

UNIONSWA

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Submission of UnionsWA on the 2023 state wage order

Appl No. CICS 1 of 2023

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 address the continuing substantial increases in Perth CPI inflation, which is particularly impacting spending on food and other necessities of life. Therefore, UnionsWA's claim is for an increase of **7%** or **\$57.39** per week. This would bring the State Minimum Wage to \$877.29 per week, or \$23.09 per hour. See the table below for how a 7% state wage increase would impact award rates, based on *the Metal Trades General Award*.

WA State Wage 2022				If 7% increase applied			\$ Differences		
Metal Trades (General) Award	Weekly	Hourly	Casual	Weekly	Hourly	Casual	Weekly	Hourly	Casual
C14	\$819.90	\$21.58	\$25.89	\$877.29	\$23.09	\$27.70	\$57.39	\$1.51	\$1.81
C13	\$838.76	\$22.07	\$26.49	\$897.47	\$23.62	\$28.34	\$58.71	\$1.55	\$1.85
C12	\$864.18	\$22.74	\$27.29	\$924.67	\$24.33	\$29.20	\$60.49	\$1.59	\$1.91
C11	\$887.86	\$23.36	\$28.04	\$950.01	\$25.00	\$30.00	\$62.15	\$1.64	\$1.96
C10	\$928.71	\$24.44	\$29.33	\$993.72	\$26.15	\$31.38	\$65.01	\$1.71	\$2.05
C9	\$954.03	\$25.11	\$30.13	\$1,020.81	\$26.86	\$32.24	\$66.78	\$1.75	\$2.11
C8	\$979.13	\$25.77	\$30.92	\$1,047.67	\$27.57	\$33.08	\$68.54	\$1.80	\$2.16
C7	\$1,002.19	\$26.37	\$31.65	\$1,072.34	\$28.22	\$33.86	\$70.15	\$1.85	\$2.21
C6	\$1,052.60	\$27.70	\$33.24	\$1,126.28	\$29.64	\$35.57	\$73.68	\$1.94	\$2.33
C5	\$1,077.92	\$28.37	\$34.04	\$1,153.37	\$30.35	\$36.42	\$75.45	\$1.98	\$2.38

2.2. The increase to minimum and award wage should apply from the end of June 2023 onwards. There should be no delay for selected industries, and the full increase within the Act should be applied to apprentices and juniors.

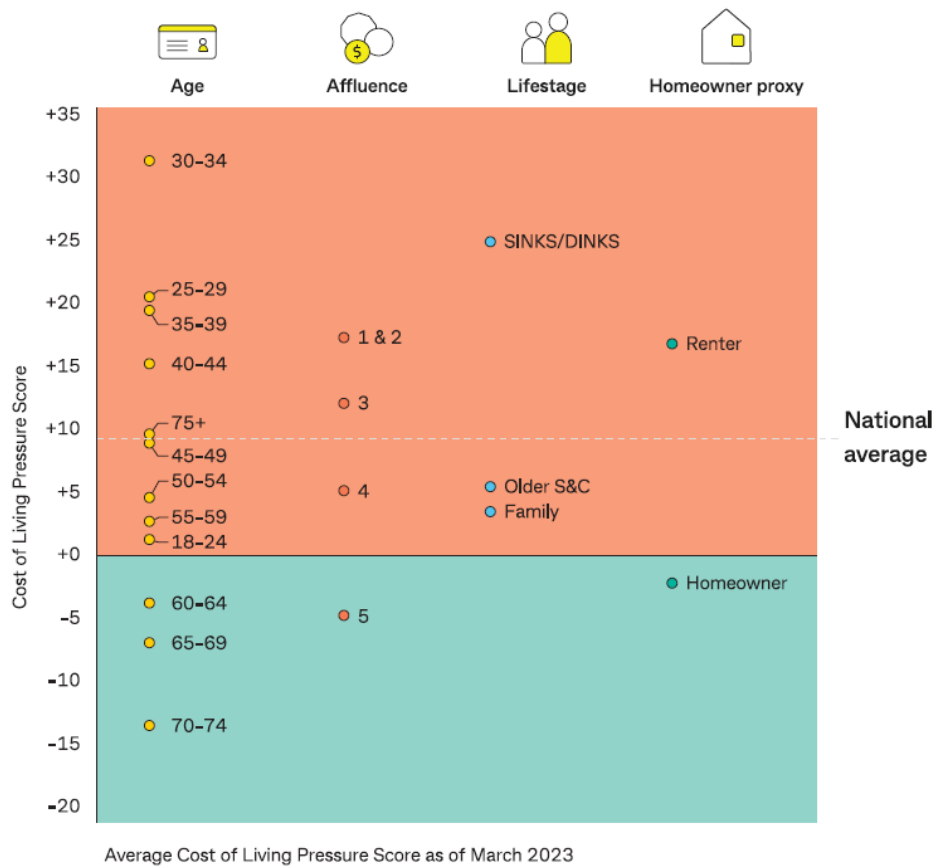
2.3. The full percentage increase of 7% should apply to all Award wage levels. Recent Survey data from the *CommBank iQ Cost of Living Insights Report* has found that¹

Using more granular data, the cost of living pressure score varies across age, life stage, affluence and home ownership. While most groups have experienced some pressure, people aged 30 to 34 are experiencing the greatest pain – generating the highest cost of living pressure score.

Workers who are older than ‘entry level’ employees are more likely to be on higher Award rates. While they would receive a higher increase in dollar terms using a percentage increase, they are in no less need of a real wage increase.

¹ CommBank iQ, *Cost of Living Insights Report - May 2023*
<https://www.commbank.com.au/content/dam/caas/newsroom/docs/CommBank%20iQ%20Cost%20of%20Living%20Report%20May%202023.pdf>

Figure 6: Cost of Living Pressure Score by demographic cohort



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 continuing to perform strongly, combined with rising living costs, require a substantial increase in minimum wages continue to apply.

3.2. The most recent WA State Budget for 2023-24 states that²

- Western Australia's economy (as measured by Gross State Product) is forecast to grow by 4.25% in 2022-23 – the strongest rate of growth since 2013-14 – before moderating to 2.25% growth in 2023-24 as household consumption continues to slow in response to higher interest rates.
- Despite challenging conditions in the global economy, the State's export performance has been strong, with goods exports reaching a record \$272 billion over the year to March 2023 (representing 44.7% of national exports).
- Conditions in the State's labour market remain strong, with employment in March 2023 reaching a record 1.53 million people and wages growing at their fastest rate in almost a decade. The unemployment rate is forecast to gradually rise from 3.5% in 2022-23 (the lowest annual rate in 15 years) to 4.5% by 2025-26, as labour demand is outpaced by additions to the working age population.

