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BEFORE THE WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

CICS 1 of 2024

BETWEEN

COMMISSION'S OWN MOTION

Applicant

v

(NOT APPLICABLE)

Respondent

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2024 STATE WAGE ORDER PURSUANT TO SECTION 50A OF THE ACT

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TRANSCRIPT OF PROCEEDINGS

AT PERTH ON WEDNESDAY, 22 MAY 2024, AT 10:30AM

COMMISSION IN COURT SESSION

CHIEF COMMISSIONER S J KENNER  
SENIOR COMMISSIONER R COSENTINO  
COMMISSIONER T EMMANUEL  
COMMISSIONER T B WALKINGTON  
COMMISSIONER T KUCERA

MR B ENTREKIN (Principal Labour Relations Advisor, Private Sector Labour Relations) appeared on behalf of the Hon. Minister for Industrial Relations

MR C HARDING (Senior Policy Advisor, Workplace Relations) and with him MR S COLLINS (Senior Economist) and DR A WESLEY (Manager, Policy) appeared on behalf of the Chamber of Commerce and Industry WA

MR K SNEDDON (of counsel) and with him MR G HANSEN (Research and Policy Officer), MR R JAMES (Industrial Officer), MR R SUMNER (ARTBIU Industrial Advocate) and MR J BRINKMAN (WAPU Industrial Officer) appeared on behalf of UnionsWA

MS E HULL (Senior Policy and Projects Officer) appeared on behalf of WA Council of Social Service

**KENNER CC:** Be seated, thank you.

I'll take appearances, please. We have very full Bar tables this morning.

Mr Entrekin?

**ENTREKIN, MR:** May it please the Commission. My name is Brendon Entrekin and I appear on behalf of the Minister for Industrial Relations.

**KENNER CC:** Thank you very much.

And Mr Collins, is it, or is it Mr Harding?

**HARDING, MR:** Mr Harding. So I appear on behalf of the Chamber of Commerce and Industry, with my colleagues, Mr Collins and Dr Wesley - - -

**KENNER CC:** And Dr Wesley.

**HARDING, MR:** - - - later today.

**KENNER CC:** All right. Thank you.

Now, for UnionsWA?

**SNEDDON, MR:** Chief Commissioner, Sneddon, initial K, and I'm appearing today with Graham Hansen, who's a research and policy officer with UnionsWA, with Rhys James, who's an industrial officer from United Workers Union, with Ryan Sumner, who's an industrial advocate from the Australian Rail, Tram and Bus Industry Union, and Joshua Brinkman, who's with the WA Police Union - - -

**KENNER CC:** Thank you - - -

**SNEDDON, MR:** - - - Chief Commissioner.

**KENNER CC:** - - - very much for that.

All right then. Now, in terms of the proceedings for today, as we have generally adopted in prior State Wage Cases, the Minister will proceed first, then followed by CCIWA, then followed by UnionsWA, then followed by - is WACOSS going to appear - - -

**HULL, MS:** Yes.

**KENNER CC:** - - - Ms Hull? We didn't mean to leave you behind, but we weren't sure. You are going to appear today?

**HULL, MS:** Yes, please.

**KENNER CC:** Very well. Thank you.

And we understand that the Western Australian Local Government Association will not be appearing today. But I should tell you that they had filed a late reply submission that I think hopefully you should have all received by now, which is probably more best described as a reply to the replies. But is there any objection to that being received by us from anyone? No. All right.

Thank you.

Very well. Now, we understand also, Mr Entrekin, that as the usual procedure will follow, that you intend to call Mr Christmas first, to assist us with his Treasury presentation. Is that still the case?

**ENTREKIN, MR:** Yes, Chief Commissioner.

**KENNER CC:** Very well.

**ENTREKIN, MR:** That's right.

**KENNER CC:** Well, we're in your hands, if you wish to proceed, unless there's anything else we need to deal with first.

**ENTREKIN, MR:** Thank you.

If it pleases the Commission in Court Session, we'll begin with the presentation by our expert witness from the Department of Treasury, on the economic outlook for Western Australia, and then this will be followed by an opportunity for questions. And then, I'll address the Minister's position, as outlined in the submission and submission in reply.

**KENNER CC:** Yes, thank you.

**ENTREKIN, MR:** If it pleases the Commission in Court Session, I'll now call Mr Christmas to the witness box.

**KENNER CC:** Yes. Thank you very much.

**CHRISTMAS, DAVID:** affirmed:

**EXAMINATION-IN-CHIEF BY MR ENTREKIN:**

**KENNER CC:** Thank you very much, Mr Christmas.

And welcome back, and thank you for making time available again for us this year?---Thank you, Commissioner.

We might just deal with the question of documents at this point that the Minister has provided, Mr Entrekin, the witness statement of Mr Christmas.

**ENTREKIN, MR:** Thank you, Chief Commissioner.

Yes.

**KENNER CC:** Do you intend to put that to Mr Christmas or are we just - we'll just take that as read and we'll admit it, I think might be the most suitable step, unless you want to put it to him - - -

**ENTREKIN, MR:** Yes. I was - - -

**KENNER CC:** - - - specifically.

**ENTREKIN, MR:** - - - going to seek leave to tender the PowerPoint presentation, which we - - -

**KENNER CC:** All right.

**ENTREKIN, MR:** - - - have to do. We have plenty of copies for - - -

**KENNER CC:** Yes, thank you.

We'll - - -

**ENTREKIN, MR:** - - - the other parties.

**KENNER CC:** - - - deal with the witness statement first of Mr Christmas.

**ENTREKIN, MR:** Certainly.

**KENNER CC:** That will be tendered as exhibit Minister 1.

<u>EXHIBIT MINISTER 1</u>	Minister	<u>DATE</u>	unspecified
The witness statement of Mr Christmas.			

**KENNER CC:** Secondly, the PowerPoint presentation in relation to the State Wage Case 2024, the Western Australian Economy, will be exhibit Minister 2.

<u>EXHIBIT MINISTER 2</u>	Minister	<u>DATE</u>	unspecified
The PowerPoint presentation in relation to the State Wage Case 2024, the Western Australian Economy.			

**KENNER CC:** There's a third document which has been helpfully annexed to your written submissions - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - Mr Entrekin, which is the mapping of State awards in relation to the C14, C13 issue. We think that ought probably go in as well for completeness. And that will be - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - exhibit Minister 3.

<u>EXHIBIT MINISTER 3</u>	Minister	<u>DATE</u>	unspecified
The mapping of State awards in relation to the C14, C13 issue.			

**KENNER CC:** All right. Now, over to you, Mr Entrekin.

**ENTREKIN, MR:** Thanks, Chief Commissioner.

I'll just hand out some of these PowerPoint presentations for the other parties. That's all right.

**KENNER CC:** When you're ready.

**ENTREKIN, MR:** Thank you, Mr Christmas.

Could you take us through your presentation?---Thanks. Thank you for the opportunity, Chief Commissioner, Commissioners. Um, if I can begin again just by acknowledging the effort my team, the Economic and Revenue Forecasting Team have - have made in contributing to, um, preparation of forecasting the budget and towards this presentation. They're a fantastic bunch. The presentation today is based on an assessment of the West Australian economy, as published in the '24/'25 budget released on 9 May 2024. As noted in budget papers, West Australia's domestic economy grew by 4.7 per cent in '22 - ah, '22, and is expected to further accelerate to 5.25 per cent in '23/'24. Um, the major - the State's major export is their operating capacity, and in fact - um, so from '24/'25, ah, the main exports are projected to only be modest, um, in terms of their contributions, which is why GSP is expected to be fairly, um, moderate in - in - in the forecast period. One thing that will come through the presentation today is the strength of the labour market. So the domestic economy's strength has driven record employment outcomes, with almost six - 1.6 million people in April employed, and an average unemployment rate of 3.7 per cent. Employment growth has strengthened to 3.4 per cent in annual average terms, um, building on strong hiring since the onset of the pandemic. Ah, it's expected to grow further, to 3.75 per cent in '23/'24 before easing next year. The strong labour market conditions are flowing through to strong wages growth, so the WPI, wage price index, has grown by more than four per cent in year-ended terms in each of the past five quarters, and the combination of rising wages and slowing inflation has seen real wage return to positive territory. Consumer price inflation remains elevated. That said, growth in the CPI - excluding electricity, which we'll get to later - fell sharply to 4.1 per cent in year-ended terms in the March quarter, ah, less than half the peak growth of 8.6 per cent. And right at the end, we'll touch on some of the - the international and domestic risks. So just turning to the, um, ah, domestic economy - sorry, international.

**KENNER CC:** I'm not sure you might need a bit of help there, Mr Christmas, if - - -?---The - okay. It's working now.

Okay?---Thank you. Okay. Global and international context. So the world economy is - it's - it's estimated to sort of have slowed slightly, um, between '22 and '23, and that there's mixed, um, performance across the different, ah, economies, and that's partly reflecting the impact of higher (indistinct)10.43.02 both inflation there of higher cost of living and interest rates that are designed to slow their economies. Um, that said, the IMF is actually forecasting the world, um, economic growth to, ah, average around 3.2 per cent in each of the next couple of years, which is - ah, it is actually a little bit lower, um, than the historical average from 2000 to 2019, just before COVID, and that just reflects the current policy settings, um, including, you know, tighter, um, monetary policy, the tapering of fiscal support coming out of COVID, um, high - ah, and it's underlying slower productivity growth.

In terms of our key part and - and our growth, if you use a weighted annual growth - it's not shown up there, but actually, this year, '23, we've got 4.1 per cent, um, we're estimating. So that's our top 10 trading partners, um, with growth slowing to 3.6 and then 3.3 in 2025. The headline inflation has fallen in most advanced economies, although, there are divergences, um, starting to appear, with some. So you can see from the chart, um, the, um, United Kingdom is still - ah, and - and, um, United States are sort of a little bit higher than, ah, the euro area. And in fact, the United States' the data's sort of showing some stickiness there, in that sort of, ah, four per cent, um, three - three to four per cent range. Um, so - and also, core inflation, which is - excludes volatile items such as food and energy - is now actually exceeding those headline rates. So that - that's in part been supported by robust wage growth in the services sector. Um, and goods inflation, um is - was one of the reasons that um - that's been coming down, which is why, ah, inflation overall is coming down. The central banks have - haven't started reducing rates yet, but there is some - there is still discussion, so I think at the last meeting at the Bank of England policy committee there was, ah, seven to two vote to - to, um - ah, keep rates the same or two - two people voted to actually reduce them. So that's just an example. The - there is - probably the next words will be down, but there's still that debate happening. Um, in terms of our biggest trading partner, China, the growth is moderating, but you can actually see that's been moderating for a while - - -

**KENNER CC:** For a while?--- - - - now, yeah, so it's not something that we need to be concerned about in and of itself. The larger you get in some ways, they harder it is to keep expanding at those sort - the - the early rates in that chart are just unsustainable. Um, that said, ah, we - there are some areas of - of weakness, so the Chinese property sector has, ah, in particular been quite weak. Um, now, important like a - like, importantly, that's been offset by - to some extent, by manufacturing and infrastructure, but also exports are- are, um, starting - particularly of steel are starting to lift, which is important for us because it's at least the underlying, um - they're producing that from our iron ore largely. So that's a concern. The - the sort of property sector is a concern. The Chinese government is - is even, as recently as last week announced measures to try and support it. Ah, WA commodity prices are very elevated, um, although they have fallen since the, ah, first quarter last year. Um, and that - but you can see from that chart, they're still very high and - well, today the iron ore price was - it's around \$120 per tonne, um - well, which is, ah, above our estimate of the (indistinct)10.47.27 average, which is about just over \$70, um, US dollars per tonne. Um, and while there has been some declines in commodity prices, particularly LNG, nickel and lithium, what we have seen, ah, in that chart is, ah - there's - there has been a depreciation of the Aussie dollar, which has meant that, ah, the, um - um, there is a bit of a difference in the commodity price, um - ah, with the US index declining more than the Aussie. One of the reasons for that is the - in US dollar terms, the iron ore price did decline, ah - um, by a small amount, and in Aussie dollar terms, it actually went up, so that - that's part of the difference there. So, ah, we've had a depreciation in the Australian dollar, um, over the last two years. That's gone from 72.6 cents to 65.4 US cents, but compared to our most recent financial year, it was a very small - small, um - so 65.4 this year, ah, 67 last year. Um, the Australian economy's forecast - so just turning to the national rather than the global. Um, it is forecast to - actively forecast to ease, so 3.1 per cent GDP growth going down to 1.75 per cent GDP growth.

