



2022 State Wage Case

Chamber of Commerce and Industry WA
Submission in Reply

17 May 2022



We believe in good business

Index Title

Introduction.....	3
Minister’s submission	3
UnionsWA’s submission	7
WACOSS’s submission	10
Professor Preston	14

Industrial Relations Act 1979

In the Western Australian Industrial Relations Commission

Application No. 1 of 2022

2022 STATE WAGE ORDER

On the Commission's own motion

SUBMISSION IN REPLY

BY

THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

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Introduction

1. The Chamber of Commerce and Industry of Western Australia (CCIWA) provides the following submissions in reply to the 2022 State Wage Case (SWC) submissions filed by:
 - 1.1. The Minister for Industrial Relations (Minister);
 - 1.2. UnionsWA;
 - 1.3. The Western Australian Council on Social Services (Inc) (WACOSS); and
 - 1.4. Professor Alison Preston.
2. In summary, CCIWA submits that:
 - 2.1. The Minister's submission recognises the ongoing volatility of the current economic environment and the ongoing uncertainty associated with the COVID-19 pandemic, supply chain disruption and other global events;
 - 2.2. The 7.6 per cent increase proposed by UnionsWA and WACOSS is opportunistic and if granted would have a significant impact on employment and inflation;
 - 2.3. The submissions made by UnionsWA and WACOSS are largely focused on cost of living pressures and do not appropriately take into consideration the measures adopted by the state and federal governments to address these.

Minister's submission

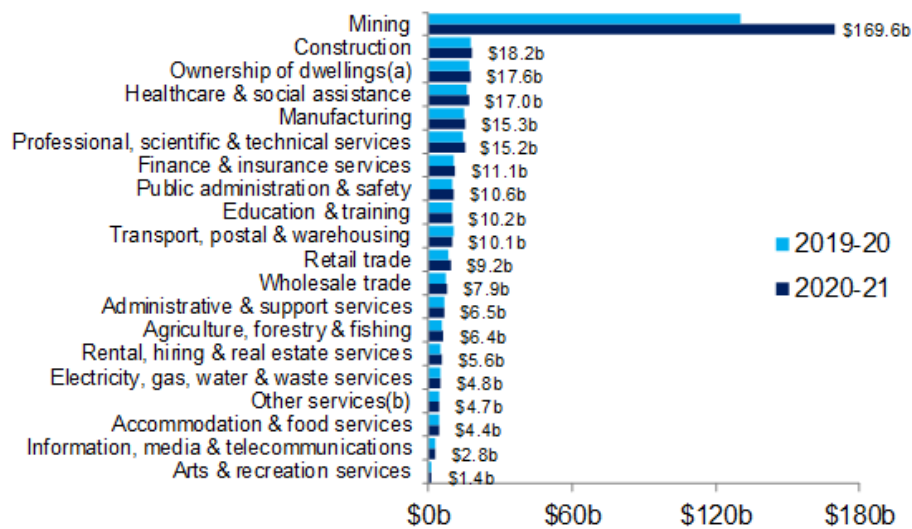
3. The Minister's submission has not nominated a specific recommendation for the SWC outcome, noting the volatility in the prevailing economic climate and the need for further information.
4. This position recognises the challenge that will be faced by the Commission in Court Session (Commission) in reaching a conclusion about what increase should be granted as part of this year's proceedings.

WA Economy

5. The Minister has stated that the WA Economy continues to perform strongly, even in the face of increased community transmission of COVID-19.
6. In considering the strength of the WA economy as a whole, it is important to identify what is driving this outcome. As identified in CCIWA's submission, the mining sector accounts for an unprecedented 47 per cent of our Gross State Product (GSP), meaning that the WA economy has never been more reliant on a single industry sector for our economic prosperity.

- The mining sector dwarfs the contribution made by other industry sectors, as shown below.

Graph 1 – Industry contribution to Gross State Product – WA¹



- This poses a significant risk to the ongoing performance of the WA economy and means that we are especially vulnerable to shocks in the price or demand for our resource commodities. The WA Budget has recognised this risk with \$1.3 billion being committed to diversify the WA economy in order “to support sustainable, long-term growth”.²
- It is also clear that economic growth is not shared equally across all industry sectors.