² WA Treasury, 2023-24 Budget. Economic and Fiscal Outlook. Budget Paper No.3 (p.9) <https://www.ourstatebudget.wa.gov.au/2023-24/budget-papers/bp3/2023-24-wa-state-budget-bp3.pdf>

Table 1

KEY BUDGET ASSUMPTIONS

Western Australia

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
Real Gross State Product growth (%) ^(a)	3.1	4.25	2.25	1.75	2.0	1.5
Real State Final Demand growth (%) ^(a)	5.6	3.25	3.0	2.5	2.75	2.5
Employment growth (%)	5.8	1.75	1.0	1.25	1.25	1.5
Unemployment rate (%) ^(b)	3.7	3.5	4.0	4.25	4.5	4.5
Wage Price Index growth (%)	2.2	3.75	4.0	3.75	3.25	3.0
Perth Consumer Price Index growth (%) ^(c)	5.1	5.75	3.5	2.75	2.5	2.5

3.3. It is notable that in the 2022-23 WA Government Mid-year Financial Projections Statement Real Gross State Product growth for 2022-23 was forecast to be 3% (which was a revision upwards from 2%).³

Table 2

KEY ASSUMPTIONS ^(a)

Western Australia

	2021-22	2022-23	2023-24	2024-25	2025-26
	Actual	Mid-year Revision	Outyear	Outyear	Outyear
Real Gross State Product growth (%) ^(b)	3.1	3.0	1.0	1.75	2.25
	(3.75)	(2.0)		(1.5)	(1.5)
Real State Final Demand growth (%) ^(b)	5.5	4.5	3.0	2.25	2.5
	(5.25)	(4.0)			
Employment growth (%)	5.4	1.75	1.25	1.25	1.25
	(5.0)	(2.0)			
Unemployment rate (%) ^(c)	3.7	3.5	4.0	4.0	4.25
	(4.0)	(3.75)	(3.75)	(3.75)	(3.75)
Wage Price Index growth (%)	2.2	3.5	3.75	3.5	3.25
	(2.0)	(2.75)	(3.0)	(3.0)	(3.0)
Perth Consumer Price Index growth (%) ^(d)	5.1	5.25	3.25	2.5	2.5
	(4.0)	(2.75)	(2.5)		

3.4. 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 15 April 2023). 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. WA had the strongest growth in both jobs and wages of all the states, exceeded only by the Northern Territory.

³ 2022-23 WA Government Mid-year Financial Projections Statement (p.3)

https://www.wa.gov.au/system/files/2022-12/2022-23-government-mid-year-financial-projections-statements_0.pdf

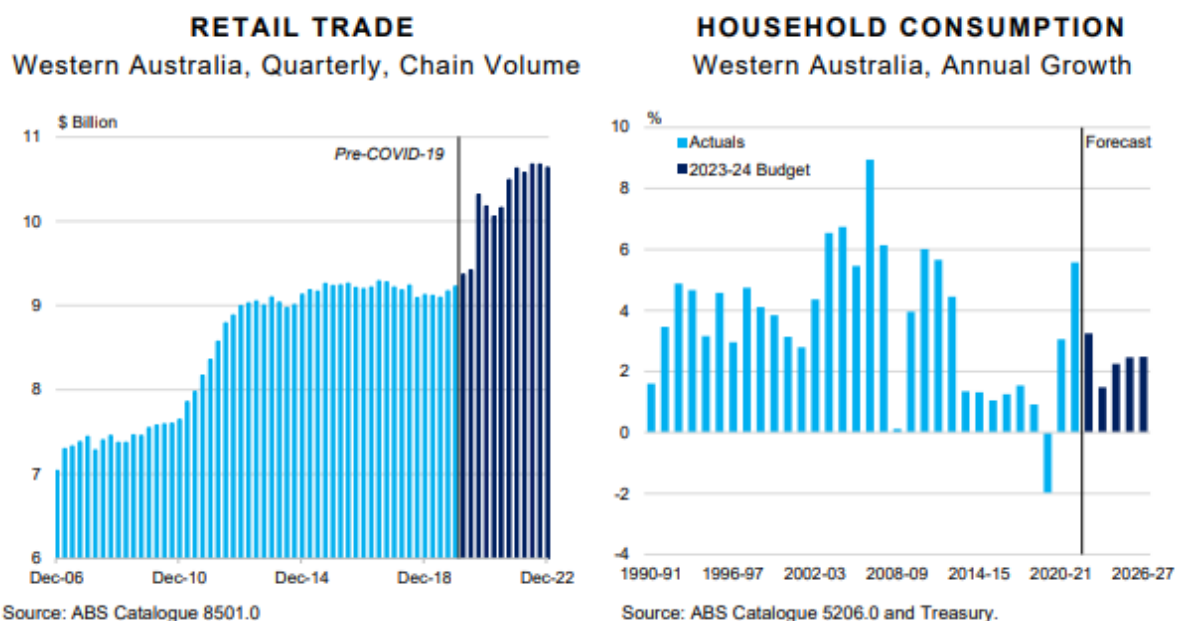
Annual Percentage change in total payroll jobs and wages, by state and territory		
	Jobs (%)	Wages (%)
New South Wales	3.9	8.3
Victoria	3.7	7.2
Queensland	4.2	8.7
South Australia	4.0	7.9
Western Australia	5.3	9.4
Tasmania	2.0	8.3
Northern Territory	5.4	10.0
Australian Capital Territory	3.5	7.0
Australia	4.0	8.2

It should be noted that the wages increase of 9.4% is lower than what UnionsWA is proposing for this State Wage Case.

3.5. The 2022 WA Budget also notes that

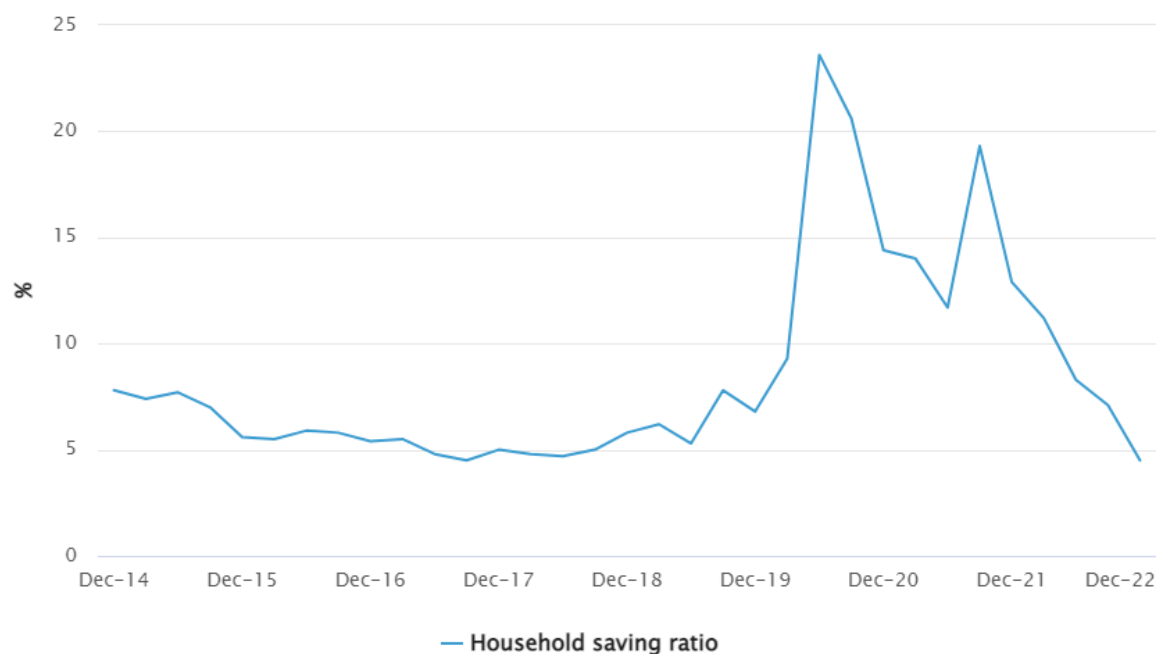
While the pace of growth [in Household Consumption] has slowed, spending remains strong as indicated by the latest retail trade data (see figure below, left-hand panel), supported by strong labour market conditions.

