3,700	9,200
Skill Level 2 - Advanced Diploma or Diploma	196.1	7.8%	240	84.8%	1,500	3,400
Skill Level 3 - Certificate IV or III* (Skilled VET)	271.2	2.6%	150	91.5%	2,800	5,900
Skill Level 4 - Certificate II or III	162.2	1.1%	90	96.4%	4,000	8,200
Skill Level 5 - Certificate I or secondary education	99.9	0.4%	20	168.2%	2,500	4,000

5.15. The lack of response by ‘prices’ of labour to an increased demand (and consequent need for supply), demonstrates that businesses are refusing to pay potential workers the full value of their labour – as a monopsony model of the labour market would predict. This also demonstrates the benefit to employers of a binding, institutional increase in wages. If business owners are concerned that they will become uncompetitive by increasing wages, a minimum and award wage increase across the board will ensure that competitive labour cost disadvantages cancel each other out, while Labour supply will be encouraged. The relative attractiveness of employment at the minimum and award wage end will be improved to the benefit of employees.

6. Protecting employees unable to reach an industrial agreement

6.1. UnionsWA contends that an increase in the state minimum wage in WA 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.

6.2. In its submission to the Annual Wage Review, the WA government points out that ‘over 37 per cent of all Western Australian employees work in the five most award-reliant industries’.¹⁶ They include the following chart:

Table 2: Employment and award reliance by industry - WA and Australia, February 2022

Industry	WA: Proportion of Workforce ¹⁴	Australia: Proportion of Workforce ¹⁴	Australia: Proportion of employees paid by award ¹⁵
Accommodation and Food Services	6.4%	6.6%	63.0%
Administrative and Support Services	3.1%	3.1%	44.9%
Other Services	4.2%	3.9%	42.1%
Health Care and Social Assistance	13.4%	15.1%	34.3%
Retail Trade	10.3%	9.6%	30.8%
Arts and Recreation Services	1.7%	1.7%	28.3%
Rental, Hiring and Real Estate Services	1.6%	1.7%	25.3%
Manufacturing	5.1%	6.3%	21.1%
Construction	8.9%	8.6%	15.8%
Transport, Postal and Warehousing	5.2%	5.1%	14.0%
Public Administration and Safety	6.6%	6.7%	13.5%
Wholesale Trade	2.4%	2.4%	11.1%
Information Media and Telecommunications	1.2%	1.6%	8.0%
Education and Training	7.4%	8.3%	8.0%
Professional, Scientific and Technical Services	7.8%	9.5%	6.6%
Electricity, Gas, Water and Waste Services	1.1%	1.3%	6.1%
Financial and Insurance Services	2.5%	4.2%	5.5%
Mining	9.0%	2.1%	1.1%
Agriculture, Forestry and Fishing	2.2%	2.2%	N/A [*]
All industries	100.0%	100.0%	24.7%

^{*} 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.

6.3. The WA government also notes

the particularly high level of award reliance in three of Australia’s largest employing industries – Health Care and Social Assistance, Retail Trade and Accommodation and Food Services – and contends that a meaningful increase in award wages is important if such employees are to maintain a reasonable standard of living.

6.4. In its submission to the FWC, the ACTU notes that collective bargaining has been declining in Australia over the long term, however¹⁷

Australia is not unique among global economies in this regard. Indeed, the OECD has previously found that the number of workers covered collective bargains, and moreover collective bargaining itself is declining in a number of economies, including those with differing systems for the adjustment of minimum wages.

¹⁶ Government of Western Australia submission (pp.7-8) <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/wagov-sub-awr2122.pdf>

¹⁷ ACTU Submission to the 2021-22 Annual Wage Review (pp.167-68) <https://www.fwc.gov.au/documents/wage-reviews/2021-22/submissions/actu-sub-awr2122.pdf>

6.5. The Federal government's Trends in Federal Enterprise Bargaining Report for December 2021 shows a decline in numbers of WA Agreements, and numbers of workers covered by them.

FOR AGREEMENTS CURRENT AT THE END OF THE NOMINATED QUARTER	Dec-18	Dec-19	Dec-20	Dec-21	% Change Dec-18 to Dec-21
Western Australia					
WA agreements	1,077	1,081	958	910	-15.5%
WA AAWI (%)	2	1.9	1.9	2	
WA duration (yrs.)	3.2	3.1	3.1	3	
WA employees ('000)	109.8	117.8	109.4	86.8	-20.9%
Australia					
All sector agreements	10,905	10,742	9,995	10,646	-2.4%
All sectors AAWI (%)	2.7	2.6	2.6	2.6	
All sectors duration (yrs.)	3	2.9	3	3	
All sectors employees ('000)	1,883.10	2,245.60	1,900.70	1,650.10	-12.4%

6.6. The ACTU go on to cite the assessments of Johanna Macneil, Mark Bray, and Leslee Spiess, who point out that¹⁸

There are potentially many broader causes for the conspicuous decline of collective bargaining since 2012. It is difficult not to attribute much of the decline to the peculiar provisions of the Fair Work Act that give employers the right to make key decisions in the bargaining process and the new ways in which employers are exercising that discretion

6.7. While the WA industrial relations system operates under different legislation than the Fair Work system, the decisions of the WA Commission are more likely to protect workers unable to reach an industrial agreement, rather than discourage bargaining.