Risks to the WA economy

- The Minister’s submission identifies that a key domestic risk to the economy is how the COVID-19 pandemic develops at the state and national level. They have also expressed concern about the impact that COVID-19 may have on the Chinese economy and what that could mean for WA.³
- However, in identifying this risk, the submission also references the RBA’s comment that the impact of Omicron on the domestic economy has been much less than that seen during earlier outbreaks.⁴ Caution should be had in applying this statement to the WA economy given that we are yet to see the full effects of the current outbreak with infection numbers remaining on the rise.
- WA has also not previously experienced significant community outbreaks of COVID-19 meaning that the WA community and businesses are less experienced in dealing with the effects of widespread transmission compared to NSW and Victoria.

¹ Government of Western Australia. *Western Australia Economic Profile – March 2022*

² WA Government (2022) *WA Jobs Plan - A Strong Economy*, p3

³ Attachment A, p12.

⁴ Attachment A, p5

13. In considering the WA Government approach to managing COVID-19, the Minister has stated that the Government's controlled border policy has allowed for relatively low levels of other public health measures. However, it is important to recognise that the State's closed border has itself had a significant impact on WA business community. As identified in our submission, WA closed border policy has resulted in an inability to recruit staff, reduced capacity of employers to manage their business, lost customers' sales and loss of commercial contracts.⁵

Inflation

14. We support the Minister's comment that while the headline rate of inflation is currently elevated, it is appropriate for the Commission to take a holistic view of CPI and look beyond short-term pressures.⁶
15. The Commission should also take into account the measures taken by the State and Federal Government to address cost of living pressures on the community through targeted support measures, as identified paragraph 77 – 83 of CCIWA's submission.
16. We note the Minister's comments with respect to the research undertaken by Yuan and Rozenbes as part of the Annual Wage Review (AWR) on cost of living for low paid households. It is clear that further time is needed to consider the impact of differing spending patterns on discretionary and non-discretionary items before any firm conclusions can be drawn on this matter.

Equal remuneration

17. The Minister has identified that based on average weekly ordinary time earnings, the gender pay gap decreased by 1.7 percentage points in the 12 months to November 2021.
18. The submission also notes that WA has the highest gender pay gap of the other states. However, the Minister has not sought to identify the factors that contribute to this difference or to what extent an increase to the minimum wage will impact on the gap.
19. WA's high gender pay gap remains an ongoing matter of concern for the business community. The reasons for the gap are complex and require a considered approach to identify and address the multiple causes. This is not achievable through these proceedings.
20. We therefore suggest that there be no change to the Commission's previously held view that there are limits to which increases in the SMW can have a material impact on the gender pay gap.

⁵ CCIWA, para 20.

⁶ para 42

Gross operating surplus / gross mixed incomes

21. In considering the gross operating surplus (GOS) plus gross mixed industry (GMI) data provided at Table 4 of the Minister's submission, it is important to note the high level of variation between industry groups.
22. The substantial growth in the mining and agricultural sector has clearly had a disproportionate impact on all industry growth and reinforces the ongoing strength of the mining sector, in conjunction with a favourable grain harvest.

Fairness

23. The Minister highlights that there are some groups of employees covered by the state industrial relations system (state system) that are currently award free, including workers in occupations that would traditionally be considered award type work.
24. The WA Government has addressed this concern through the *Industrial Relations Legislation Amendment Bill 2021 (WA)*, which will provide the Commission with the capacity to, of its own motion, expand the scope of private sector awards to cover parts of an industry not previously covered.
25. This measure is intended to address the concern raised by the Minister.

Employees unable to bargain

26. The Minister's submission identifies that industrial agreements are utilised by a limited number of sectors, and that smaller unincorporated businesses in the retail and hospitality sectors are not using industrial agreements at present.
27. A significant contributor to this outcome is that the state system does not provide an agreement making option that is appropriate for small businesses. The Minister is therefore asking the Commission to take into consideration the need to protect employees who are unable to bargain as a result of the Government's failure to establish an industrial relations system that facilitates bargaining for this group.
28. In considering the application of s50A(3)(v), the Commission should also take into consideration that bargaining is intended to produce both improved terms and conditions of employment for employees as well as increased flexibility for employers in the manner in which work is performed when compared to the award.
29. The SWC should therefore not be considered a means to provide increases that may otherwise be achieved through bargaining, as it is unable to account for trade-offs that are the catalyst for negotiated wage increases.