Figure 2



- 3.6. Household consumption cannot be supported by elevated savings. The most recent National Accounts figures from the ABS show that household saving ratio declined from 7.1% to 4.5%, the lowest level since September 2017. Savings cannot (if they ever could) compensate for lower wages growth.⁴

Household saving ratio, seasonally adjusted



- 3.7. Turning to the national economy, the Federal Budget for 2023-24 was handed down in May 2023 and included the following forecasts:⁵

Table 1.1: Major economic parameters ^(a)

	Outcome		Forecasts			
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Real GDP	3.7	3 1/4	1 1/2	2 1/4	2 3/4	2 3/4
Employment	3.6	2 1/2	1	1	1 3/4	1 3/4
Unemployment rate	3.8	3 1/2	4 1/4	4 1/2	4 1/2	4 1/4
Consumer price index	6.1	6	3 1/4	2 3/4	2 1/2	2 1/2
Wage price index	2.6	3 3/4	4	3 1/4	3 1/4	3 1/2
Nominal GDP	11.0	10 1/4	1 1/4	2 1/2	5 1/4	5 1/4

- 3.8. In its post-Budget Submission in Reply to the National Wage Case, the Federal government said that:⁶

Real GDP growth is expected to be 3¼ per cent in 2022-23 before slowing to 1½ per cent in 2023-24 and picking to 2¼ per cent in 2024-25. As expected, inflation in Australia has

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 Commonwealth Treasury, *Budget Strategy and Outlook Budget Paper No. 1 2023–24* (p.6)
https://budget.gov.au/content/bp1/download/bp1_2023-24.pdf

⁶ Australian Government submission <https://www.fwc.gov.au/documents/wage-reviews/2022-23/c20231-sub-ag-120523.pdf>

peaked in late 2022 and has now begun to moderate. However, it remains unacceptably high, imposing significant cost of living pressures on low-paid workers. The unemployment rate is expected to remain at 3½ per cent in the June quarter of 2023 before rising modestly to 4½ per cent by the June quarter of 2025. There are no signs of a wage-price spiral developing and medium-term inflation expectations remain well anchored.

3.9. UnionsWA contends that both the WA and Australian economies continue to be 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.

4. The Needs of the Low Paid, Fair wage standards & Improved living standards for employees

4.1. UnionsWA is proposing a 7% increase in WA minimum and Award wages to reflect the reality minimum and award wage increases have not been keeping up with Perth CPI inflation in recent times, notwithstanding the welcome 5.25% increase granted last year.⁷

4.2. For the last few years the 12 months to June increases in Perth CPI (the results of which we unfortunately do not learn until after the State Wage Case is concluded have been as follows:

	2019 % Change	2020 % Change	2021 % Change	2022 % Change
Perth CPI Year to June Quarter	1.6%	0.1%	4.2%	7.4%

4.3. Considering the increases in WA Minimum and Award wages for each of these years (C14 being the 'minimum wage' rate, C5 being the higher Metals Trades Award rate) we find that notwithstanding the size of the increase Awarded, real wages have gone backwards over the last couple of years.

4.4. The most recent CPI figure for Perth which the Commission in Court Session can consider is the March Quarter increase of 5.8%. While this was no longer the largest CPI increase in Australia, Expenditure items in Perth whose annual increase exceeded 5.8% include:

Tradeable Items (goods and services that are imported or in competition with imports)								
	Oils and fats ; Perth ;	Cheese ; Perth ;	Bread ; Perth ;	Spare parts and accessories for motor vehicles ; Perth ;	Breakfast cereals ; Perth ;	Furniture ; Perth ;	Fruit ; Perth ;	Cleaning and maintenance products ; Perth ;
% Change	18.0%	16.2%	12.9%	12.2%	11.4%	11.3%	10.7%	7.1%

⁷ ABS, *Consumer Price Index, Australia*, March 2023 <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>

Non-Tradable items (goods and services that do not face foreign competition)								
	Milk ; Perth ;	Eggs ; Perth ;	Insurance ; Perth ;	Poultry ; Perth ;	Rents ; Perth ;	Housing ; Perth ;	Medical and hospital services ; Perth ;	Urban transport fares ; Perth ;
% Change	15.9%	10.3%	10.0%	7.6%	7.6%	7.1%	6.5%	5.9%

4.5. Workers, particularly lower paid workers, are usually ‘price takers’ where Non-Tradable goods are concerned. This is particularly the case with rents. The recent Anglicare Australia/Everybody’s Home Report *Priced Out: An Index of Affordable Rentals for Australia’s Essential Workers* found that⁸

Rental affordability for essential workers is consistently poor across Western Australia (Table 10). Northern WA is easily the least affordable region across the state, outstripping Perth and far surpassing the national average result. This highlights the difficulties facing essential workers and other low and middle income earners in competing for rentals in a market with very high income earners. In the case of Northern WA, the mining industry is a major employer with highly paid industry workers skewing the rental market for others.

⁸ Azize, M. (2023) *Priced Out: An Index of Affordable Rentals for Australia’s Essential Workers*. Anglicare Australia: Canberra <https://everybodyshome.com.au/wp-content/uploads/2023/04/EH-Priced-Out-Report-2023.pdf>

Table 10. Western Australia results

Occupation	Percentage of income on rent				
	Perth	Central Coast WA	Goldfields Region	Northern WA	South West WA
Aged care worker	69%	40%	60%	77%	60%
Ambulance officer	57%	33%	50%	64%	50%
Childcare worker	71%	41%	62%	80%	62%
Cleaner	68%	40%	60%	77%	60%
Construction worker	66%	39%	58%	74%	58%
Delivery driver	67%	39%	59%	75%	59%
Dispatcher	69%	40%	60%	77%	60%
Firefighter	52%	31%	46%	59%	46%
Freight driver	69%	40%	60%	77%	60%
Hospitality worker	72%	42%	63%	81%	63%
Meat packer	72%	42%	63%	81%	63%
Nurse	63%	37%	55%	71%	55%
Postal worker	68%	40%	59%	76%	60%
Retail worker	67%	39%	59%	75%	59%
School teacher	52%	30%	46%	58%	46%