Ah, again that is largely because, um, households are pulling back on discretionary consumption and they are spending on new housing as well, um, so as those things come, ah, employment growth is also expected to ease, unemployment rate to rise, um, and, ah, that's - we've also got, um, the situation where consumer price index, for the same reasons as we'll go through for WA, are coming off, um, and - and, um - but reflecting the tight labour market conditions, wages are - are growing, strengthening to their highest for a while. In '23, 4 and then where it's - nationally they are forecast to go down, and we're following that - we - we've got a similar trend. Um, in its, ah - ah, so the RBA, um, the Reserve Bank of Australia has lifted the cash rate for 435 basis points - for - sorry, 425 basis points, um, from .1 to 4.35 per cent, um, between, ah, April '22. I think they started rising in May '22 and then November '23 was the last time they raised rates. In its most recent decision, um - ah, earlier this month, the board indicated it expects that it'll take some time yet before inflation is sustainably in the target range, and it will remain vigilant to upside risks, um, and the board isn't ruling anything in or out when it comes to the interest rate path, um, then they'll choose the path that they believe best ensures the inflation returns to target in a reasonable time frame. So turning to our economy, um, and we'll start off with household and business confidence, so at - at - if you see on the left side there, the left panel chart, we've had fairly volatile consumer sentiment, but if you look at the - if you sort of did an average of it all, it is still historically weak, um, and it's weak both here and, ah, nationally. Um - ah, but business confidence in Western Australia is positive, and it's roughly around its long-time level, and it's higher than national, so that's comforting. In terms of spend, and we'll just talk about consumer confidence, ah, retail trade volumes in WA have stabilised at a high level. They did decline slightly in the March quarter, but in the year to March quarter compared to the year, um - '24 compared to the year to March quarter '23. Um, they did in - it - it was basically stable. It went up 5.1 point - per cent, um, but that's, ah - um, there was a decline nationally, as you can - you can see, so, um, there was a fall, um - ah, of 1.4 per cent, ah, in annual average terms over the year to March '24 nationally, so WA consumption as a whole is doing a little bit better than nationally, um, and you'll see that also in the next slide - well, actually, you won't see it in the next slide, but, ah, what is happening is household consumption, um, increased by 2.7 per cent, ah, all up, um, almost halving in '23. Halving from five per cent - almost halving from five per cent in 2022, um, and that's in response to those elevated inflation and high interest rates. Um, and when you look at the components, you can actually see the discretionary spending is coming off, and that's what that left-hand side is saying, um, so consumers are reprioritising spending away from discretionary items to essential items, um, and growth in discretionary consumption has slowed from 10.4 per cent in calendar '22, ah, to just three per cent in 2023, so you can see it's a - really, quite a fast unwind, um, and if you take away spending on - on holidays, ah - on travel, um, that - that decline, is even more marked. Um, and in annual average terms, um, yeah, so both discretionary and non-discretionary consumption grew by three, but when you exclude transport, they - it grew, um, by, ah - discretionary only grew by .4 per cent, do discretionary is really quite (indistinct)10.54.02. Um, and - and on the other right side, we can still see that even though discretionary growth is coming off, some of the spending is at quite high levels, so we're still spending quite a lot on vehicles. Some of that is because we actually ordered those vehicles in the pandemic and we don't actually get - it doesn't get returned within - - -



Takes a long time. That's right?---Yes. Yes. Certainly does. Um, so one of the reasons we're in a good place relative to our, um, eastern state cousins is that we have a very high household savings rate, so even though our household savings rate fell, um - and it fell from 21.7 per cent in '21, ah - 2021 to - to now 15.2 per cent in '22, '23, so even though it's fallen, it's way above national savings - net - net savings, which are - are (indistinct)10.55.04 at, 4.3 per cent in the year to June '23, so we're good savers in this state. But that has meant we are in a good place to keep spending. Even though I've just said we're a really good place, people are, as I said earlier are being very careful with that spending. So we've been cautious by saving and also cautious with our spending. So we've got household graph and household consumption, we're projecting it to fall from 3.5 per cent in '22-'23 to 2 per cent in '23-'24. And we're actually already seeing a decline in per capita spending. So we were in WA we've seen per capita spending in calendar '23 went down by 0.4 per cent. And my colleagues have calculated 1.3 per cent decline nationally in the calendar year, again, just sort of emphasising the east coast has been hit a bit harder in terms of consumption than we have.

So in '23-'24 as you can see from that chart, we're actually expecting per capita spending to decline by about 1 per cent. But because we've got so - such strong population growth, even though each of us is spending less, we're overall spending more because of that strong population growth.

Which is forecast to ease?---It is forecast to ease, yes.

Indeed?---Yes, that's correct, yeah. And we'll get to - so you know, consumption is still growing - we're forecasting - growing by 2 per cent this financial year going increasingly to about 3 per cent yearly. And that will be supported by things like continuing population growth, but as cost of living pressures and inflation comes down then people have that more capacity to spend. But in terms of the housing market, dwelling investment resumed growing in 2023, expanding by 4.5 per cent after declining in financial year 2022-'23. So there's a large volume of work outstanding. So 23,000, more than 23,000 dwellings in - in - in December '23. That's the latest data we've got. And so we've got to work through that backlog. There have been some skills, trade skills issues. And you can see that's why it's - it's taken so long to unwind that - that backlog. But completions started to pick up. We could see that. And we are expecting starts which hadn't picked up to date - we're expecting them to pick up shortly because they have all the lead indicators in that right-hand chart showing an increase in land sales and increase in building approvals on that increase in housing finance commitments for - for new construction. So overall we're expecting investment to lift further to 6.7 per cent in '23-'24 and 7.5 per cent in '24-'25 initially supported by a backlog and then more and more supported by the new work.

Business investment is estimated to grow by 13.25 per cent so in the coming year and that follows a growth of 10.7 per cent in calendar '22 and - or '23 sorry. And the growth of 13.25 is going to be the strongest in over a decade. And that's going to be supported or it is being supported by Scarborough Pluto project, Crux, Onslow Iron and Western Range projects. We do expect investment - the pace of investment growth to ease from 13.25 to 1.75 and then stay between around 3 and - 3.75 and 4.25 in the next two years. So we are seeing the levels of investment increase but not - not quite as rapid a pace in calendar years.

Outside resources, there's been a tick up - a tick in investment as well, hasn't there? Not in mining?---Mining still dominates, yeah.

Maybe not to the same degree?---Not - some of that minor investment - what we call minor investment can be - it's - it's - it's not contributing nearly as much, um, as the - as the - the - the big projects. Um, they tend to be supported by growth and big projects, but, um, there - there's also a little bit more, ah, exposure, I suppose, to - cos it's your mum and dad stores as well as other things, so they make their assessments based on the perception on what's going to happen - - -

A business conviction?---Yeah, convictions, yeah. Um, in '24, '25, we - we - while we still think the levels will be high, and we can see that on the chart, um, you know, we're going to - it'll still be, ah, underpinned by the projects I mentioned, but, um, also some, ah, projects which have been delayed in the past due to the workforce issues, that's - that - there's - well, actually work will start on them. And then in the outyears as Scarborough winds down you'll get de-carbonation, um, spending by the companies on decarb, which should all, um - and also just to maintain projects, so, um, that - that'll support the overall level of investment. Um, in terms of the - bringing all that together in terms of the domestic economy, um, it grew by 4.7 per cent, I think I mentioned earlier, in 2023. Um, and that - that was the - the national, um, stand out of sort of, our growth was more than double the national of 2.3 per cent in this calendar year, and it reflects that more resilient household sector, and supported by that strong population growth, um, and our very robust, um, labour market conditions. Ah, in addition to that, we've got a very, um, robust, um, government spending as well, um, so we're - we're forecast for 5.25 per cent growth in the state, um, domestic economy this year, slowing to 3.25 per cent, um - ah, next year, and, um, part of that is invest that - in that investment profile just being more level. In terms of our exports, um, goods exports have been - we're projecting - and they're - they're the vast bulk of our exports, so we're - they're - we're expecting them to decline, actually, this year. Part of that is the - the harvest. It was nowhere near as good in '23 as it was in '22. Ah, I - I think if you look at the harvest numbers, it's about 40 per cent down for the major greens, so, um - and we are expecting some regress in LNG exports just because of, ah - um - ah - ah, they're still going to remain very high, but there's, um - ah, a number of reasons why this year it will just be a little less, um, and then we'll expect, ah, good exports to recover in '24, '25, um, with iron ore and lithium production starting to expand not by a lot, but there will be expanding. The other reason, ah, services will - well, we're going to see a sort of - service exports are growing very strongly this year, and one of the reasons is international students. Ah, that - that sector is booming, um - ah, post COVID. There was a whole lot of, um, students coming into the state, and also the return to, ah - of overseas visitors, so that's - that's supporting, um, external sector, um - ah, this year, and partly offsetting that goods exports weakness, um, but that will - though those - we're expecting international education and overseas visitors to actually stabilise the economy. In terms of, ah, overall economic growth and GSP, growth state product is that measure, we are - we are expecting that to, um - ah, moderate from 3.5 per cent in '22, '23, which is the latest data we've got to - to 1.75 per cent, um, reflecting that decline in net exports, and then as I have mentioned earlier, remain modest over the forecast period, largely because key producers are operating at close to capacity, and mostly investment is sustaining rather than expanding. Sustaining more in things like decarbonisation, which don't actually add to the amount of production. So in terms of migration, it is going, um - it is contributing to our strong population growth. Ah, we had 3.3 per cent increase in the year to September '23, which is actually the latest data, so the - the population data is quite lagged.

Over that year to September '23, ah, we were - we were - may - may have heard that the treasurer - WA treasurer - mentioned that's (indistinct) 11.05.16 partly boosted by, um, record net overseas migration of 94,000 - well, um - ah, total migration 94,000 people, most of which will be net overseas migration, um, so that is a massive boost to our economy, um, and rather we didn't quite expect population growth of that, ah, strength, and this is one of the reasons why if you compare what I presented last year, ah, our forecasts have, ah, been upgraded a lot from '23, '24 compared to what we said last year. Um, we are - we are sort of - we are - so you can see that net, ah, overseas migration has come off a little bit and, um, we are sort of expecting that 50 - almost 50 per cent of those overseas migrants were students, um, and, ah, federal government is tightening up on - on - on the student intake, so we're already sort of, um, picking up that that, ah - - -

That number will fall off a fair bit - - -?---Yeah.

- - - in - in the - - -?---Yeah, there's - - -

- - - year ahead?---That's correct, yep, yeah. And - so, yes, that - that's why we're expecting, um, population growth to moderate from, um, 3.2 per cent to 2.8 per cent, ah, in '23, '24 and then 1.8 per cent in '24, '25, just that normalisation. Ah, in terms of the labour market, labour market conditions in WA have, as I mentioned, been very strong, so we've had employment growth of 3.4 per cent, um, and we've actually, um - in March, we actually had slightly more than 1.6 million people employed. There is monthly volatility, but around 1.6 million employed now. Um, so that's been really strong. Ah, we're expecting by, ah, the end of the financial year, annual average growth will have increased to 3.75 per cent. Um, however, in line with that slowing in a domestic economy, we're also expecting employment growth to ease to 1.75 per cent next year, and there's a few things that are start - you know, they're just sort of hints that things are may - maybe slowing. Um, so you can see that the - if - in the left-hand column, the majority of the - well, in the early period, ah, days of recovery from pandemic, there was, ah, the main, um - there was a lot of full - there's been a lot of fulltime employment growth. Um, but now we're actually seeing part-time roles have started to pick up over the past year. What that means is actually hours worked is - we can see it's stabilising in the right-hand chart, so average annual growth in hours worked is, um, 2.9 per cent in April, which is lower than the 3.4 per cent in - in total employment, um, and it's down from 5.2 per cent, um, in September '23, which was, um, recently, so you can see that - that is coming off. Um - ah, employment growth has been strongest in, ah, healthcare, education, retail and professional services, um, so very strong growth, but again you can see part-time employment has been quite strong in some of those areas, um, and then I suppose that's - there are - there have been a number of areas where growth has tapered off a bit. Um, some moderating that but, yeah, on the whole overall still very strong growth. Um, we - job vacancies have come off a record in April '23 with monthly job vacancy numbers, but they're still very high compared to pre-pandemic and even compared to the mining boom, so, um, there's, ah - there's still some strength in our, um, vacancy. Um, one of the reasons that even in - in spite of seeing that chart and it's all looking very good is if you look at the media, there are - there are, um, reports of job losses, including, for example, in the nickel sector, um - ah, but more broadly, there are - yeah, we're just noticing a little bit more across, ah - across the board, so I think in the last couple of days, Telstra announced a 10 per cent reduction nationally. So that's just an example of where we're seeing - you know, we've got a - where - we don't just - just use data. We're using, um, a combination of, ah, information to - to, um, support our overall forecast view.