7. Encouraging Ongoing Skills Development

7.1. Federal government measures directed at the commencement of new apprenticeships and traineeships were in effect in 2020-21 and 2021-22. Under these measures, businesses (including Group Training Organisations) that engage a new apprentice or trainee between 5 October 2020 and 30 March 2022 are eligible for a subsidy of up to 50% of apprentice or trainee wages, capped at \$7,000 per quarter per worker. This initiative was extended in

¹⁸ 7 Bray et. al. 'Unions and Collective Bargaining in Australia in 2018' 2019, Vol. 61(3) *Journal of Industrial Relations* (pp.357–381) <https://journals.sagepub.com/doi/abs/10.1177/0022185620908907>

the 2023-23 budget to be operative for a further 3 months, so it will capture apprentices or trainees engaged until 30 June 2022.¹⁹

7.2. In the 2022-23 State Budget the WA government also announced:²⁰

- \$38.4 million additional funding for Lower fees, local skills initiative
- \$11 million boost for defence industry's professional and para-professional workforce
- \$14.3 million to support training in WA's in-demand construction industry
- \$5.5 million to help mature-aged jobseekers and ex-offenders into jobs
- \$4.9 million in support for Collie workforce transition

7.3. The latest data from the National Centre for Vocational Education Research (NCVER) for WA shows the recent 'In-training' data for WA as follows²¹

In-training highlights - Western Australia as at 30 September 2021



¹⁹ Commonwealth Treasury, 2022-23 Budget – Budget paper No. 2, (pp.76-77) https://budget.gov.au/2022-23/content/bp2/download/bp2_2022-23.pdf

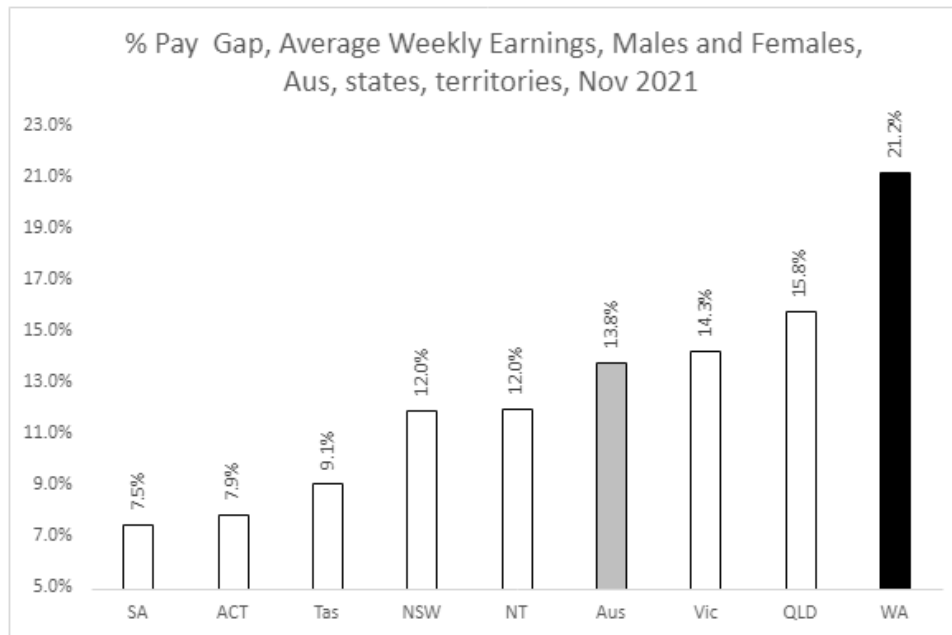
²⁰ 'McGowan Government investing in skilled workforce for the future' <https://www.mediastatements.wa.gov.au/Pages/McGowan/2022/05/McGowan-Government-investing-in-skilled-workforce-for-the-future.aspx>

²¹ 'In-training' is the number of apprenticeship/traineeship training contracts where the apprentice/trainee is actively training under the terms of their contract. NCVER, *Apprentices and trainees 2021: September quarter* <https://www.ncver.edu.au/research-and-statistics/publications/all-publications/apprentices-and-trainees-2021-september-quarter>

7.4. The increase in in-training numbers is being supported by assistance measures to both employers and employees. So, apprentice and trainee wages should be lifted in the usual way to attract new entrants and recognise the increased demand.