4.6. The most recent release of the ABS Wage Price Index (WPI) for March 2023 found the following year to March increases for the states and territories:⁹

Annual WPI movement - states and territories	
	Annual change (%)
NSW	3.5
VIC	3.5
QLD	3.7
SA	3.6
WA	4.1
TAS	4.1

⁹ ABS, *Wage Price Index*, Australia March 2023 <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/mar-2023>

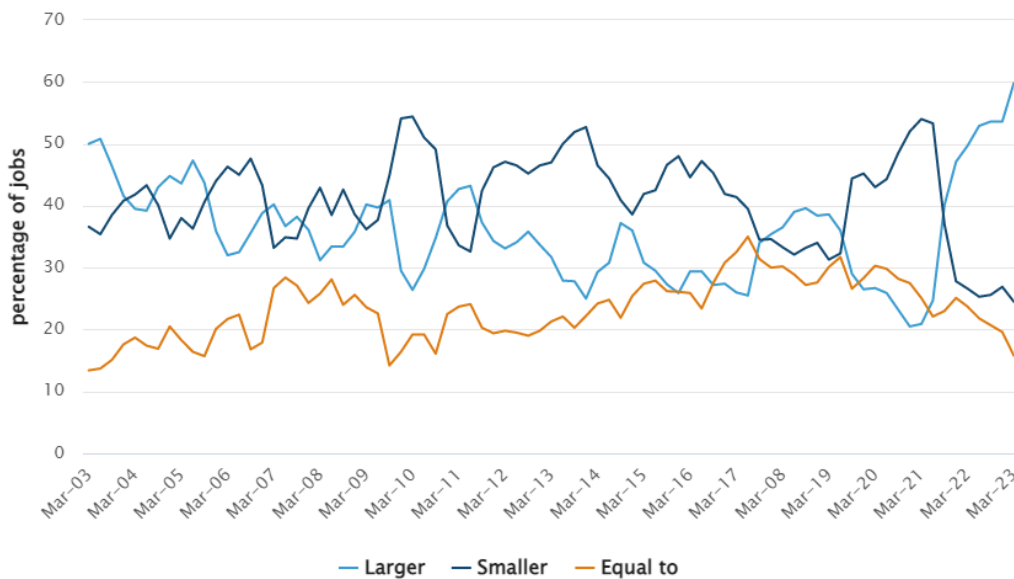
NT	2.9
ACT	3.7
Australia	3.6

4.7. While WA and Tasmania had the highest annual increase in wages at 4.1%, this is -1.7% below the Perth CPI result of 5.8%. While the WA State Budget is forecasting a return to real wage growth in 2023-24 of +0.5%, minimum and award wage workers are still losing out on living costs.

4.8. UnionsWA asks the Commission to consider awarding an increase to minimum and award wages that acknowledges how far workers on those pay rates have been left behind by increasing living costs. Notwithstanding that last year’s increase was the highest for a number of years, the ABS WPI data shows that there has been ‘a significant increase in the proportion of jobs recording a larger annual wage rise compared to the same time last year.’

March quarter 2023 saw 60% of jobs record a higher wage rise compared to the year before. This is the highest proportion recorded since the start of the analysis in 2003.

Size of wage increase compared to year before



4.9. An increase in WA minimum and award wages that is larger than last year’s increase would not be out of step with pay increases in the broader labour market. For smaller to medium enterprises that are competing for workers with larger enterprises, an increase to minimum and award rates would assist those businesses to stay competitive in attracting and retaining skilled and experienced staff.

4.10. While the WA government’s most recent Household Electricity Credit to help reduce cost-of-living pressures for households is certainly welcome, it remains a temporary assistance measure to households during the current cost of living crisis. Permanent income security is principally achieved through permanent wage increases.

4.11. It should be noted that the state budget still contains increases in items such as Driver's licence fees and the Emergency Services Levy.¹⁰

Table 8.7

ESTIMATED IMPACT ON THE 'REPRESENTATIVE' HOUSEHOLD				
	2022-23 \$ level	% change	\$ change	2023-24 \$ level
Utility Charges ^(a)				
Electricity ^(b)	1,812.52	2.5	45.30	1,857.82
\$400 Household Electricity Credit ^(c)	-400.00	n/a	n/a	-400.00
Water, wastewater, and drainage ^{(d)(e)}	1,803.71	2.5	45.11	1,848.82
Total	3,216.23	2.8	90.41	3,306.64
Public Transport ^(f)				
Student fares ^(g)	280.00	-	-	280.00
Standard fares ^(h)	1,152.00	2.0	23.04	1,175.04
Total	1,432.00	1.6	23.04	1,455.04
Motor Vehicles ⁽ⁱ⁾				
Vehicle licence charge	414.92	3.9	16.00	430.92
Recording fee	10.30	-	-	10.30
Driver's licence	93.70	-	-	93.70
Motor Injury Insurance (MII)	426.10	2.3	9.76	435.86
Total	945.02	2.7	25.76	970.78
Emergency Services Levy (ESL) ^(a)	297.26	5.0	14.86	312.12
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	6,136.62	2.5	154.07	6,290.69
Total Expenditure (excluding electricity credits)	6,536.62	2.4	154.07	6,690.69

4.12. A smaller increase in Tariffs, Fees, and Charges of 2.5% in the 2023-24 WA Budget is not sufficient to compensate for its estimates of real wage decline over recent years. The UnionsWA proposal for an increase in WA minimum and award wages of 7% is both moderate (given it is lower than our submission last year) and reasonable (given the real wage decline of recent years and the stronger expectations of wage growth in the economy both state and national).

5. The operation of the labour market in WA: Why institutions are needed to increase wages?

5.1. 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. 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.

In his article 'The Rigged Labor Market' (to which UnionsWA has previously referred) US Professor of economics at Princeton the late Alan Krueger, describes a monopsony labour market as a situation in which one or a few firms will dominate the markets for goods and services, and for labour. ¹¹

¹⁰ Budget Paper No. 3 (p.316).

¹¹ Alan B. Krueger, 'The Rigged Labor Market', Milken Institute Review (28 April 2017) <http://www.milkenreview.org/articles/the-rigged-labor-market>

... a monopsonist [employer], is in a peculiar position because she is subject to the law of supply in the way that an entire industry is in a competitive market. If she wants to hire an extra worker, she must pay a somewhat higher wage since the supply curve she faces is sloped upward. And, as a practical matter, she will need to pay that higher wage to the rest of her workers, too. Thus a monopsonist with, say, 100 employees who finds it necessary to pay an extra dime an hour to hire one more worker, must shell out a total of \$10 an hour (100 times 10 cents) more to the existing workforce as part of the price of hiring that additional worker.

...

...an employer in a perfectly competitive market, who is one among many, can always hire more workers at the currently competitive wage. So, for this employer, the added cost of one more worker is exactly what she pays that worker. A monopsonist's marginal cost of hiring a worker, however, is higher — perhaps much higher — than the wage paid to that additional worker.

Thus, paradoxically, while a monopsonist is likely to pay less, on average, for labor, than an employer in a competitive market, the monopsonist's cost of labor at the margin is likely to be higher. So, in aiming to maximize profits, a monopsonist will hire less labor and make do with vacancies.