I mean, all - all of the data suggests the market's softening a bit compared to - compared to what it was, say, 12 months ago - -?---Yes.

- - - 18 months ago?---Yes. Correct. Yep. And we'll all - you'll see, the - a little bit more data in - which will - in the Telstra unemployment stuff which would say - say that as well. So that's why we've got that sort of drop from 3.7 - um, 75 per cent growth down to 1.75. Um, it's still very strong. That builds on some very strong growth, so it's - it's - those are still - um, it's not - - -

A very high base?---Yes. That's right. Um, the unemployment rate, we - has - has averaged 3.7 per cent in mid-April, so that is very low, and if you look at that chart, you can see it's - it's, um - the only other period there's - have been lower for such a sustained period is - is sort of the, ah, around the - I don't know, April, the - 2005, 2006, 2007 mark. Um, and so it's actually been the lowest in a long, long - and - and that's - it's the second lowest period of sustained, um, unemployment rate sustained below for - at - at or below four per cent on record. Well, next is the late-70s, so this is what I mean. Um, what you are seeing in - in the youth unemployment, that - well, even - even in that total unemployment rate, you can see a very slight tick up, and that's more marked in the youth unemployment rate, where that is starting to, um, tick up. So the youth unemployment rate has trended high to 9.4 per cent in annual average terms, up from 8.1 per cent, ah, in March '23. And youth, um, unemployment is probably a little bit more cyclically, um - well, related to - cyclically, um, related, so as the economy strengthens and weakens, that's - that's probably more responsive than the general unemployment rate. So again, as that ticks up, it's just telling us, as - as you mentioned, Chief Commissioner, there's a - there's another bit of support for that softening. And the unemployment - overall, we're expecting it to - to be - average 3.75 per cent this year, basically, in line with where we're at, and then increase over the forecast period is, um, this - this pace of labour demand doesn't quite keep up with the pace of labour supply, um, and that being related to, ah, civilian population growth as well as - we're expecting part rate. We are expecting that part rate to be relatively high this year, 68.9 per cent, um, but to ease off over the whole period to 68.3, which is still fairly high. But just come off a tick because conditions aren't quite as strong, so, um - and also, because of an aging population, um, older cohorts don't quite, ah, have the same part rate. Um, so going into wages, um, as the Commission will know, ah, WPI or wage price indexes are generally viewed as the preferred measure of underlying wage growth because it's not subject to, ah, quantity. It's got - it measures wage growth for a fixed quantity and quality of labour, um, and so extracts from changes such as average hours worked and compositional changes in the labour market. Um, so that's why we - we prefer that measure. Um, and what's happened is wages growth in WA - well, it's picked up in a couple of the last - the, um, eight - 18 months to two years, to be - it's - ah, I think I mentioned it's been above four per cent now for five quarters, with the wage price index growing 4.2 per cent in the year ended terms in March '24. Slightly down on - on, um, growth in the December quarter. And what we are expecting is, ah - well, sorry. Before I get to that, the - the strength has been, um, ah, in a - in, um, a combination of food, healthcare and social assistance, where - where that employment growth has been quite strong. Um, across a range of industries, ah, it's been relatively strong. That said, we are starting to see a moderation in wage growth, and - and that - you can even see that in the chart of wage price index, just ticking down in that last quarter, um, and then, if you look at some other indicators, so growth in advertised salaries is moderated. So, ah, in the March quarter, they - they increased by .5 compared to, you know, one per cent in the December quarter. Um, and that's the Seek - Seek's advertised, um, salaries.

And even in - in the EBAs lodged with the Fair Work Commission - this is fortnightly data - the annual, um, average annualised wage increase is sort of in - fallen from above four-and-a-half per cent a couple of times, um, you know, in around - in the second half of last year to being under, um, four per cent for most of this, ah, last couple of months. Although, it just ticked over in the last - last data to just over four per cent. That said, it's all suggesting that we might have had a - will not be peaking in terms of wages.

Being on the peak of the market?---Yep. Well, and that's what we forecast. Um, this year, um, financial year, 4.25 per cent and falling down, falling to 3.75 per cent next year. And that's just consistent with those, um - that moderation in labour market conditions and, um - and those indicators. In terms of CPI of the Perth's consumer inflation, so we - um, growth in Perth CPI and excluding the electricity index and - and including it. I've - I've given you both on the left-hand side there. We exclude electricity subindex simply because, um, that has the government's, um, housing electricity credit does impact on the measured, ah, um, CPI, and it just creates a lot of relativities that comes in and out of the base. So it's - it's almost trying to give you a - an underlying - um, remove some of the volatility so you have an underlying, um, understanding of what - what's going on.

I think we've done that in the last couple of years, where there have been bill credits - - ?---Yes. Correct.

- - - because of the smoothing effect over that period - full period of time?---Yes. Correct. Correct. So, um, we've got - CPI is, um, more than half from, ah, a peak of 8.6 per cent in December quarter of '22 to 4.1 per cent in the March quarter. Um, the pace we - a lot of that, um, reduction is because supply chain pressures have come off, and you can see the close relationship in that right-hand side. However, we're also starting to sort of, ah - so goods - goods inflation is coming down, but we are seeing some price growth in, um, ah, housing and other costs, like insurance, um, and it's - it's - it's still there, so we're not expecting the pace of decline in inflation to be as rapid from now on. Um, in terms of the pace of decline, we are - we're expecting CPI, ah, to - to climb from a four per cent in '23/'24 to three per cent in '24/'25 and then going into the middle of the RBA's forecast range by '25/'26. Um, just to provide a little bit of perspective. Our forecast is higher than the national - latest national CPI forecast from Commonwealth and the Reserve Bank. There's a couple of reasons for that. Um, partly, there are - forecasts are excluding the electricity subsector, so the house and electricity credit isn't in - you know, dampening our growth rate, whereas in the Commonwealth and RBA, they will have that - that - the headline does include the electricity. So that's part of it. And part of it is that, um, things like rent and new dwelling prices are increasing slightly stronger in WA than they are - well, they're increasing in a stronger rate at the moment, anyway, um, in WA than national. But nevertheless, we are expecting by next year to hit the top of the RBA, um, forecast - um, sort of target range and, um, so that's still a very good, um, improvement.

So just to - to cap off (indistinct)11.20.15 is expected to moderate next year, partly because of business investment consolidating and also because population growth is going to normalise. State and exporters are operating at close to capacity so net export growth will be relatively modest. And after a very strong and tight labour market conditions, we are expecting the pace of employment growth to ease and the unemployment rate to gradually rise - a forecast period.

While we do see the risk to the outlook, we've got ongoing conflicts including Ukraine and the Middle East. So those clearly impact on commodity prices. And elections over half the world's population during the year and that can have impacts on trade. Depending on for example, which - which party ends up in power you may have very different trade outcomes. And the global climate change policy, the attitude to global climate change policy can be very different including from - particularly in the U.S. Price volatility for Western Australia's commodities could disrupt activity. So we've had that in that nickel space. Fortunately, nickel prices, while they came off a lot, have - have not got to the level that anyone was actually - no - no substantial real impact there. And it looks like prices were at least in the near term - what we'd likely get. But it's always a risk. It just highlights the - the system risks.

And then we've got obviously - if the costs including mortgages facing them. Consumers - if the RBA were to raise rates, well, that's a risk for our consumer spending profile. And finally, we've had so many - we've had a lot of delays to residential construction. As I've said where - there has been a pick-up in completions. But if for example, for some reason the imbalance stays high and between demand and supply in - in the industry for longer than we expect, that - that could be inflationary. So again, the Reserve Bank would - well, it won't be just our conditions but national conditions which would dictate their move. But certainly that does represent a risk now too. So that's concludes my presentation.

**KENNER CC:** Thank you very much, indeed. Thank you, Mr Christmas.

Are there any questions from the Bar table?

**HARDING, MR:** Yes, we just have a couple of questions if that's all right?

**KENNER CC:** Yes, Mr Harding.

**HARDING, MR:** Mr Christmas, does the treasury factor in productivity in any of its modelling and assessments?---Well, productivity is implicit that we do. But we - we - we don't forecast explicitly that way. And productivity is inherently very difficult to - to forecast. Very - can be quite volatile and you know, you need to be very cautious in interpreting any productivity data or - - -

But it doesn't inform it, doesn't it?---Well, it's - as I said it's implicit.

Yes. Thank you. And I just have a couple of questions in relation to some of the information you gave about wages growth and inflation. In your - in the exhibit - sorry - - -

**KENNER CC:** Minister 2?

**HARDING, MR:** I think so, in your PowerPoint - - - ?---Mm hm.

- - - you talk about wages growth and its impact on inflation. I just want to confirm as well that you were stating that lower wages growth is going to have a reduction in inflation. Is that correct? Have a contributing factor, I should say, sorry?---Wages growth, to the extent - where - where it's most likely to impact is in services equation. So what happens with wages in the services, people are impacted.

And just from your presentation as well, you're saying that what's still driving inflation primarily is services growth and services - services prices, correct?---There are - what I'd - it's one - one of the biggest drivers would be the - well, because of the size of the contribution of housing and what's happened with rents and dwellings and because we're expecting those to grow through those prices, they - they will be contributing to our - our view of inflation as well.

Okay. Not a problem. And just a couple more if that's all right? Thank you. Mr Christmas, the RBA has said that a key risk for inflation returning to target is - sorry, - did I speak too loud? (Indistinct)11.25.25 remaining weak. Do you agree with the RBA's view on that as a broader economic point?---That's a key risk to inflation.

Yes?---So yeah, well - well, to the extent that real wage growth isn't supported by productivity growth, that - that can be an issue with - - -

Yes. And obviously flowing from that, does that - does weak productivity growth limit the rate at which inflation - at which wages can grow without the impression inflation?---It allows the extent to which real wages can grow without putting pressure on - - -

I think that's all I have because you actually answered my other ones already. So thank you so much.

**KENNER CC:** All right. Thank you.

Any further questions? Mr Sneddon?

**SNEDDON, MR:** Chief Commissioner, we'd just like to thank Mr Christmas for that presentation. It was excellent. We have two brief questions - - -

**KENNER CC:** Yes, of course. Please go ahead.

**SNEDDON, MR:** - - - which will be asked by Mr Sumner. Thank you.

**KENNER CC:** Thank you.

**SUMNER, MR:** Thank you, Mr Christmas. The economic outlook notes that despite inflation remaining elevated, it's moderated substantially particularly over the last year. Considering the Fair Work Commission decided last year - saw - sorry, the decision last year saw an increase to national minimum wage of 8.65 per cent, would you agree that this indicated a direct causal link can't be drawn between increases to minimum wage or minimum award wages and increases to inflation?---So yeah, increases in the minimum wage will have - may - may - it all depends on conditions and impact. But in the current circumstances where people - there - it's probably going to be limited. So you, you know, you - you've got to be very careful drawing those calls with linkages where they would be maybe lagged impact as well. But it just depends on the number of people covered by the - by the decision and also the economic position. So where you know, it'll be a combination of all those things. So yes, it's not - not something you can - probably not - it's not something like that supply chain chart where you see those - those direct linkages.

I think you've just answered my second question as well. Thank you, Mr Christmas.

**KENNER CC:** Thank you, Mr Sumner.

Any further questions from the Bar table?

Ms Hull?

**HULL, MS:** No, thank you.

**KENNER CC:** Thank you very much, Mr Christmas, once again for helping us and to your team for preparing the presentation. It is extremely valuable and we do appreciate your time and efforts. Thank you very much?---Thank you very much, Chief Commissioner. Thank you.

WITNESS WITHDREW

**KENNER CC:** Now, Mr Entrekin, when you're ready, please?

**ENTREKIN, MR:** Thank you, Chief Commissioner. And I'd just like to thank Mr Christmas once again and his team from the Treasury Department. The Minister and the Department extend their sincere appreciation for their time today. We note the presentation was very thorough this year - - -

**KENNER CC:** Indeed.

**ENTREKIN, MR:** - - - and incorporates a lot of information. So we thank you for that. I'll now move on to the Minister's position. The Minister believes that Western Australian workers should enjoy a modern framework of employment conditions that protects their interests, fairly rewards them for their efforts and provides a level of economic security. At the same time minimum wage increases need to be affordable for business and take account of their capacity to pay.

The Minister's submission in this year's Wage Case addresses several elements. It deals with the appropriate benchmark for the state minimum wage, the appropriate quantum of any general increase to award wages and the appropriate form of wording for principle 7, work value changes.