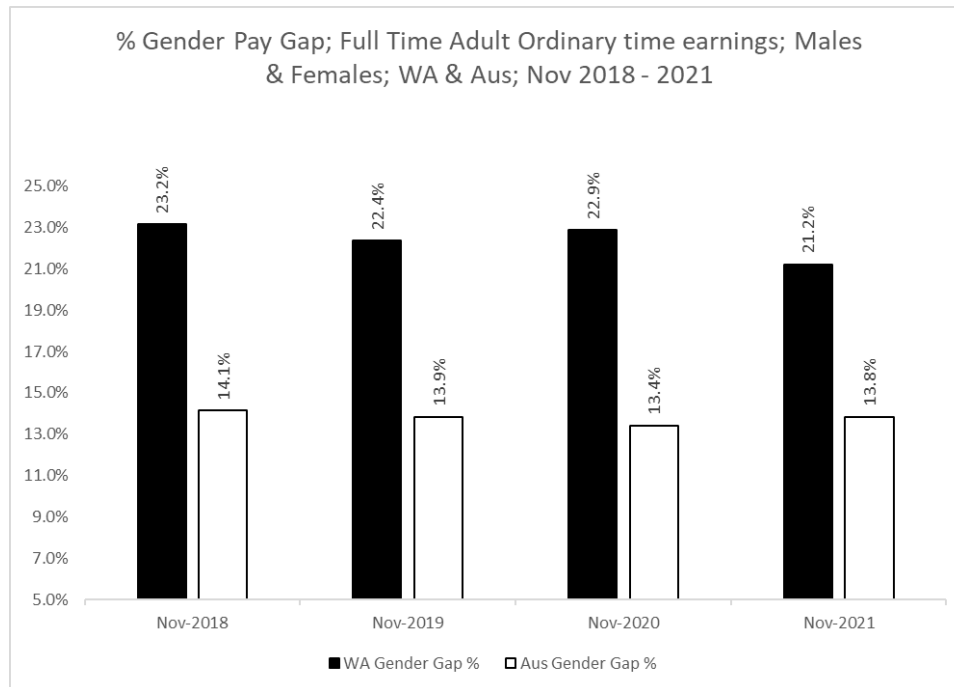
8. Providing Equal Remuneration for Men and Women for Work of Equal or Comparable Value

8.1. WA continues to have the largest gender pay gap in Australia.²²



8.2. The national gender pay gap improved slightly each year from 2018 to 2020: contracting from 14.1% to 13.4%. However it got worse in 2021, increasing to 13.8%. For 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. In 2021 the gap improved to 21.2%, the year that the WA Commission awarded a larger increase that was operational from the end of June.

²² ABS Average Weekly Earnings, Australia, November 2021 <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release>



8.3. For last year's State Wage Case, the Commission received a submission from Professor Alison Preston, UWA Business School. The importance of binding, institutional wage increases is to redressing gender pay gaps is highlighted in Professor Preston's Paper '*The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019*'. She and her co-author Elisa Birch observe that, after a period of strong wage growth in the 2000s for both males and females, between 2010-11 and 2018-19.²³

... wages growth was flat (zero) for males and subdued (5 per cent) for females. The 5 per cent growth experienced by females derived in part (half) from composition effects (namely education investments) and the balance from favourable wage structure effects amongst low paid females. It is possible that latter is underpinned by Fair Work Australia's 2012 decision to significantly increase the minimum wages of employees in the Social and Community Services (SACs) sector.

8.4. This 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.

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

9.1. 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

²³ Prof Alison C Preston and Elisa R Birch, Paper '*The Evolving Wage Structure of Young Adults in Australia: 2001 to 2019*' (pp.14-15) <https://www.waarc.wa.gov.au/assets/Documents/WageCase/2021/Submissions/APPL-1-2021-Public-Submission-A-Preston-The-Evolving-Wage-Structure-of-Young-Adults-in-Australia-2001-to-2019.pdf>

are covered by the State system as potentially between 21.7 per cent and 36.2 per cent of the employees in the State.²⁴

9.2. 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;
- 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.

9.3. UnionsWA also notes that the recently passed *Industrial Relations Legislation Amendment Bill 2021* with its changes in the definition of employee under the state Industrial Relations system, will potentially bring more low wage workers under the WA minimum wage jurisdiction.

9.4. 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.²⁴

9.5. UnionsWA contends that an increase in the state minimum wage in WA of 7.6% 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.

10. The need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment

10.1. UnionsWA is advocating that the Commission increase Award wages and the statutory minimum wage by a percentage value (7.6%). Such an increase would ensure relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.

²⁴ *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

- 10.2. The last few decisions of the WA Commission – 2019, 2020, and 2021 – have all been for percentage increases. 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.

11. Conclusion

11.1. 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, 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.

11.2. 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.