Therefore, increasing a minimum wage through an institutional decision will have the result that *'the monopsonist's marginal cost of labor will fall'*

And this cost at the margin may become low enough to give the monopsonist an incentive to hire more workers. In other words, without a minimum wage the monopsonist operates with vacancies, unwilling to raise the wage it offers to hire additional workers because it would have to pay that higher wage to existing workers as well. However, with a binding minimum wage — that is, a minimum wage above the rate the monopolist was already paying — a monopsonist can fill its vacancies without worrying about having to increase everybody else's wages, because that was already required by the minimum wage.

A recent research paper by Justin C. Wiltshire, Carl McPherson, and Michael Reich entitled 'High Minimum Wages and the Monopsony Puzzle' presents a causal analysis of recent large minimum wage increases, focusing on 47 larger U.S. counties. They found that minimum wages can increase the number of jobs, as the above outlined monopsony models predict.¹²

We provide the first causal estimates of the labor market effects of these large minimum wage policies. We focus on the fast food industry because its wage levels are among the lowest of any sizable industry, as well as to avoid issues related to tip credits for servers in full-service restaurants and to permit including New York's upstate counties in our analysis. Our treatment sample consists of 47 larger counties in California and New York that reached \$15 or higher by 2021q1.

...

Our results indicate that the high minimum wage policies we study increased earnings and had no disemployment effects. We further show that minimum wages increased 10th

¹² Justin C. Wiltshire, Carl McPherson and Michael Reich. (2023). "High Minimum Wages and the Monopsony Puzzle". IRLE Working Paper No. 104-23.
<https://irle.berkeley.edu/publications/worker-papers/high-minimum-wages-and-the-monopsony-puzzle>

percentile hourly wages without affecting median wages, and that P50/P10 wage inequality would not have fallen in California or New York in the absence of minimum wage increases.

5.2. UnionsWA has previously observed that Western Australian labour markets demonstrate monopsony characteristics – strong employer pricing power – through the contradictory situation of businesses advertising vacancies while WA workers have not experienced real wage growth.¹³

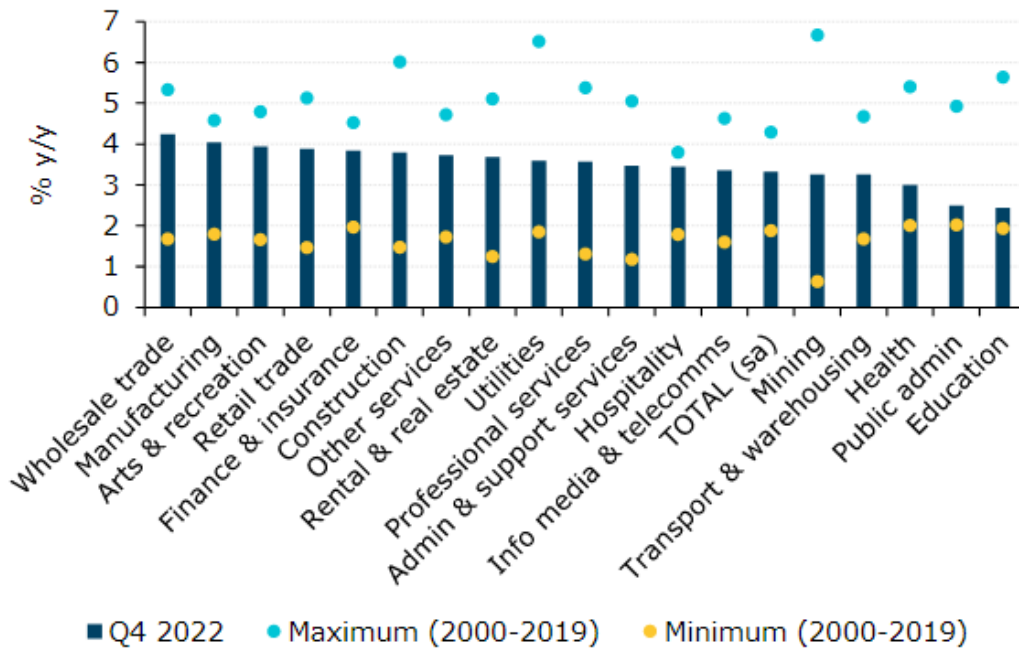
State and territory data - April 2023

Total job advertisements by state/territory (seasonally adjusted)		Change over month		Change over year	
State/Territory	(no.)	(no.)	(%)	(no.)	(%)
New South Wales	88,000	1,100	1.3%	-5,400	-5.7%
Victoria	75,600	3,500	4.8%	-1,700	-2.2%
Queensland	63,800	2,200	3.6%	4,600	7.9%
South Australia	16,700	1,300	8.2%	1,800	12.0%
Western Australia	35,200	1,500	4.4%	2,900	9.0%
Tasmania	4,400	100	2.2%	830	23.0%
Northern Territory	3,100	-120	-3.7%	-140	-4.4%
Australian Capital Territory	7,800	20	0.2%	-60	-0.7%

5.3. The ANZ Bank in its most recent ‘Quick Reaction Research’ to the Wage Price Index (17 May 2023) has found that at a national level wage ‘*Wage growth in most industries is still well below historical peaks*’.

¹³ <https://www.jobsandskills.gov.au/work/internet-vacancy-index#reports>

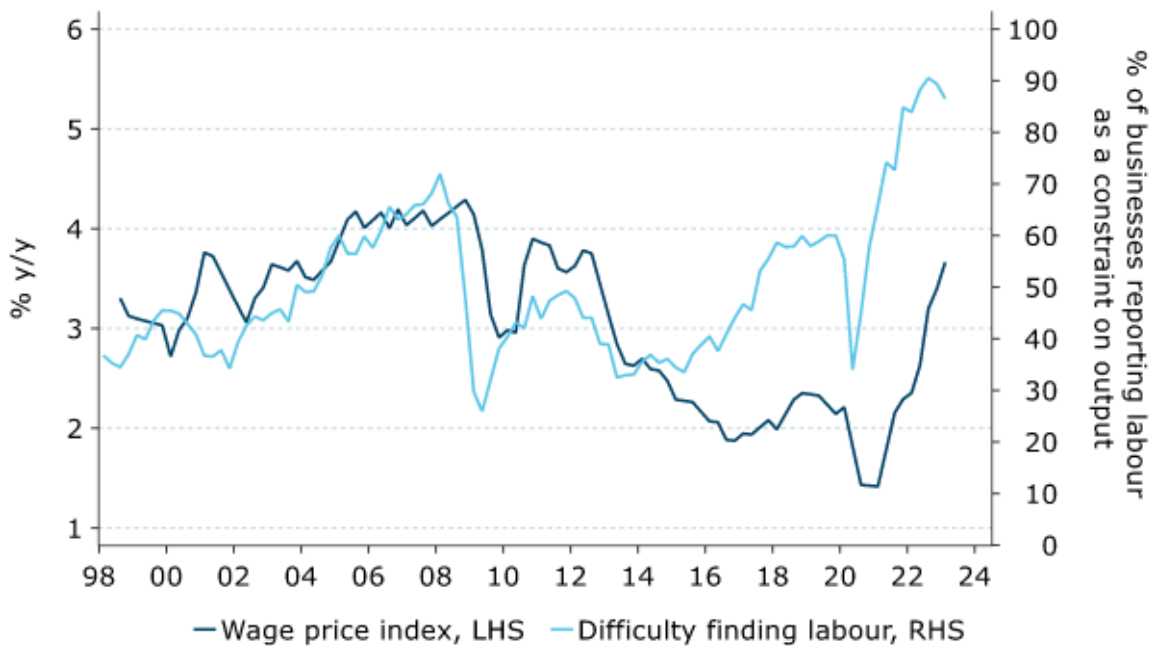
Figure 4. Wage growth in most industries is still well below historical peaks