I'll start by addressing the minister's proposed position regarding the state minimum wage before moving onto other issues. As part of this year's state wage case, the Commission invited submissions on the Fair Work Commission's decision in last year's annual wage review to alter the basis of the setting of the national minimum wage from an alignment with the C14 modern award rate to the C13 modern award rate, any implications of this for the setting of the state minimum wage having regard to the history and legislative setting of the state minimum wage. The issue of the appropriate benchmark for the state minimum wage has become a relevant consideration following last year's decision by the Fair Work Commission to realign with the national minimum wage from the C14 rate, which is currently in the national system \$859.30 per week to the higher C13, which is currently \$882.80 in the national system. This was the first time since 1197 the level of the national minimum wage has been comprehensively reviewed, and the Fair Work Commission determined that the C14 rate was only ever intended to constitute a transitional entry rate for new employees, and as such does not constitute a proper minimum wage safety net for employees in ongoing employment.



The Minister concurs with the reasoning of the Fair Work Commission and contends that this principle also holds true in the state industrial relations system. The realignment of the national minimum wage coupled with the Fair Work Commission's decision to award a 5.75 per cent increase - across the board increase to modern award wages has now created a situation where the national minimum wage is now \$19.40 or 2.2 per cent higher than the state minimum wage for a fulltime employee. The gap is obviously larger for casual employees when the relevant casual loadings in each jurisdiction are factored in. The Minister submits it is undesirable from the fairness and sustainability perspective for the state minimum wage to be set at a rate significantly below the national minimum wage, particularly at a time when cost of living pressures have been impacting many working households in Western Australia.

In order to address the growing disparity between the level of the state minimum wage and the national minimum wage and to safeguard the interests of the lowest paid in the state system, the Minister is supportive of the Commission realigning the state minimum wage from the C14 rate in Metal Trades (General) Award to the C13 rate. The Minister's written submission provide a broader detail of what such an increase would entail in practice. However, it's worth touching on a few of the key points.

Realigning the state minimum wage so it's benchmarked against the C13 rate would involve a one-off increase of \$19.90 or 2.3 per cent to the state minimum wage in addition to any general increase awarded this year in the state wage case. Based on current minimums, the Minister's proposal would see the state minimum wage set at a rate that is virtually identical to the national minimum wage. As the C13 rate in the state system just happens to be 50 cents a week, or one cent per hour higher than the national C13 rate, they're almost identical at the moment.

As per attachment D of the Minister's submission, approximately 37 per cent of state awards contain rates that pay below C 13. However, as noted by the Minister, a number of these awards apply to very few, if any, employees, so you've got a lot of awards, things like the Dried Buying Fruits Award 1951 or the Bespoke Bootmakers' and Repairers' Award 1946. Those types of awards which just don't apply to many, if any, employees in a practical senses, so in a practical sense, there's only a small number of state awards containing rates that pay below C13 that we consider would be likely to be both widely used and where the award wages actually represent the amounts that are paid in practice.

**KENNER CC:** One of the issues that might arise, Mr Entrekin, is the - because of the unique system in Western Australia with the implications of the state minimum wage into the awards because of the minimum conditions regime, is the impact of that proposal on award relativities internally.

**ENTREKIN, MR:** Yes.

**KENNER CC:** That strikes me as an issue. For example, where you're effectively abolishing the C14 rate and uplifting perhaps a series of classifications which are below C13 currently, that could have the effect of destroying relativities in a practical sense by equalising rates of pay for different classifications based upon different types of work - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - in the same award. That would be the net effect of it, wouldn't it?

**ENTREKIN, MR:** That's correct, yes. So it does remove one layer of relativity at the lowest end. In most cases, the rates that are below C13, or in many cases, it would see the bottom relatively move up one, effectively, it wouldn't distort any relativities above C13, so it would only be that bottom layer in those minority of awards that do have rates below C13. That's correct, yes.

**KENNER CC:** I'm just looking at the - just take an example in the helpful mapping that's been done by the Department. The Dental Technicians and Attendant Receptionists Award, for example, which may not - it's difficult to say whether it's the extent to which this sort of award may be used, because some practitioners may operate in partnership, some may not. Some may have corporate structures, some may not, but if you look at the classifications structure, which is at page 7 of your mapping - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - under that award, you've got five classifications that would be affected. I don't know whether you have that to hand?

**ENTREKIN, MR:** Yes.

**KENNER CC:** You have, for example, a dental assistant, and then you have a senior dental assistant.

**ENTREKIN, MR:** Yes.

**KENNER CC:** If the C14 rate is effectively abolished and the C13 rate applies across the board, all of those relativities disappear with all of the classifications we see on the C13 rate, and that would seem to be - - -

**ENTREKIN, MR:** That's correct.

**KENNER CC:** - - - run counter to the principle of work value and payment for work skills and experience.

**ENTREKIN, MR:** That is true, Senior Commissioner. The one thing I would note with this particular award is the rates of pay in the Dental Technicians and Attendant Receptionists Award are way below the rates in the national awards. For this particular cohort - and I don't know why that's come about - but we were staggered by how far behind the State dental rates of pay were - - -

**KENNER CC:** They might not have been - - -

**ENTREKIN, MR:** - - - like, to the extent of around - - -

**KENNER CC:** They might not have been maintained - - -

**ENTREKIN, MR:** They might not have been maintained. Exactly. So - - -

**KENNER CC:** - - - Mr Entrekin, which is another point.

**ENTREKIN, MR:** They were up to \$300 per week less than what people in the national system were receiving for the equivalent positions. So we would say that, yes, in the sense that it would create some distortion to those relativities, but they are - - -

**KENNER CC:** Yes.

**ENTREKIN, MR:** - - - coming off a very low base.

**KENNER CC:** I don't know what a simple answer to that is, but I just wanted to raise it with - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - you because I mean, this mapping is very helpful, because it does illustrate these sorts of challenges where you are effectively, by the operation of an implied term, providing a floor - - -

**ENTREKIN, MR:** A floor, yes.

**KENNER CC:** - - - which disregards classification structures and work value. And that's one - which the federal system of course doesn't have, because the national minimum - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - wage has no connection with the NES, and it's not - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - a statutory implied minimum.

**ENTREKIN, MR:** That's correct.

**KENNER CC:** That's the big difference.

**ENTREKIN, MR:** So that's the main difference, and the one which I was going to talk to a little bit further is that distinction between the way that the Minimum Conditions of Employment Act operates, and the fact that the State minimum wage or the statutory minimum wage is part of the Minimum Conditions of - - -

**KENNER CC:** Yes.

**ENTREKIN, MR:** - - - Employment Act, and implied into awards.

**KENNER CC:** And that was - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - one of the - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - unintended consequences that we foreshadowed last year - - -

**ENTREKIN, MR:** Yes, yes.

**KENNER CC:** - - - in the decision, because of the - - -

**ENTREKIN, MR:** That's correct. Yes.

**KENNER CC:** - - - very different way in which minimum wages are set in this state compared to nationally.

**ENTREKIN, MR:** That's true, yes. I mean, I would note, just in a very general sense, that the relatively in the State awards are a lot more condensed than they are in national modern awards - - -

**KENNER CC:** Yes.

**ENTREKIN, MR:** - - - and that they - because of 30 plus years of flat-dollar increases - - -

**KENNER CC:** Yes.

**ENTREKIN, MR:** - - - they are a lot more condensed than they are in the national jurisdiction, so - - -

**KENNER CC:** And for example - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - awards such as the retail industry, accommodation services, restaurant (indistinct)11.39.57 catering, that doesn't arise because of course - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - there's no issue with those main State awards.

**ENTREKIN, MR:** Yes.

**KENNER CC:** But there are some scattered about that raise this sort of issue, and it's a question of how that's to be dealt with.

**ENTREKIN, MR:** There's a few, yes. Some of the cleaners and caretakers and a few of the other awards.

**KENNER CC:** Yes.

**ENTREKIN, MR:** Yes.

**KENNER CC:** Probably lesser gaps between the classification of some of those awards.

**ENTREKIN, MR:** Yes.

**EMMANUEL C:** Is there any information - or is this just not the sort of information the Minister would have access to about practically speaking, in such a tight labour market, looking at the Dental Technicians and Attendant Receptionist, how likely is it that people are being paid in accordance - - -

**ENTREKIN, MR:** That are actually being paid.

**EMMANUEL C:** - - - with that award?

**ENTREKIN, MR:** Yes. That's a very good question. It is a difficult one to obtain information on, because once you start breaking down the data at the State level and then also at the occupational level, it gets difficult. And then, obviously, it's even more difficult to break it down to State system versus national system. But if you just - even going to the industry level, you can get data on it, but as to its reliability, the standard errors can get quite high once you start breaking that down. It's possible that in certain occupations, there might be - industry associations might have their own data as to what average wages are or whatnot, but yes, it is a difficult one to get - - -

**KENNER CC:** The way in which - - -

**ENTREKIN, MR:** - - - a handle on.

**KENNER CC:** - - - these sorts of issues were dealt in many years past is that so as to not disturb relativities, there were things such as supplementary payments and other mechanisms, which avoided the need to corrupt classification structures.

**ENTREKIN, MR:** Yes.

**KENNER CC:** But of course, that's not something we can do in a State Wage Order proceeding, in terms of adjusting the minimum wage.

**ENTREKIN, MR:** Yes, yes.

**KENNER CC:** But that's how some of these obstacles were overcome - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - in the years past, when these sorts of issues were encountered.

**ENTREKIN, MR:** Correct. Yes. Yes. And that is certainly an issue just with the way the Minimum Conditions of Employment Act operates.

**KENNER CC:** There's no getting away from it.

**ENTREKIN, MR:** There's no getting away from it.

**KENNER CC:** It implies that - - -

**ENTREKIN, MR:** It's - - -

**KENNER CC:** - - - that rate, and that's the law.

**ENTREKIN, MR:** Yes.

**KENNER CC:** It's - - -

**ENTREKIN, MR:** That's - - -

**KENNER CC:** - - - as simple - - -

**ENTREKIN, MR:** That's right - - -

**KENNER CC:** - - - as that.

**ENTREKIN, MR:** - - - so, yes, effectively, the Minister is arguing that it would be reasonable to lift those rates to the minimum, noting that it will affect the relativities at the bottom level.

**KENNER CC:** Thank you.

**ENTREKIN, MR:** No problem. So, yes, as we were discussing, obviously, it's not possible to fully mirror the Fair Work Commission's approach whereby you have lower introductory or transitional rates in state awards that are below the state minimum wage, so that's obviously not an option, so achieving a degree of parity means that we have to take a slightly different path if that is going to be addressed. The Minister believes that the position that's been advanced whereby just that very bottom rung is raised is fair in the circumstances, and would balance the competing criteria that the Commission's required to take into account.

As the Minister noted in the written submission, even if the minimum wage was realigned, as recommended, the state minimum rate of pay for many casual employees in the state system would still be below the casual rates in the national system once you factor in the lower statutory casual loading in the state stem, so - and the Minister notes that many employees being paid these rates on the state awards would, in fact, be casual, so many cases, their rates would still not quite be at the same level as those in the national system.

In terms of the quantum for any general increase awarded as part of this year's state wage case, the Minister's recommended an increase in line with the general increase awarded by the Fair Work Commission in the annual wage review. There are several reasons for that. One being that if the state minimum wage is realigned, as recommended by the Minister, then having restored some parity between the amounts payable to the lowest paid in both jurisdictions, it would then be undesirable for state system employees to receive a general increase that's significantly lower than what's afforded to the national system employees, which could potentially undermine some of the benefits that would otherwise flow from a realignment, and also awarding an increase in line with the Fair Work Commission's decision would also ensure that rates of paying State awards - particularly those above the C13 level - wouldn't fall significantly behind those in the national system. Just in terms of the economy and labour market, the Minister notes the West Australian economy and labour market is - has continued to display considerable resilience to date, with historically low levels of unemployment, a rapidly growing population and record employment, as demonstrated in much of the data presented by Mr Christmas this morning.

Most economic and labour market indices remain above pre-pandemic levels and the State's domestic economy has been particularly buoyant to date. However, the domestic economy is expected to slow in the next financial year, um, in part, to an easing in household consumption, as consumers pull back on non-essential purchases. And that was borne out by the fall in discretionary spending over the last year that you could see. The Minister acknowledges that cost of living pressures have been challenging for many households, in particular, employee households, which are far more likely to have mortgage and loan repayments to service.

The Minister notes that elevated inflation is an impost for both households and business, and that's why the State and Federal Governments have included a range of initiatives to help ease the financial burden. In the State budget, this included a \$400 electricity credit for all West Australian households and a \$650 power bill credit for small business and a range of other support measures as well for those most in need. The Minister acknowledges these initiatives are a vitally important part of the recent State and Federal budgets and are designed to cushion some of the cost pressures businesses and households are facing.