Additional matters

30. CCIWA does not object to the Minister's revised industry/skill list.
31. CCIWA is currently reviewing the Minister's proposed changes to the SWC principles arising from the *Industrial Relations Legislation Amendment Bill 2021*. We submit that the Minister should confirm when the amendments relevant to the SWC are to be proclaimed.

UnionsWA's submission

32. UnionsWA is seeking a 7.6 per cent increase to the SMW and award rates of pay. This equates to a \$59.20 per week increase to the SMW through to a \$78.28 per week increase to the C5 classification under the *Metal Trades General Award*.
33. This claim is substantial higher than the 5.5 per cent increase sought by the Australian Council of Trade Unions (ACTU) as part of the AWR.
34. UnionsWA claim appears to be prefaced solely upon the March quarter CPI without consideration of the short-term factors that have contributed to the recent spike, nor the state and federal government's targetted responses aimed at addressing cost of living pressures.

State of the economy

35. UnionsWA contends that a substantial increase to minimum rate of pay is required given the performance of the WA economy, wage price index (WPI), and headline CPI for Perth.
36. For the reasons specified in CCIWA submission this position fails to take into consideration:
 - 36.1. That the strength of the WA economy is largely driven by the performance of the mining sector, which is not reflected across all industry groups.
 - 36.2. The short term factors that have impacted upon the March CPI figure are not reflected in the level of underlying inflation.
 - 36.3. The measures taken by the WA and Federal governments to address cost of living pressures.
 - 36.4. The limitations in measuring wage growth using WPI in the current environment, which has been identified by the RBA, WA Treasury and CCIWA.

37. In considering the performance of the WA economy, UnionsWA makes reference⁷ to the growth in total wages as reported in the ABS *Weekly Payroll Jobs and Wages in Australia* report. They identify that total wages paid in WA increased by 9.2 per cent over the year and identify that the amount is below their SWC claim of 7.6 per cent. This misconstrues what is being measured by their report. The total wages figure is not a measure of average wage growth and is impacted by the total number of jobs, total working hours, and total remuneration paid.
38. Reference is also had to the level of household spending⁸, with UnionsWA contending that the impact of the COVID-19 pandemic on businesses is therefore limited. This fails to take into account the range of ways in which businesses can be impacted by government restrictions and shifts in consumer behaviour. In particular, it does not take into consideration changes in the way in which household spending occurs, including the shift from in person purchases to online spending.
39. UnionsWA also raises concerns over WA Treasury's forecast of increased household consumption by highlighting a decline in household savings between September to December 2021. However, it is apparent from the graph provided at paragraph 3.8 that the level of household savings remains high despite quarterly fluctuations and is substantially higher than pre COVID levels.
40. UnionsWA also draws upon its *Job and Wage Insecurity in Western Australia Report*. This report is based on a survey of employees it undertook in conjunction with WACOSS and the Youth Affairs Council of WA. There are a number of limitations arising from this survey which impact upon its relevance. In particular, the data does not control for a range of factors, including the hours worked by an employee or their rate of pay, when identifying their financial stress and disposable income. Consequently, no conclusions can be drawn from the data on the adequacy of the SMW.
41. Likewise, the personal comments highlighted in the submission are focused on the impact of the individual's employment status rather than the adequacy of their rate of pay.

⁷ Para 3.5

⁸ Para 3.7

42. UnionsWA also relies upon the comments made by Warren Hogan of EQ Economics, which is described as a “micro advisory firm specialising in strategic planning and forecasts for Australian business”.⁹ Mr Hogan’s conclusions on the impact of wage growth on inflation is contrary to the consensus position that one of the biggest risks to inflation is a wage-price spiral. This is reflected in Gareth Aird (Commonwealth Bank’s head of Australian economics) response to a question on the impact of a 5 per cent increase to the national minimum wage, in which he responded that “all else being equal, it means higher inflation.”¹⁰ The Reserve Bank has also cautioned that “given the labour market is already quite tight, workers might be more able to demand and achieve higher wages to compensate for the increased cost of living even in the absence of a lift in productivity” and that “if employers pass these increased wage costs on to consumers, this could result in inflation being sustained at a higher rate than currently anticipated.”¹¹

Needs of the low paid

43. In considering the needs of the low paid, UnionsWA submission focuses substantially on the recent spike in Perth CPI. In response, we draw the Commission’s attention to the comments made in the Minister’s and CCIWA submissions.
44. We also note that the state and federal budget have also incorporated provisions aimed at providing a targeted response to cost of living pressures.
45. UnionsWA has also criticised the need to take into consideration the causes of temporary spikes in CPI, such as the impact of the end of the WA Government’s previous household electricity credit.¹² UnionsWA has also not provided a coherent argument to justify its position, noting that it’s views are also inconsistent with those of WA Treasury.