Source: ABS, ANZ Research

5.4. Nevertheless, the percentage of businesses having difficulty finding labour remains very high.

Figure 5. Difficulty finding labour remains very high



Source: NAB, ABS, Macrobond, ANZ Research

5.5. The benefit to employers of a binding, institutional increase in wages is that 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.

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 36 per cent of all Western Australian employees work in the five most award-reliant industries’. They include the following chart:¹⁴

Table 1: Employment and award reliance by industry - WA and Australia, February 2023

Industry	WA: Proportion of Workforce ¹¹	Australia: Proportion of Workforce ¹¹	Australia: Proportion of employees paid by award ¹²
Accommodation and Food Services	6.9%	6.8%	63.0%
Administrative and Support Services	3.2%	3.1%	44.9%
Other Services	4.6%	3.8%	42.1%
Health Care and Social Assistance	13.8%	15.3%	34.3%
Retail Trade	7.9%	9.9%	30.8%
Arts and Recreation Services	1.6%	1.8%	28.3%
Rental, Hiring and Real Estate Services	1.7%	1.6%	25.3%
Manufacturing	6.3%	6.3%	21.1%
Construction	9.4%	9.5%	15.8%
Transport, Postal and Warehousing	5.0%	5.0%	14.0%
Public Administration and Safety	5.4%	6.4%	13.5%
Wholesale Trade	3.2%	2.5%	11.1%
Information Media and Telecommunications	0.8%	1.4%	8.0%
Education and Training	7.7%	8.2%	8.0%
Professional, Scientific and Technical Services	7.9%	9.1%	6.6%
Electricity, Gas, Water and Waste Services	0.9%	1.2%	6.1%
Financial and Insurance Services	2.2%	3.8%	5.5%
Mining	9.6%	2.0%	1.1%
Agriculture, Forestry and Fishing	1.9%	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 goes onto note that:

The willingness of employers and employees to engage in collective bargaining is driven by a range of factors, many of which are unrelated to wages. In this regard, the Western Australian Government notes that recent legislative amendments to the Fair Work Act are specifically designed to foster an increased uptake of enterprise bargaining in Australian workplaces, particularly in lower-paid and traditionally feminised industries.

There is little evidence to suggest that increases in the NMW and award wages in recent years has impacted on collective agreement making, and the Panel should have confidence that a fair and meaningful increase in minimum rates of pay will not have any material impact on this.

¹⁴ Government of Western Australia submission <https://www.fwc.gov.au/documents/wage-reviews/2022-23/c20231-sub-wagov-310323.pdf>

6.4. 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. The latest data from the National Centre for Vocational Education Research (NCVER) for WA shows the recent 'In-training' data for WA as follows¹⁵

In-training highlights for Western Australia - quarterly as at 30 September 2022



47 255 in-training (up 18.5% from 30 September 2021)



3.1% of workers were employed as an apprentice or trainee



11.4% of employed workers within the trade occupations were an apprentice or trainee



27 370 trades (up 15.9% from 30 September 2021)



19 780 non-trades (up 22.2% from 30 September 2021)



32 375 males (up 15.3% from 30 September 2021)



14 865 females (up 26.1% from 30 September 2021)

7.2. At the Jobs and Skills Summit held in September 2022, the 'Issues Paper' identified the following regarding Australia's Skills and Training System:¹⁶

- *The performance benchmarks and indicators in the key skills agreement between governments, which have been in place for over ten years, have not been met or are not on track to be met.*
- *Of the government-funded VET students who completed their qualification in 2020, only 60 per cent had improved their employment status after their training.*
- *42 per cent of technician and trade occupations are currently facing a skills shortage compared to 19 per cent for all assessed occupations. Completion rates for trade apprentices declined to 54 per cent for those who commenced in 2017, 5 percentage*

¹⁵ '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 2022: September quarter* https://www.ncver.edu.au/data/assets/pdf_file/0049/9676948/Apprentices-and-trainee-2022_Sept-Quarter_WA.pdf

¹⁶ Jobs+Skills Summit Issues Paper https://treasury.gov.au/sites/default/files/2022-08/2022-302672-ip_0.pdf

points lower than completion rates for those commencing in 2013. Skills shortages are projected to continue in technician and trade occupations, as well as other occupations.

- Only 69 per cent of students finishing their undergraduate degree in 2021 started full-time employment within six months of completion, compared with 72 per cent pre-COVID

7.3. The resulting Outcomes Paper proposals included:¹⁷

The Government and states and territories agreed to:

- A \$1 billion one-year National Skills Agreement that will provide additional funding for fee-free TAFE in 2023, while a longer-term agreement that drives sector reform and supports women’s workforce participation is negotiated
- Accelerate the delivery of 465,000 additional fee-free TAFE places, with 180,000 to be delivered next year, and with costs shared with the states and territories on a 50:50 basis

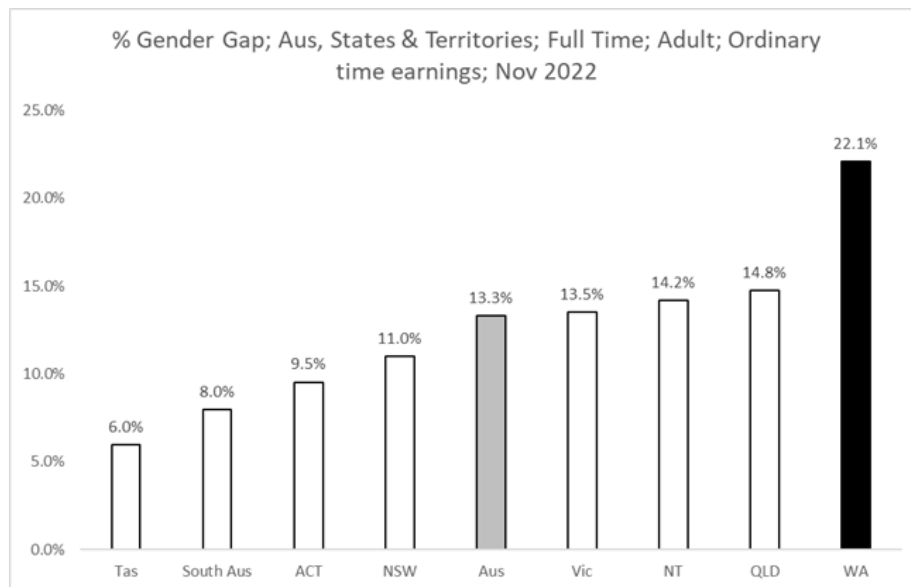
7.4. However, while these measure from both Federal and State governments are welcome, there is still a need to address a situation in which there is, according to the ACTU¹⁸

... poor support for apprentices, relatively low pay for apprentices during a cost-of-living crisis and ... increasing costs of undertaking an apprenticeship

7.5. From the perspective of the WA State Wage Case, the decision of the Commission should play its part in redressing this situation by having the resulting increase flow onto apprentices and trainees in order to maximise attraction and retention within training.