However, though very important, the budget measures cannot be seen as a substitute for regular and fair increases to minimum and award wages, which still remain a critical element of the wage-setting framework. In regard to wages, the Minister notes that wages growth has continued to pick up over the last year, with the wage price index recently displaying its strongest rate of growth for a number of years, particularly in the December quarter of 2023. However, as noted by Mr Christmas this morning, wages growth has since eased in the March quarter, and it has eased in a number of other measures as well in recent months. And it's projected to ease a bit further in the years ahead, so it probably has peaked.

The Minister welcomes a return to real wages growth for the first time in around three years. Although this follows a significant period of real wage reductions, including reductions for workers being paid the State minimum wage and State award wages. The Minister notes that the most recent seasonally-adjusted estimate for average weekly ordinary time earnings in Western Australia is \$2,107.70 or just under \$110,000 per annum. By contrast, the fulltime median earnings in Western Australia were \$1,700 per week. That was in August 2023, and that's approximately \$88,700 per annum. That's for fulltime workers.

At the same time, the State minimum wage is currently a little over \$45,000 per annum, and the C10 classification - that is the skilled trades persons' classification - is a little over \$51,000 per annum. As also outlined in the Minister's primary submission, the most recent data indicates that award-reliant employees in Western Australia have much lower average earnings than those employed on collective agreements and individual arrangements. And they actually have lower average earnings than for award-reliant employees nationally as well. And some of that may reflect the higher Gini coefficient that exists in Western Australia.

Minimum and award wage earners are one of the most vulnerable cohorts of workers, and often have little in reserve to meet unexpected expenses for emergencies. It's therefore important that their wages be adjusted by an appropriate amount as part of the State Wage Case. The Minister's recommended realignment of the State minimum wage would significantly improve the financial wellbeing of the lowest paid, noting that the overall cost impact for business would be contained, as the vast majority of State system employees receive rates of pay above the C13 level.

The Minister submits that any increase awarded in this year's State Wage Case proceedings should take effect from the first pay period on or after 1 July 2024, in line with normal conventions. I'll just touch on apprenticeships and traineeships a little bit. The Minister's written submission included details on apprenticeship and traineeship commencements and numbers in training. The information and analysis regarding training arrangements was provided by the Department of Training and Workforce Development, and the Minister thanks the Department for providing that information.

As outlined in the Minister's submission, apprenticeship and traineeship commencements declined in 2023, following a significant increase in the previous two years, as a result of the Commonwealth Government's investment in wage subsidy incentives. The reduction of Commonwealth incentives in July 2022 saw commencements drop, particularly for traineeships, affecting the overall numbers in training. However, apprenticeship and traineeship commencements in 2023 still remain more than 30 per cent higher than the pre-pandemic levels. The total number of West Australians presently engaged in training also declined by around 3,000 persons in 2023.

However, this was due to a fall in the number of people engaged in traineeships. The total number of people undertaking apprenticeships still actually increased for the sixth year in a row, and that's encouraging. With skills shortages still evident in a range of sectors, particularly in the construction trades and in community and personal services, it's vitally important that training wages continue to be fairly adjusted as part of the State wage order, to facilitate the take up of vocational education and training opportunities. An updated schedule of registered training packages and industry skill levels was appended to the Minister's primary submission.

**KENNER CC:** Thank you very much for that.

**ENTREKIN, MR:** Thank you.

Another issue that's relevant for this year's proceedings is the work value principle. The proposed amendments to principle 7, which UnionsWA are seeking, seek to modernise some of the language in the principle, including making it more consistent with the provisions relating to assessment of work value in the Fair Work Act. The Minister supports the UnionsWA's proposed changes to principle 7, which actually incorporates some additional wording that was recommended by the Minister to safeguard some of the key tenets of the principle. The Minister thanks UnionsWA for collaborating on this issue and for considering the Minister's suggestions.

The Minister believes the revised form of words, as supplied in UnionsWA's written submission, achieves a modernisation of some of the language contained within the principle, without substantively altering how it's intended to operate in practice. In relation to the submissions of the CCI regarding the potential changes to principle 7, it's noted that principle 7 is focused on work value rather than equal remuneration. The Minister does note that the CCI's proposed additional wording for principle 7 would result in the principle setting a higher bar for employees working in the community sector and associated roles that are government-funded, which could effectively mean the principle doesn't apply equally across all industries and occupations. As such, the Minister does not support the additional wording as put forward.

**EMMANUEL C:** Does the Minister in effect support UnionsWA's proposal?



**ENTREKIN, MR:** Yes, it does. Yes. The wording put forward by UnionsWA incorporates the Minister's - - -

**EMMANUEL C:** Yes.

**ENTREKIN, MR:** - - - suggestions. Yes.

**EMMANUEL C:** Thank you.

**ENTREKIN, MR:** Yes. Before closing, I just touch briefly on the submissions of the other parties. With regard to the CCI's submission in reply, at paragraph 4, the CCI suggests that the Minister's position fails to adequately consider the impact of the proposed wage increase in inflation. Just in regard to that issue, the Minister notes that the proposed realignment of the State minimum wage from the C14 rate to the C13 rate affects a very small subset of employees covered by the State system. It's actually a very low percentage that actually earn less than that. And in turn, only a minority of employees are covered by the private - sorry, only a very small minority of employees in the private sector are covered by the State system. We've often worked off a general rule of thumb of somewhere between 15 to 20 per cent of the private sector. Although, getting figures on that is quite difficult. Obviously, the State Government and local government are also participants. So it's a subset of a subset, and the Minister respectfully suggests the number of affected employees is simply not large enough for it to have any discernible impact on inflation.

The Minister also notes the decision of the Fair Work Commission to realign the national minimum wage from C14 to C13 and to make the C14 rate transitional in national modern awards hasn't been inflationary to date, despite the fact the national system covers millions of employees across all states and territories. In regards to the needs of the low-paid, the CCI contended that any proposal to realign with the annual wage review was fundamentally flawed, as it disregards key economic differences, such as the lower rate of CPI in Perth and the agency people have in Perth, Western Australia, to seek alternative and higher-paying positions.

In regard to these issues, the Minister notes the CPI in Perth and Australia are very similar, and in fact, the true rate of inflation is higher in Perth, if you take out the electricity subcomponent, noting that some of the WA Government's electricity credits would have kicked in during the March quarter 2024, which is why the headline rate was 0.6, but you're removing electricity, was one per cent. Quite a difference. The Minister also notes that many minimum and award wage workers can't just seek alternative and higher-paying positions. Many of them are students, young people, people with caring responsibilities, migrants, and they have limitations on their ability to advance to more senior roles. Or they might be people who are beginning their careers.

We'd also just like to clarify a point with regard to the Minister's position in the annual wage review. In table 1 and table 2 of its reply submission, the CCI provides a breakdown of the quantum changes resulting from various proposals presented to the annual wage review, and suggests the Minister submitted a claim to the Fair Work Commission for a 3.6 per cent increase in wages.

**KENNER CC:** I don't think a figure was nominated - - -

**ENTREKIN, MR:** That's correct.

**KENNER CC:** - - - Mr Entrekin.

**ENTREKIN, MR:** A figure wasn't nominated. Yes. So we're unaware of whether that figure comes from. We'd also note that the extrapolation from those tables that the Minister's position in the State Wage Case could therefore result in a total increase of \$124.39 per week seems to defy logic and doesn't make a lot of sense. In regards to the C14 rate, we note that the CCI states that it holds the Minister's proposed realignment to C13 as unnecessary, as many awards treat C14 as a permanent classification, which is different to the national system.

The Minister submits that this actually strengthens the argument for a realignment rather than diminishing it. If the rationale of the Fair Work Commission - which the Minister concurs with - is that the C14 rate does not constitute a proper minimum wage safety net from employees in ongoing employment, then it stands to reason that the fact many employees - the fact many State awards treat C14 as an ongoing rate means these awards are more in need of a realignment rather than less. So we believe that actually strengthens the Minister's position on that issue.

In regards to UnionsWA, the Minister notes that UnionsWA also supports a realignment of the State minimum wage from C14 to C13. The Minister welcomes the support for this proposition, although, it's noted the Minister is not specifically seeking a 9.83 per cent increase to the State minimum wage, and it's only asking for a general increase in line with the decision in the annual wage review. And as noted earlier, the Minister also agrees with UnionsWA that the Federal Government's stage 3 tax cuts and other State and Federal budget initiatives should not reduce the level of any increase awarded in this year's State Wage Case.

Those initiatives, by their design, are intended to operate in tandem with regular wage increases, to achieve their full effects. So the benefits would not be realised if wage rises were discounted because of them, effectively. Just before I finish, in regards to the WACOSS submission, as with UnionsWA, WACOSS proposes a 7.359 per cent increase in the State minimum wage, albeit, it hasn't specifically nominated a particular increase for other award wages. The Minister would like to acknowledge the detailed information provided by WACOSS regarding living costs, inequality and poverty, including issues concerning access to affordable housing, food, utilities, transport and childcare, amongst marginalised members of the community.

The WACOSS submission provides some valuable background information for the Commission's consideration of the section 50A criteria. The Minister also notes that the West Australian Local Government Association, or WALGA, supports a wage increase that balanced the need for fair wages with the requirement for local governments to carefully manage their budgets in the interests of their communities. The Minister notes the information provided by WALGA regarding local government finances and the capacity of local government authorities to pay higher wages. This information is a relevant consideration for the State Wage Case, as is the need for local government workers reliant on minimum and award wages to receive a fair increase as part of this year's proceedings.

In conclusion, the annual State Wage proceedings are an important component of the State industrial relations system. The Minister notes that many low-paid employees are dependent on annual increases to minimum and award wages to help meet everyday living costs and alleviate the risk of financial hardship. Despite the relevantly buoyant economic conditions, West Australian households have been feeling the squeeze following a significant rise in the price of essential goods and services, and a sustained period of declining real wages.

As has been outlined in this submission, the Minister believes it's undesirable from a fairness and sustainability perspective for the minimum benchmark in the State system to be set at a rate significantly low that in the national system, and therefore supports the Commission realigning the State minimum wage from the C14 rate in the Metal Trades (General) Award to the C13 rate. To maintain a degree of equity and fairness for State system employees, the Minister also supports a general increase in State award wages in line with the decision of the Fair Work Commission.

This will ensure the realignment process is fully realised and that the State award wages maintain competitiveness with those in the national system. The Minister has no further substantive information for these proceedings but reserves the right to respond to matters raised in the presentations of the other parties. If it please the Commission in Court Session, this concludes the Minister's submission.

**KENNER CC:** Thanks, Mr Entrekin.

Just a query.

**ENTREKIN, MR:** Sure.

**KENNER CC:** In - - -

**ENTREKIN, MR:** Yes.

**KENNER CC:** - - - last year's State Wage Case, the Minister very helpfully provided unpublished data for sales and wages, for accommodation and the food services industry - - -

**ENTREKIN, MR:** Yes, yes.

**KENNER CC:** - - - up to December 2022, which was very helpful. Do you know whether that - - -

**ENTREKIN, MR:** Sure.

**KENNER CC:** - - - sort of information is available this year?

**ENTREKIN, MR:** I believe - - -

**KENNER CC:** Can inquiries be made?

**ENTREKIN, MR:** I could certainly make inquiries. I might - yes.

**KENNER CC:** Yes.

**ENTREKIN, MR:** I'm told it is. So yes, I believe we - - -

**KENNER CC:** That's very helpful.

**ENTREKIN, MR:** - - - can get that information for you.

**KENNER CC:** Yes.

**ENTREKIN, MR:** Yes.

**KENNER CC:** If you were able to provide that to us, that would be very helpful indeed.

**ENTREKIN, MR:** Certainly.

**KENNER CC:** Thank you very much.

**ENTREKIN, MR:** Thank you.

**KENNER CC:** Thank you very much, Mr Entrekin.

Now, Mr Harding?

**HARDING, MR:** Thank you, sir.

May it please the Commission. CCIWA relies primarily on the written submissions that have been tabled and shared with all parties. However, I will take this opportunity to summarise these and our position today. Some of our economic insights referred to in my contribution today as well as our two submissions are produced in-house. Every quarter, we run our business confidence survey. This is the longest running and most comprehensive survey in WA for business confidence.

We survey WA businesses of all sizes and sectors across the State on a quarterly basis. We look at business confident levels, the level of profitability, as well as we explore key concerns facing businesses, such as labour costs, supply chain pressures and skill shortages. In the most recent survey, for the March quarter, we received 765 respondents. Of those respondents, approximately 20 per cent came from industries most likely represented in the State system, being accommodation, retail and health and social services.