Operation of the WA labour market

46. UnionsWA makes reference to US based theory on the monopsony labour market as impacting upon wages growth in WA. UnionsWA provides no evidence to support the application of this theory within the Australian or WA labour market.
47. It is well recognised that caution should be had in applying US labour market theories to the Australian context, particularly where there is an absence of evidence to demonstrate its transferability.

⁹ Warren Hogan - [Linked-in profile](#)

¹⁰ Dusevic, T (14 May 2022) [Sharing the earnings from lucky country's big payday](#). The Australian.

¹¹ Marin-Guzman, D and Shapiro, J (6 May 2022) [Reserve Bank warns of wage-price spiral as unions push for pay](#), Financial Review

¹² Para 4.7 and 4.8.

Protecting employees unable to reach an industrial agreement

48. CCIWA refers to the comments made in paragraphs 26 to 29 of this reply submission.

Equal remuneration

49. CCIWA refers to the comments made in paragraphs 17 to 20 of this reply submission.

Percentage increase

50. UnionsWA is seeking a percentage increase on the basis that it helps to preserve award relativities.

51. However, a flat dollar increase would deliver a proportionately greater benefit to low paid workers.

WACOSS's submission

52. As in previous years, WACOSS's claim of a 7.6 per cent increase to the SMW and award rates of pay reflects the quantum sought by UnionsWA.

53. In justifying its position WACOSS is primarily focused on the challenges facing low income households in terms of accommodation costs, food insecurity, electricity costs and financial security.

54. Issues such as housing affordability, poverty, and food security are complex issues which are not possible to be resolved solely through the SWC decision.

55. A further challenge in considering the relevance of WACOSS's submission for the purpose of the SWC proceedings is its focus on low-income households which includes persons who are solely or largely reliant on government support. This limits the transferability of this information for the purpose of considering the adequacy of the SMW and award rates of pay generally.

Housing

56. WACOSS raises concern about the impact of increases in rental costs on low paid workers and the need for a substantial increase in the SMW and award rates to make housing more affordable.

57. However, this ignores that a key driver of rental affordability is the supply of properties, as shown by the substantial decline in the vacancy rate.

58. An increase to the SMW will not address this issue. Rather strategies are required which will increase the incentive for investment in affordable rental properties, combined with an easing of supply chain pressures and increased availability of skilled labour.

59. As identified in CCIWA's submission the state budget seeks to address housing supply issues through:
- 59.1. a 50 per cent reduction in land tax for new build-to-rent projects aimed at removing investment barriers and increasing the supply of rental properties;
 - 59.2. a 100 per cent stamp duty rebate for off-the-plan apartments below \$500,000 aimed at improving the number of affordable homes. This strategy compliments the Federal Government's commitment to expand the Home Guarantee Scheme to 50,000 guarantees up from the current 10,000;
 - 59.3. a density bonus for multi-storey developments that include a minimum of 5% social housing.¹³
60. We further note that increased competition for rental properties has resulted in reports of prospective tenants offering to pay above advertised rent in order to secure a property.¹⁴ A percentage increase to all award rates of pay will have the effect of providing a greater dollar increase to those employed in higher award classifications, further disadvantaging employees paid at the SMW if competing for scarce rental properties.
61. Caution also needs to be had in comparing average rental prices as a proportion of the SMW when determining household affordability, as it does not take into consideration the range of household types and other sources of income, such as government payments and assistance.

Food

62. WACOSS's submission identifies that there has been an increased demand for services from its members who provide food relief. In considering the relevance of this information it is important to distinguish the difference between low-income households and people paid the SMW or award rates of pay.
63. In its submission WACOSS references the *Foodbank Hunger Report* which claims that 64 per cent of those who have experienced food insecurity are employed.¹⁵ However, the report also identifies that the primary cause of this are unexpected expenses or large bills, noting that one of the groups most affected by this are couples and young families on above average income. Consequently, this concerning trend is not a reflection of the adequacy of the SMW but highlights the potential for all household types to be affected by financial challenges.