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.¹⁹

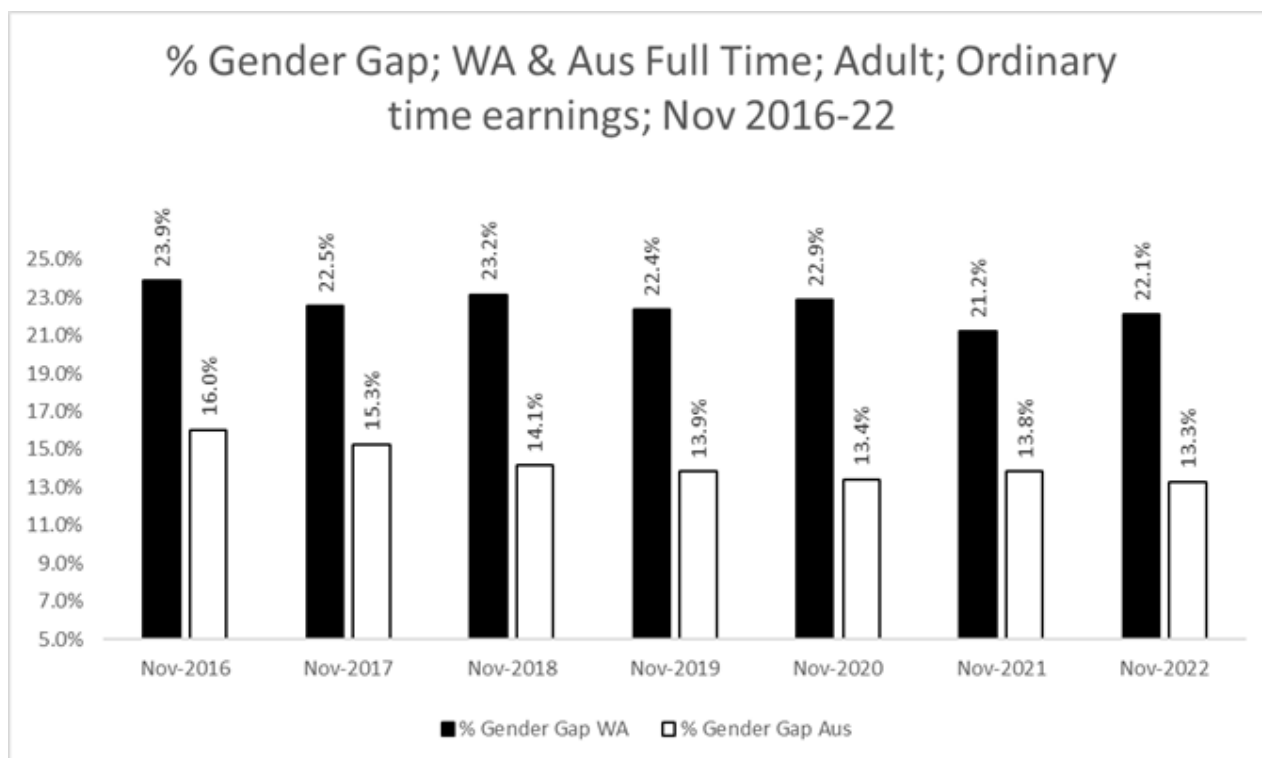


¹⁷ Jobs and Skills Summit September 2022 – Outcomes <https://treasury.gov.au/sites/default/files/inline-files/Jobs-and-Skills-Summit-Outcomes-Document.pdf>

¹⁸ ACTU Submission Reforming Apprentice Support (14 December 2022) <https://www.actu.org.au/media/1450234/d51-actu-submission-australian-apprenticeship-services-and-supports-discussion-paper.pdf>

¹⁹ ABS Average Weekly Earnings, Australia, November 2022 <https://www.abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release>

8.2. The national gender pay gap improved slightly each year from 2016 to 2020: contracting from 16% to 13.4%. In 2022 it got down to 13.3%. For WA in 2022 the gap was lower than in 2016, however between 2021 and 2022 it got slightly larger – going from 21.2% to 22.1%.



8.3. According to the Statistical report—Annual Wage Review 2022–23 women are more likely to be a ‘low paid adult employee’.²⁰

Table 8.8: Characteristics of low-paid adult employees, 2021

	Low-paid adult employees (%)	Higher-paid adult employees (%)
Personal characteristics		
Gender		
Male	45.6	51.2
Female	54.4	48.8

8.4. In its Annual Wage Review Submission, the WA government states that

While it is only one element, a fair and meaningful increase to minimum rates of pay can help to further gender equality in Australian workplaces, particularly for lower paid women who are at greater risk of financial disadvantage and poverty.

8.5. UnionsWA submits that a fair and meaningful increase can only be a real wage increase that can properly redress the extent to which low wage workers have been falling behind the cost of living.

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

²⁰ Statistical report—Annual Wage Review 2022–23 <https://www.fwc.gov.au/documents/wage-reviews/2022-23/c20231-stat-report-fwc-300323.pdf>

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 are covered by the State system as potentially between 21.7 per cent and 36.2 per cent of the employees in the State.²¹

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

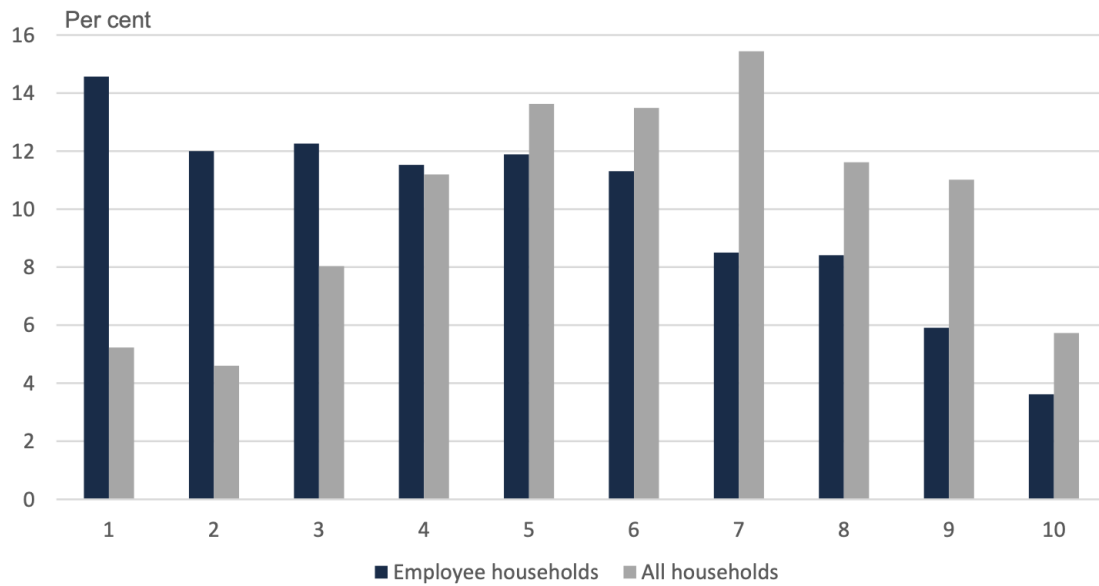
e) 8 per cent concerned the Shop and Warehouse (Wholesale and Retail Establishments) Award.