Our submission in contribution today draws from some of our March and December quarter results.

Chief Commissioner and Commissioners, Western Australia, be they an employer or employee have had significant struggles over the past three years. While inflation continues to subside, it is still too high in Western Australia and Australia broadly. While the fundamental of the WA economy - the fundamentals of the WA economy are being challenged due to a myriad of local, national and international factors. Significantly, our largest trading partner in China as both a country and a state continues to go through some of its weakest economic growth, as shown today by Mr Christmas. Input prices for business are - continue to rise fast than expected, and are elevated in key areas such as construction materials, fuel, wage and service inputs.

In particular, with wages growth, there are also concerns around productivity in the workplace. The RBA has raised their concerns in the most recent statement of monetary policy, stating:

"Wages growth appears to have peaked, but it still above the level that can be sustained given training to productivity growth."

Commissioners, the rate of businesses going into administration or personal insolvency continues to significantly grow and is of concern - of us. In WA, we have seen businesses entering administration now nearly 29 per cent higher over the 12 months to April when compared to the year prior. This includes three industries most likely - the three industries most likely to be covered in the State Industrial Relations system being again retail, hospitality - sorry, retail, accommodation and health and social services.

**EMMANUEL C:** Mr Harding, on that point where you helpfully have said how many respondents there were to the business - - -

**HARDING, MR:** Yes.

**EMMANUEL C:** - - - confidence survey recently - - -

**HARDING, MR:** Yes.

**EMMANUEL C:** - - - and you indicated around 20 per cent come from industries likely to be in the state system - - -

**HARDING, MR:** Yes.

**EMMANUEL C:** - - - are you able to break down whether those respondents were incorporated or not?

**HARDING, MR:** Unfortunately, we don't collect that data, but I can speak to Mr Collins, but I don't think we do, but we can - if that does change, I can make sure we send that to the Commission.

**EMMANUEL C:** Thank you. Much appreciated.

**HARDING, MR:** Sorry, I just lost where I was. All right. Personal insolvency rates where a business is present are also showing significant increases as well, indicating that the propensity of taking considerable pay increases are being diminished from those businesses likely in the state system. While looking at the greater business failure, we believe it broadly shows that the overall capacity for businesses to pay continues to be restricted in Western Australia.

Just on productivity as well, I'll touch on what we believe the Commission should strongly consider for this state minimum wage case, which is the impact of productivity growth and its relation to inflation. Productivity growth is important, as it enables rising living standards, and is needed for real wages growth to be consistent with stable inflation over the medium term. If real wages increase faster than the rate of productivity growth, this puts upward pressure on inflation. Ultimately, increases in wages are not sustainable without long term gain in productivity growth, a point that continues to be emphasised by the RBA.

If labour productivity increases, unit labour costs decline. Where unit labour costs are an additional cost of an extra unit of output, unit labour costs are a critical measure affecting firms' pricing decisions and the overall rate of inflation. Despite improving over the past six months, productivity continues to remain weak. Over the year to December 2023, productivity has declined 0.4 per cent back to 2019 levels. Commissioners, while part of the current low productivity growth reflects the impacts of the pandemic, the RBA has noted it is also possible that the structural factors adversely affecting productivity growth in the years prior to the pandemic would persist.

In assessing risks to the inflation outlook, the RBA has also identified low levels of productivity growth as one of the key risks of inflation remaining higher for longer. For these reasons, we request the Commission take a more cautious approach when determining its determination, giving ample weight to the state and federal government measures announced to address cost of living pressures for low income workers. In line with last year's approach, CCIWA has chosen not to specify a particular percentage - sorry. Rather, we support an unspecified flat dollar increase. This is in recognition of the difficulty that currently exists in managing inflation and business conditions while providing the greatest support to the lowest paid.

Should the Commission choose to accept the percentage increase, we believe that a sustainable increase must be determined, one that is targeted at the low paid and designed to not be inflationary. The alternative could create further inflationary pressure and further place strain on many struggling businesses and employees in WA. This just concludes my introductory remarks. I'll just go into some of these areas in more detail.

On the state of the global economy, it has been more resilient than anticipated, considering a number of head winds and external shots that have come through the global system. However, there continues to remain significant concerns and uncertainty going forward. As mentioned in my introductory remarks and explained by Mr Christmas today, China is going through prolonged economic slowdown. The risk of China is - outlook is significant as well in relation to reduce the method of consumption, a continued downturn in the property market and structural constraints including high debt levels, slow productivity and a decline in population.

Some of the most significant data points here are the total floor space construction or the number of building - being built in China is at its lowest level since late 2005 and residential construction starts have fallen to 26.7 per cent over the year to March. China's economic troubles have a direct impact to WA, as trading with China accounts for over half of our global trade as a state, and importantly, 85 per cent of our WA exports in iron ore, and a quarter of which are used in China's property sector. The weakness is one that could have a significant impact on Western Australia's economy and its employers.

I will also just briefly touch on some geopolitical uncertainty such as the war in Ukraine and Eastern Europe and uncertainty in the Middle East continues to have a significant impact on global markets. This uncertainty has resulted in higher shipping rates, which are currently at elevated levels following the recent attacks in the Red Sea, which in turn flows through the global supply chains. From the geopolitical uncertainty in the Middle East, oil prices have also risen significantly since the start of this year, and have seen further price pressures placed on businesses as a result, given it's important as a key import for many businesses. All these factors, if sustained, will see higher input costs through to Australian - Western Australian businesses.

Chief Commissioner and Commissioners, I will now touch on the national economy. Australia's national economy has softened over the past year. According to the ABS, the economy has grown just 0.2 per cent over the December quarter, bringing growth to 1.5 per cent over 2023. This is down from 2.4 per cent the year prior, as high interest rates and sustained inflationary pressures dampen economic activity. As shown by Mr Christmas today, household consumption has also slowed in a national setting, growing only 0.1 per cent over the December quarter, while discretionary spending falling 0.9 per cent over the same period. The RBA expects this economic activity to remain subdued over 2024 and 2025 as these factors continue to restrain growth.

Producer prices, which are measured by the producer price index by the ABS also continue to remain elevated, increasing at a rate greater than are being faced by consumers, rising at 4.3 per cent over the year to March. The ABS notes that these stem from labour shortages as well as higher input prices associated with increased importation costs and higher crude oil prices. These factors all continue to push up the cost of doing business in Western Australia. For consumers, inflation continues to subside nationally, which is now at 3.6 per cent over the year to March. However, there continues to remain concerns that it eases slower than expected, as services inflation remains stubborn.

The RBA said in its most recent statement of monetary policy - revised upwards inflation to 3.8 per cent nationally by June '24 as a result of higher fuel prices and a slower than expected moderation of service inflation. Much of this is being driven by fast paced growth in unit labour costs due to weak productivity. Chief Commissioner and Commissioners, as indicated in my introductory remarks, productivity growth is important, as it enables in rising living standards and is needed for real wages growth to be consistent with stable inflation over the medium term.

The impact of this is that - is significant, as inflation is regressive, meaning it will impact those of lowest incomes most and erode whatever benefit comes from a large number of wage increases. Unfortunately, at this time, unit labour costs have risen 6.9 per cent over the year to December 2023, significantly higher than the pre-pandemic average of 1.8 per cent, resulting from higher nominal wages growth and subdued productivity. Productivity growth, which is measured as GDP per hours worked remains weak, and despite improving slightly over the past six months over the year to December '23, it has again fallen back to 2019 levels.

In its May RBA statement, the RBA again raised concerns that wages growth is too high if productivity does not improve, and if productivity growth remains low, it will result in additional inflationary pressures eroding any large wage increase. Our concerns encapsulated here and in my introductory remarks are that if any increase is made to real wages that is out of line with productivity growth, there is a significant risk the wage increase will be eroded through the inflationary pressure it creates. Given this uncertainty, it is imperative, in our view, that the Commission consider providing significant weight to the impact of rise in the minimum and award rates of pay have on inflation if productivity growth remains weak over the next year.

And I'm just now going to go onto the WA economy and its future outlook. As I've - - -

**KENNER CC:** Sorry - - -

**HARDING, MR:** That's all right.

**KENNER CC:** Mr Christmas indicated that - and I think you've put it to him that the question of the impact of wage increases depends upon the size of the cohort. And given that last year this Commission increased the state minimum wage by 5.3 per cent and in the previous year by 5.2 per cent, both of which I might add, were real wage increases, really the CPI for those two years, neither of those increases appear to have had an impact on - in upholding inflation given the rapid decline over the last 12 months.

**HARDING, MR:** Yes. So on this - and I go into it a little bit further but I'll - there's also a bunch of factors that obviously go into CPI as well. And I will admit wages growth is not just one of them. It could be the counterfactual in that case that if the wages growth was lower, however, still potentially being a real wages growth, it could have fallen more because there's other factors that were at play. For example, goods prices - so quite sharply over those two years. So there is an interplay and I - - -

**KENNER CC:** It's not an easy equation, I know.

**HARDING, MR:** No, no.

**KENNER CC:** Certainly on the face of it, that's what's occurred.

**HARDING, MR:** Yes.

**KENNER CC:** And on the face of it, it appears to have not have had a detrimental impact thus far - - -

**HARDING, MR:** Yes.

**KENNER CC:** - - - at least.

**HARDING, MR:** So and for example, in our submission in reply we basically talk about some documents that were in relation to the WACOSS and UnionsWA submission about minimum wage not having an impact on inflation where the Commonwealth Treasury itself admits that wage prices are continuing to have an impact as the major driver of inflation currently. So - - -

**KENNER CC:** Yes, thank you.

**EMMANUEL C:** Is that with a view to wage price and generally not minimum wages?

**HARDING, MR:** No, not minimum wage, that is true. But minimum wage does contribute to it as well.

**COSENTINO SC:** Can I just pick up, Mr Harding - - -

**HARDING, MR:** Yes, of course.

**COSENTINO SC:** - - - before you continue? As I understand it, what you're saying is increases to real wages exceeding productivity growth - - -

**HARDING, MR:** Yes.



**COSENTINO SC:** - - - is what has an inflationary effect.

**HARDING, MR:** Yes, that is correct.

**COSENTINO SC:** Have you provided us with information on what the productivity growth rate currently is?

**HARDING, MR:** I believe it may be in our initial submission. If it's not, I can provide it to the Commission after this.

**COSENTINO SC:** I know you asked Mr Christmas whether it was measured.

**HARDING, MR:** Yes.

**COSENTINO SC:** And the answer was no but has the - I'm just wondering where that lands you.

**HARDING, MR:** Yes.

**COSENTINO SC:** If increases to real wages are - increase is exceeding CPI or inflation - - -

**HARDING, MR:** Yes, of course.

**COSENTINO SC:** - - - and then you add on the increases to productivity, where does that land you - - -

**HARDING, MR:** No, of course.

**COSENTINO SC:** - - - before it becomes inflationary?

**HARDING, MR:** Of course, Commissioner. I don't have the figures right with me at the moment. I know that the ABS as well as the Productivity Commission have measurements in this. And I know as well as a macroeconomic model by the RBA which I can provide later which shows those costs - shows that current - and I believe they also have that as part of their chart pack for the statement on monetary policy.

**KENNER CC:** Well, if it's possible - - -

**HARDING, MR:** Of course.

**KENNER CC:** - - - to get some of that material. That would be helpful for us.

**HARDING, MR:** Absolutely.

**KENNER CC:** If you're able to provide that?

**HARDING, MR:** Absolutely. I can do it within the break.

**KENNER CC:** Thank you very much indeed. That's brilliant.

**HARDING, MR:** No problem at all.

**COSENTINO SC:** We do need some analysis around real wage growth being above productivity growth. Do you think it - - -

**HARDING, MR:** Were you just looking to productivity figures?

**COSENTINO SC:** On I think the productivity growth - - -

**HARDING, MR:** Yes.

**COSENTINO SC:** - - - because I think you add the CPI - - -

**HARDING, MR:** Of course.

**COSENTINO SC:** - - - and the productivity growth to get your - - -

**HARDING, MR:** Yes.

**COSENTINO SC:** - - - what is potentially inflationary.

**HARDING, MR:** Yes, I believe we have done that as well. And I apologise that it's not in submissions. But I'll make sure we can get that to you during the break.