¹³ WA Government (2022) *Western Australian State Budget 2022-23 – Budget Paper No 1 Treasurer's Speech*, p10

¹⁴ Thompson, H (11 April 2022) *Perth tenants should 'go over the top' when applying to rent a home ... and also pay more*, WA Today. It should be noted that the article also identifies the use of references and personalised rental application as alternative strategies to make rental application more attractive.

¹⁵ The report does not identify what proportion of the workforce this correlates to.

Energy

64. The impact of energy prices is a matter that is being addressed by the WA Government through the provision of a \$400 electricity credit and a commitment not to increase household charges above the rate of inflation.
65. This provides a more targeted measure to address this concern.

Regional costs

66. CCIWA submits that the *Location Allowance General Order* provides the most appropriate mechanism to address cost of living difference between regions.

Low paid report

67. WACOSS also refers to its *Low Paid Report 2022*, developed in conjunction with UnionsWA and the Youth Affairs Council of WA, which focuses on the experienced of households with an annual income of less than \$52,000. We note that this report draws upon the same survey as UnionsWA *Job and Wage Insecurity in Western Australia Report*.
68. There are a number of limitations with this report which impacts on its application for these proceedings.
69. A significant issue is the low proportion of full time employees surveyed. Of the 178 respondents identified as low paid, only 24.7 per cent were employed on a full time basis. Consequently, most of the comments are derived from those working less than 38 hours, limiting the ability to draw conclusions of the adequacy of the minimum wage.
70. Income sources are also not clearly identified within the report nor are working hours, further limiting its relevance.
71. The type of household in which the persons reside is also not articulated. Household demographics have a significant impact on disposable income in determining not only the costs of living but also expenses.
72. The disposable income table identifies that 24.3 per cent of all low paid employees surveyed had a weekly disposable income of \$200 or more. This is high level disposable income for this demographic, particularly when considering that the majority of these workers are employed for less than 38 hours per week¹⁶. It suggests that a significant proportion of these low paid workers do not live in a low-income household.

¹⁶ The approximate net weekly income of a person on a salary of \$52,000 per annum is \$850 per week

73. This is not to suggest that all low-income employees live in average to high income households, but it demonstrates the challenge in applying the data contained in this report.

Emergency relief and financial counselling

74. The information provided by WACOSS on the experiences of its members providing financial counselling and emergency relief highlights the challenges faced by a number of households in WA.
75. However, it is unclear to what extent there has been an increase in demand for these services from persons in paid employment, limiting its relevance for these proceedings.

Income inequality

76. WACOSS submits that increases to the minimum wage can be an effective mechanism to address wage inequality.
77. However, in focusing on the difference between the SMW and Average Weekly Ordinary Time Earnings, WACOSS has not taken into account the impact that the SWC and AWR decisions have on average earnings, by delivering increases to all award rates of pay. This is particularly so in the case of percentage-based increases, which provides a higher monetary increase to award rates above the C14 equivalent, further increasing this inequality.
78. The gap between the minimum wage and average earning is not a poor reflection on the adequacy of the SMW, but reinforces the strong earning potential of WA employees.
79. WACOSS's submission also makes brief reference to a report of the McKell Institute in comparing wage growth between 2007-13 and 2014-21. The focus of this report is to challenge the current Federal Government's industrial relations policies and is not directly relevant to these proceedings.

Gender pay gap

80. CCIWA refers to the comments made in paragraphs 17 to 20 of this reply submission.
81. WACOSS also express concern about the impact of employees in the social and community services sector being largely reliant on award increases given that the majority of the workers are female. We also note that the majority of employers in this sector would be prepared to pay higher rates of pay to their workforce but are currently limited in the extent that they can pay above award rates of pay due to funding arrangements for the services that they provide.

82. Increases through the SWC are not an effective mechanism to address this concern, particularly given the signalling effect ascribed to the decision for the purpose of wage negotiations in other industry sectors.
83. Consequently, other mechanism need to be considered to address this issue, including the current mechanism for determining funding arrangements within the sector.

Professor Preston

84. Professor Preston's provides a brief slide deck in which she proposes that Government wages policy has contributed to an increase in the gender pay gap within the WA public sector.
85. In considering the relevance of this submission we note that:
 - 85.1. The SWC decision has limited application to the WA public sector and as such it is not apparent how the submission is relevant to these proceedings;
 - 85.2. The slide deck does not provide sufficient explanation to support the conclusions made;
 - 85.3. Professor Preston does not consider other factors which may have contributed towards an increase in the public sector gender pay gap.