9.3. While minimum wages cannot target poverty as precisely as social security payments, they are mainly paid to the lowest 50% of households of working age ranked by income. Research undertaken by the FWC found that 60% of minimum wage earners were in the lower half of the income distribution for households where at least one member was employed.²²

²¹ *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

²² Statistical report—Annual Wage Review 2022–23

Chart 8.7: Distribution of low-paid employees across equivalised household disposable income for employee and all households, 2015–16



Note: Low-paid employees refer to all employees whose hourly earnings are below two-thirds of median hourly earnings of full-time adult employees (i.e., those aged 21 years and over). Hourly earnings are calculated as current weekly cash employee income from main job (including salary sacrifice) divided by usual hours worked per week in main job. Usual hours worked in main job are top-coded at 60 hours per week. No allowance for casual loading has been made as casual employees cannot be identified. Employee households are those whose principal source of income is from salary and wages.

Source: ABS, *Microdata: Household Expenditure, Income and Housing*, 2015–16 financial year, Detailed Microdata, DataLab.

9.4. In the Annual Wage Review 2015–16 decision, the Expert Panel stated:

‘... we do not accept the proposition that most low-paid workers are not in low-income households. Around two-thirds of low-paid employees are found within the bottom half of the distribution of employee households and have lower living standards than other employees. Increases in the minimum wage and award classification wages do have a role to play as part of a package of measures to address the relative living standards and the needs of the low paid. So much is evident from the minimum wages objective and the modern awards objective in the Act.’

9.5. UnionsWA asks the WA Commission to reject all submissions which contend that minimum wage workers do not need a substantial pay increase because their living arrangements may be in a household with higher income earners – whether it be parents, spouses or friends. Low wage workers are entitled to the respect of being considered as individuals.

9.6. UnionsWA contends that an increase in the state minimum wage in WA is more likely to assist workers 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%). Such an increase would ensure

relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.

- 10.2. The last few decisions of the WA Commission – 2019, 2020, 2021, and 2022 – have all included 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 and work value determinations.

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% or \$57.39 per week at the C14 and 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 2023 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 negative 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, but not real wages growth. The increase in CPI inflation for unavoidable necessities should also be noted when considering the cost of living and the needs of the low paid in WA, as such increases 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, but real wages are not going up. Workers are being paid less than the full value of their output given the ongoing strength of the WA economy.

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

An increase in the state minimum wage in WA of 7% or \$57.39 per week, is more likely to assist workers and vulnerable groups of employees who are less likely to negotiate decent increases for themselves.

(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 to attract new entrants and retain existing participants.

(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 low wage roles. 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 refuse 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%, 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 performing strongly and 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.

12. Work Value Principle

12.1. UnionsWA notes that on 4 November 2022 the Fair Work Commission (FWC) Full Bench awarded a 15% interim wage increase to aged care workers by recognizing an increase in their work value, as part of the Aged Care Awards case. The increase was determined by referring to (among other things) past under-valuation of female-dominated classifications, stating that:

... a past work value assessment which was not free of gender-based undervaluation or other improper consideration would not constitute a proper assessment for these purposes.

12.2. What is new in the decision is that the FWC determined that past federal wage fixing principles are no longer relevant to assessing work value. These previous principles required that a ‘change in the nature of work’, be so significant as to ‘warrant the creation of new classification’.

12.3. However, the November 2022 reasons for decision now make clear that the FWC can award a wage if changes in any of the following three matters (under the latest s157(2A) of the *Fair Work Act*) apply:

(a) The nature of the work

(b) The level of skill or responsibility involved in doing the work; and

(c) The conditions under which the work is done.

12.4. This is an important change in how the FWC assesses work value claims, as justifying the creation of a new classification was a significant hurdle to clear.

12.5. However, the WA State Wage Fixing Principles (specifically Principle 7) still require ‘such a significant net addition to work requirements as to warrant the creation of a new classification’ which it describes as ‘a strict test for an alteration in wage rates’. For the WA Commission to consider a work value claim in a State Award consistently with how the FWC will now do so in a Federal Award, Principle 7 needs to be harmonized with the federal tests.

The proposed Principle is as follows:

7. Work Value Changes

7.1 Applications may be made for a wage increase under this Principle based on changes in work value.

7.2 Changes in work value may arise from changes in the nature of the work, skill and responsibility required or the conditions under which work is performed. Changes in work by themselves may not lead to a change in wage rates.

7.3 Specifically, the test for a change in work value concerns whether the application satisfies reasons related to any of the following:

(a) the nature of the work;

(b) the level of skill or responsibility involved in doing the work;

(c) the conditions under which the work is done.

7.4 A past work value assessment which was not free of gender-based undervaluation or other improper considerations would not constitute a proper assessment of work value.

7.5 In applying the Work Value Changes Principle, the Commission will have regard to the need for any alterations to wage relativities within or between awards to be based on skill, responsibility and the conditions under which work is performed.

7.6 Where new or changed work justifying a higher rate is performed only from time to time by persons covered by a particular classification or where it is performed only by some of the persons covered by the classification, the new or changed work should be compensated by a special allowance which is payable only when the new or changed work is performed by an employee and not by increasing the rate for all employees working at that classification.

7.7 The time from which work value changes in an award should be measured is any date that on the evidence before the Commission is relevant and appropriate in the circumstances.

7.8 Care should be exercised to ensure that changes which were or should have been taken into account in any previous work value adjustments or in a structural efficiency exercise are not included in any work evaluation under this provision.

7.9 Where the tests specified in 7.2 and 7.3 are met, an assessment will have to be made as to how that alteration should be measured in money terms. The assessment should normally be based on the previous work and the nature and extent of the change in work.

7.10 The expression “the conditions under which the work is performed” relates to the environment in which the work is done.

7.11 The Commission should guard against contrived classifications and over-classification of jobs.

7.12 Any changes in the nature of the work, skill and responsibility required or the conditions under which the work is performed, taken into account in assessing an increase under any other provision of these Principles, shall not be taken into account in any claim under this provision.