**COSENTINO SC:** Thank you.

**KENNER CC:** Thank you very much.

**HARDING, MR:** Not a problem at all. So in WA we have been extremely lucky. The Western Australian economy has continued to perform strongly. This has been driven by solid but slowing household consumption, rising business investment and large scale investment progress, significant government investment and consumption. WA does continue to have the lowest rate of inflation on Australian mainland, rising by 3.4 per cent over the year to the most recent CPI data. And just in relation to the comments made by Mr Antosthie(?) - I apologise for the name being incorrect - we use the CPI data - - -

**KENNER CC:** Mr Entrekin.

**HARDING, MR:** Entrekin, thank you, sorry. We use the headline CPI data because otherwise you will not take into consideration the actual impact of the electricity credits that are carried through both the state and federal level. And they do still have an impact on what consumers are feeling because if it means their entire bill disappears, they will ultimately have more money in their pockets. Sorry. As noted - - -

**KENNER CC:** Well, that's actually inflationary - - -

**HARDING, MR:** There is that as well.

**KENNER CC:** - - - because at least people spend their money elsewhere.

**HARDING, MR:** It's a mechanical - it's a mechanical - - -

**KENNER CC:** That's an economist approach to things rather than - - -

**HARDING, MR:** Yes.

**KENNER CC:** That's certainly a view that's about the place.

**HARDING, MR:** Yes. As noted in the WA government's budget, inflation is also forecast to climb further, falling to 3 per cent in 2024 and 2.5 per cent in 2025, '25-'26. Significantly, while we accept there are concerns of individual aspects of non-discretionary spending such as rent and housing prices, we believe the Commission should continue its position of rejecting cherry-picking of individual statistics from a basket of goods as CPI continues to be the most reflected indicator for the broader inflationary challenge.

Business investment continues to grow which is encouraging for our economic future. However, it is largely being driven by large-scale projects in the resources sector, such as Woodside's, Scarborough Pluto 2 extensions and Perdaman's Urea project. Lastly, government investment also continues to assist the state's economic growth. The state government's asset investment program has seen a surge in public investment activity, rising 23.9 per cent over the year to 2023. Strong growth is expected to continue over the coming years as the project continues to be rolled out.

While we have been incredibly lucky, WA's economy continues to be overly reliant on a single industry for our economic prosperity with the mining sector comprising 46 per cent of the state economy. This is shown in figure 1 of our initial submission as well as comments made by Mr Christmas today.

This overreliance on the mining sector means that WA's economy often follows a boom and bust cycle. When economy demand is strong and prices are high, economic activity typically picks up and vice versa. This is particularly the case for iron ore and LNG which continue to make up approximately three-quarters of WA's exports. As you can see our state's robustness is largely due to the significant strength of our mining industry with that economic prosperity not always shared across industry sectors.

This is why we caution use of any headline figures in determining whether businesses can afford a significant rise. For example, the March quarter of the business confidence survey by CCI, we saw that 72 respondents noted rising costs are a barrier to doing business over the next 12 months. The next highest factor was labour shortages at 6.9 per cent. Both short-term and long-term business confidence has declined substantially from June 2021 and has only marginally improved over the past 12 months to business.

Elevated interest rates also continue to weigh heavily on businesses. Just as higher interest rates increase mortgage payments for households, they too impact the borrowing costs for businesses. Our December '23 business confidence survey found that 11 per cent of WA businesses had turnover that equalled their interest repayments, while a further 4 per cent indicated their interest repayments exceeded their turnover. This means 15 per cent of WA businesses are at risk of closing due to increased borrowing. This is also reflected in the March '24 RBA financial stability review, which stated that the impact of higher interest rates tend to be larger for smaller businesses. And these are also the businesses most likely to be captured under the state's system.

Now, March '24 business confidence survey found that 49 per cent of businesses have this experience of declining profit margins over their quarter, while 36 per cent saw no change. Only 15 per cent of businesses indicated that their profits increased. The likely award-reliant industry such as retail trade, food and accommodation and healthcare and social assistance, were industries that saw an even smaller proportion of businesses reporting an increase in their profit margins.

These findings also are consistent across Australia, the RBA noting in the financial stability review there's an increase in share of firms experiencing challenging conditions. This is particularly the case in discretionary sectors as households have pulled back on consumption which has led to significant declines in profitability in the retail and hospitality industries. This survey continues to enforce what the empirical data mentioned earlier in my submission stated. Businesses in WA and across the country broadly continue to face significant uncertainty and cost pressures. These all continue to result in greater business failures and reduced profitability and ultimately reduced capacity to cover high wage increases.

We believe that the Commission should consider the comments of the RBA, recent ASIC and Australian financial security authority data which was provided in our submission, in the initial submission, which showed that businesses continue to have restricted capacity to pay.

On a system of fair wages and conditions, Commissioners, effective of 1 July '24, statutory superannuation contributions will mandatorily increase half a per cent. There have also been recent changes to location allowance and variations occurring across the state awards system by this Commission. We contend that these should be considered as aspects as part of the State Wage Case as they will have a direct cost impact to the cost of employment for businesses in Western Australia.

On the wage price index as well, importantly, based on the wage price index, wages in WA grew by 4.2 per cent in the March quarter compared to the national growth of 4.1. This is also the third highest rate of growth of all states. And I would also like, while I'm here, to acknowledge a typo that was in our initial submission where we said over the year to 2024 - 20 - - -

**KENNER CC:** Which paragraph is this - - -

**HARDING, MR:** I believe it was - I know the Minister's comment in submission in reply mentioned it. We were meant to say to the year to March, but I think we said for the year '23/'24.

**KENNER CC:** Well, perhaps you can come back to us on that - - -

**HARDING, MR:** Yes.

**KENNER CC:** - - - when you have a moment.

**HARDING, MR:** Of course. And as you, Chief Commissioner, have just said yourself, State minimum wage has also received a real wage increase so far over the year to March, with the wage increase of 5.3 per cent being greater than the current rate of inflation of 3.4. However, as the RBA has indicated, inflation has not yet been beaten, and adding to these inflationary pressures will continue the pain of high interest rates and potentially see further softening of the labour market on those who are on the margins.

We also note, for a fair system of wages and conditions, businesses must continue to be profitable, and of going concern, currently, profit margins for business, in particular small and medium enterprises, are increasingly being tightened, and business failures are rising. In relation to meeting the needs of the low-paid, the Commission itself in previous cases has stated that the State minimum wage alone cannot address all the needs of the low-paid, and as such, we believe that the tax and transfer system payments have a significant role in providing targeted relief to the low-paid. The State Government, as acknowledged in Mr Christmas' evidence today, and the Minister's submission, is providing cost of living relief for many of those who are low-paid.

The same can be said by the Federal Government's budget, which is providing approximately 1 billion in cost-of-living relief to Western Australia. We just did that through a per capita calculation of the population. This is through a varies approach, which includes greater social welfare benefits like rental assistance payments, direct energy and relief payments and other measures. We also have the income tax changes, which are created real money into people's accounts, which will start on July 1.

**KENNER CC:** There's no question that those cost-of-living measures are very, very welcome for low-income households and low-wage earners. The question whether that should moderate an increase in the minimum wage is a more complex one, because the effect of it is to diminish the overall impact on households, low-income households, low-income earners, of the combined effect of a sustained increase in the minimum wage and those cost-of-living measures. So they work against each other, don't they, in a sense?

**HARDING, MR:** I would personally say no. In the instance of - we are not suggesting that there should not be an increase at all, nor are we suggesting that there should there should no - that minimum wage earners do not deserve a rise. We simply suggest that these considerations should also be given so that there isn't a large nominal increase in a wage to combat inflation, which ultimately, will entrench, we believe, inflationary pressures, which will then continue to further erode it. That's the reasoning.

**KENNER CC:** All right. Thank you.

**HARDING, MR:** We believe these factors should be considered. We contend that flat dollar increase is the most effective way to deliver the needs to the low-paid as it benefits the lowest paid workers, who are disproportionately impacted by the cost-of-living pressures the most. I would also like to note that I know the Commission's previous concern to that regarding maintain award relativities. We suggest that meeting the needs of the low-paid at this point in time has a greater priority in the current inflationary environment while suggesting that we don't contribute to the inflationary environment.

Just briefly on the Minister's submission, in relation to the number of 3.6, the Minister's submission in the same way as the Australian Federal Government said that they would not like to see minimum wage earners go backwards. At the current rate of inflation, at the time that the RBA - sorry, the Fair Work Commission uses the data, it's currently at 3.6 per cent nationally. As part of making it an equal zero percentage, that's how we came to a 3.6 per cent - - -

**KENNER CC:** All right. So - - -

**HARDING, MR:** - - - in the calculation.

**KENNER CC:** - - - an extrapolation.

**HARDING, MR:** Yes. It's an - - -

**KENNER CC:** All right.

**HARDING, MR:** - - - extrapolation - - -

**KENNER CC:** Understood.

**HARDING, MR:** - - - in the same way we don't contend that the Fair Work Commission will make any of those claims. It's simply to show an example of the claims that have been made by groups that are here today in their natural capacity as well, of what could potentially arise. Sorry about that. So to just sum up our submission, in recognising on the unpredictability of the economic outlook, we encourage the Commission to take a cautious approach in reviewing the State minimum wage and award rates pay by taking consideration of the dominance of the resources sector in driving the State's economic growth is not reflected within other sectors of the economy.

Businesses are facing significant challenges in WA driven by labour shortages and the rising costs of doing business, which has ameliorated business profits and created many business failures. The rising level of insolvency and administration among business most likely to be represented in the WA State Industrial Relations system, the concern of productivity in the workplaces remaining to lag below the long-run average, which further risks inflationary pressures when there is significant wage growth without equal productivity increases, as well as the increase in superannuation and other award payment changes. Sorry. And as well as the Federal, State and Government cost-of-living measures announced for the '24/'25 budget. For these reasons, we suggest the flat-dollar increase would be most appropriate. And that concludes my remarks today.

**KENNER CC:** Thank you very much indeed.

**COSENTINO SC:** Just, sorry - - -

**HARDING, MR:** Yes?

**COSENTINO SC:** - - - we were talking about productivity. You - - -

**HARDING, MR:** Yes.

**COSENTINO SC:** The CCI's written submissions, paragraph 16 refers to productivity declining .4 per cent - - -

**HARDING, MR:** Yes.

**COSENTINO SC:** - - - over the year to December 2023, and it references the footnote 11 - - -

**HARDING, MR:** Yes.

**COSENTINO SC:** - - - the RBA statement Monetary Policy Decision March 2024. I don't think that statement, when I looked at it, contained any information about productivity declines. If that can be clarified - - -

**HARDING, MR:** Absolutely. I - - -

**COSENTINO SC:** - - - as a source of that figure?

**HARDING, MR:** - - - can absolutely clarify that. It may have been in the full statement and not the media release. I may - - -

**COSENTINO SC:** That might be right.

**HARDING, MR:** That may have been an accident on my end, and I apologise.

**KENNER CC:** Thank you.

Are we still going to hear from Dr Wesley today or not?

**HARDING, MR:** She's in the second session, giving a reply.

**KENNER CC:** All right.

**HARDING, MR:** Yes.

**KENNER CC:** Thank you very much.

Yes, thank you very much indeed for those submissions.

Now, Mr Sneddon?

**SNEDDON, MR:** Chief Commissioner. We rely primarily on our written submissions, including submissions in response, and we'll supplement them with these oral submissions. Our responsive submissions support the alignment of the minimum wage, the C13 rate and the Metal Trades (General) Award. And Mr James will speak to this point broadly. UnionsWA continues to support the position that each award rate should be increased by 7.359 per cent, this being based on the analysis found in our primary submissions. And Mr Hansen will then speak to that point, Chief Commissioner. This would result in a minimum wage of 948.36 per week of 24.96 per hour. It amounts to a 9.83 per cent increase, Chief Commissioner. The written - - -

**KENNER CC:** Sorry. It's a very precise figure. I think this has been mentioned elsewhere. Is this simply taking the adjustment of the C14, 13 rate and a further amount of five per cent? Is that where that figure comes from, just for our assistance?

**SNEDDON, MR:** Yes. And Mr Hansen will speak into - - -

**KENNER CC:** All right.

**SNEDDON, MR:** - - - a little bit more detail. But - - -

**KENNER CC:** We're correct in that - - -

**SNEDDON, MR:** Very bluntly - - -

**KENNER CC:** - - - assumption? All right.

**SNEDDON, MR:** - - - yes, that is the assumption.

**KENNER CC:** Thank you.

**SNEDDON, MR:** Correct. The submissions, written and oral, Chief Commissioner, that we make today on behalf of the lowest paid workers in the State support two broad positions. The first one being that we're collectively living through a period of significant and sustained increases in living costs, which we say disproportionately affects low-paid workers. And secondly, we say that WA workers, those reliant on the State minimum wage, are paid less than an equivalent Federal system employee. And there's the real risk of that creating a low wage zone within Australia's employment landscape.

Our slightly unorthodox approach today in making submissions - and we appreciate your indulgence on that - has been a result from a UnionsWA perspective of somewhat unprecedented interest by affiliate unions in this matter. The message that's reaching every union office across Perth and WA more broadly is that union members are struggling. They're struggling with the compounding impact that cost of living is having upon them. The message that's reaching union offices is that savings are being limited and wages are not keeping pace with rising costs. If this message is hitting all union officers and this is impacting on all workers, it would appear to us uncontroversial that the lowest paid will be hardest hit. In addition to the foreshadowed speakers, Chief Commissioner, I'll also have Mr Sumner speak to the proposed changes to principle 7.

**KENNER CC:** Yes.

**SNEDDON, MR:** Given the bench's previous remarks, it would seem appropriate that we will start with Mr James, who will talk to alignment of C13, C14.

**KENNER CC:** Yes. Thank you very much.

**SNEDDON, MR:** Thank you.

**KENNER CC:** Yes. Thank you, Mr James.



**JAMES, MR:** May it please the Commission in court. At the outset, I would say UnionsWA relies on the written submissions previously filed as well as the responsive submissions. We'd also commend the submissions of the Minister and oral submissions of Mr Entrekin to the Commission and broadly note that no other section 50 party or intervener today has advanced a definitive position on how to deal with C14 rates other than UnionsWA and the Minister.

We'd say broadly if the Commission in court is of the view that they wish to adopt a position similar to that of the Fair Work Commission, which is C14 reflects a transitional rate and the fulltime adult minimum should be reflected by C13, there are two likely or possible alternatives that the Commission could adopt. The first is broadly that of the Minister where C13 is adopted as the adult minimum rate under section 12 of the MCE Act with the addition of any state minimum wages increases decided upon in these proceedings.

We largely support that proposal, but we also advanced in our submissions an alternative position, which was, I would say, broadly more similar to that of the Fair Work Commission where the C14 remains a transitional rate in awards but would require, as noted in the submissions in reply by the Minister, broader legislative change, I would think, to allow the Commission to undertake a kind of transitional role, particular given, as noted by the Commission, that section 12 of the MCE provides for an adult minimum wage and doesn't allow, I would say, for transitional rates other than rates for apprentices, people with disabilities and junior rates.

I would note the concerns raised in the questioning of Mr Entrekin today around the condensation of relativities, and would submit that they're tangentially related to the mandatory considerations within section 50A(3) of the IR Act, and would submit that the position the Commission in court ought to arrive at is similar to that FWC in that the primary consideration, in my mind, in transitioning from C14 rates to a C13 rate as the national minimum wage was that the C14 rate was never properly considered and determined as to whether or not it met the needs of the low-paid, which I would note is a mandatory consideration for this Commission under section 50A(3).

On that basis, I would say the condensation of relativities, particularly the flattening of C14 to a single C13 rate across awards is not inconsistent with the obligations within section 50A and the considerations for this Commission. On that basis, I'd commend again the submissions of the Minister in that regard, particularly given, as noted in the Minister's reply, the potential expense, time and effort that would be required to review all awards and potentially modify classifications as well as the legislative changes required to implement a system with transitional C14 rates across the state award system.

**KENNER CC:** Yes. I mean, the Fair Work Commission has been looking at this for some time. In fact, over nearly two years, so it's not an easy process to tackle award by award, for example, and particularly given in the state system where there are only a group of awards that are probably responsible for or cover most or many in the state system, so there are different considerations, but we have to try and address the issue in some way. One way might be section 40B of the Act in terms of dealing with awards that might contain rates less than the state minimum wage, for example, with has been done before. Another way might be a section 50 general order to deal with the same question, which has been done previously as well, but the issue does present some challenges.

**JAMES, MR:** We would submit the flattening to C13 is probably the simplest solution, Chief Commission, and on that basis is preferred. In terms of the witness statement we also filed on behalf of Ms Sarah Whitaker, we've canvassed the other parties today and are of the understanding that no one party intends to cross-examine Ms Whitaker - - -

**KENNER CC:** I see.

**JAMES, MR:** - - - and would either swear Ms Whitaker in so the statement can be tendered, unless the Commission would like to take that statement as read.

**KENNER CC:** I'll just check whether we have any questions.

Any questions?

It's a witness statement rather than a sworn statement?

**JAMES, MR:** It can be affirmed, if it please the Commission.

**KENNER CC:** All right. Is Ms Whitaker here?

**JAMES, MR:** She is.

**KENNER CC:** All right. Well, perhaps at a convenient time - I know some submission - there are actually two statements. There's a supplementary statement - - -

**JAMES, MR:** Yes - - -

**KENNER CC:** - - - as well - - -

**JAMES, MR:** - - - there is.

**KENNER CC:** - - - which has put an alternative view, it seems.

**JAMES, MR:** I think the statement of Ms Whitaker is primarily directed at this idea that there is a disparity between state and federal systems, particularly in sectors which the United Workers Union covers that are primarily reliant on funding from federal governments, and that funding is largely pegged towards federal awards. As mentioned in our initial submissions as well as the submissions from the state, there is an increasing disparity due to the fact that our national wage increases have been delivered on a percentage basis, so over time there's an emergent discrepancy in these sectors where funding has been delivered on the basis of higher minimum rates of pay, which essentially allow employers within the state sector to extract a profit or rent, I would say, that's otherwise unearned.

**KENNER CC:** All right. We'll take the statements as they are without the need to have Ms Whitaker attend in the box. There's two. There's the first statement filed on 15 May. That will be exhibit UnionsWA 1.

EXHIBIT UnionsWA 1

UnionsWA                      DATE 15/05/2024  
Ms Whitaker's first witness statement.

**KENNER CC:** And the second, which was filed on 20 May, will be UnionsWA 2.

EXHIBIT UnionsWA 2

UnionsWA

DATE 20/05/2024

Ms Whitaker's second witness statement.

**KENNER CC:** Yes. Thank you very much - - -

**JAMES, MR:** We thank - - -

**KENNER CC:** - - - Mr James.

**JAMES, MR:** - - - the Commission.

**KENNER CC:** Mr Sneddon?

**SNEDDON, MR:** Chief Commissioner, Mr Hansen will make some remarks around the financial aspects of our - - -

**KENNER CC:** Very well.

**SNEDDON, MR:** - - - submissions.

**KENNER CC:** Thank you.

Mr Hansen, please?

**HANSEN, MR:** May it please the Commission in court. Western Australian households are experiencing significant and sustained price increases eroding the purchasing power of their wages. Despite the overall strength of the Western Australian economy, this strength conceals the underlying challenges facing workers and households who are in the midst of a cost of living crisis. This crisis has been particularly acute for those on lower wages because of the extent of increases in the prices of essentials.

Rental price increases remain a pronounced pressure on low-paid workers, with the Perth rent CPI increasing in the March 2024 quarter on an annual basis of 9.9 per cent from the previous quarter by 2.9 per cent. This is the highest annual increase in 15 years. The particular relevance of escalating rental prices in regards to meeting the needs of the low paid and the living standards of employees is apparent when considering the consumption patterns of the lowest two incomes quintiles. The ABS national accounts data demonstrates that for the lowest two income quintiles, rent consumes the greater share of their income, followed by food. As a result, historically large increases to rents can have the impact of crowding out expenditure on other consumption categories, as there's simply less income left to cover those costs.

Domain's March quarter rental report makes clear the scale of rental costs increases burdening households in Western Australia. Rental costs for houses and units in Perth increased for a tenth consecutive quarter, with the steepest annual increase of all capital cities. Median house rents increased by a staggering 18.2 per cent over the past year, with median unit rents seeing even greater increases of 22.2 per cent. These increases place asking rents in Perth at a record high, according to Domain's data set, which extends back two decades.

The Real Estate Institute of WA is forecasting that this year will see a further 20 per cent increase in rents. Perth's sustained record low rental vacancy rate indicates there is no short-term path to lower rental costs. As such we see wage increases essential for workers to be able to secure housing.

The cost-of-living pressure on award-reliant workers are even more acute than what is reflected in CPI, as employees, and particularly lower income ones, spend a larger proportion of their income in non-discretionary items, as noted earlier. This is reflected in the ABS Selected Living Costs Index, which measures the changes over time of the after-taxed income of households. This index has seen quarterly increases in living costs for employee households whose primary source of income is wages and salaries, continually outstrip CPI increases since September 2022.

The March quarter 2024 figures revealed that Australian employee households had the largest annual rise in living costs of all household types at 6.5 per cent from the previous year. These increases have a serious and detrimental impact on the living standards of workers. Recent data from the ABS has revealed that the amount of food and beverages sold in Australia decreased by an approximate 1.9 per cent in '22/'23 despite population growth. All major food groups were found to have been consumed less, with the consumption of vegetables and legumes decreasing by 6.8 per cent and fruit by 6.1 per cent.

The ABS notes that the recent price increases in food, along with a general increase in all consumer prices, is consistent with a lower volume of food being purchased, despite the value of food retail turnover in '22/'23 exceeding previous years. These statistics reveal the material impact that financial pressures, the lack of real wage growth for minimum award wage workers have on the ability of households to afford the essential foods that require to be healthy. UnionsWA notes that though there were a number of announcements made in the State and Federal budgets relating to cost-of-living relief, they do not in any way reduce the need for real and meaningful wage increases.

To directly discount for moderate wage increases on the basis of these measures would be to negate government action that is intended to benefit low-paid households. Further, many of these announcements don't provide a blanket benefit to all low-paid workers, due to varying eligibility requirements and tests, let alone the scale of the cost pressures they face, as discussed in more detail in our submission in reply. On the matter of our precise figure that we have advanced in our submission was reached, the Chief Commissioner is correct, that it reflects a closing of the gap between the State and Federal levels, and then a further five per cent. We consider that based on the pressures facing households that this is an appropriate and sustainable amount.

Thank you.

**KENNER CC:** Thank you very much indeed for those submissions, Mr Hansen.

**SNEDDON, MR:** Chief Commissioner, I now have Mr Sumner - - -

**KENNER CC:** Yes.

**SNEDDON, MR:** - - - who will speak to principle 7, the proposed changes to - - -

**KENNER CC:** All right. Thank you very much.

**SNEDDON, MR:** Thank you.

**KENNER CC:** Mr Sumner?

**SUMNER, MR:** Thank you.

If it pleases the Commission in Court Session, I'd like to walk you through our submissions for principle 7.

**KENNER CC:** Yes.

**SUMNER, MR:** To explain some of the changes to the proposed principle when compared to the current principle we thought was a good place to start. The proposed changes remove the dated wording such as refer to a strict test and broadens considerations of work value in line with the more modern approach taken in section 157(2)(a) of the Fair Work Act, to include considerations being the nature of the work, the level of skill or responsibility involved in doing the work and the condition in which the work is done. And it's noted that these considerations have been in effect in the Fair Work system since 2018 with no significant issues.

The proposed change also removes unnecessary restrictions such as that with leapfrogging, and I submit that the Commission already has appropriate mechanisms in place to guard against over classification such as those contained in principle 7.11, which remain - aren't proposed to change. I'm pleased to advise after the State Wage Case decision in 2023, UnionsWA has conferred with the parties and workshopped the principles that were presented in its previous submissions last year. Some subtle changes have been made from the previous year's submissions, such as requiring the changes to the nature of work be significant and justified.

You'll see this reflected in parts 7.1 and 7.3 of the submissions. And also removing references to the word, "Test". In relation to the CCIWA's proposed additional wording to the submission, I'd like to thank the Minister for their submissions in reply and agreement to the proposal, and I support the Minister's response that work value should be equal across industries, and that the effect on the employer should not be considered when valuing work value.

Further, I caution against including the impacts of the employer in the assessment of work value as this could cause applications for work value increases that are fuelled by profit margins over the value of the work that's performed. To conclude, I submit that failing to change the work value principles in line with the modern standard may result in State system employees being disadvantaged when compared to the Fair Work system, and UnionsWA relies on their submissions in the first and submissions in reply on this matter.

**KENNER CC:** Thank you very much. Thank you very much, Mr Sumner.

Mr Sneddon?

**SNEDDON, MR:** Chief Commissioner, we shall be done by 1 o'clock by the looks of it.

**KENNER CC:** Let us not hold you up.

**SNEDDON, MR:** We really just have Mr Brinkman, who will make some closing submissions. But as I have the stand, I just want to add one additional point that was made by Mr Hansen. When I was looking through this last night, I wanted to put some context in my mind as to what this meant. And I use housing because I think we understand how critical that is. I looked at the rentals that were available in the greater Perth area. There's 2,000 or thereabouts. And I looked at what was available if a worker getting paid the minimum wage that we propose, with the increase, the alignment to C13, 14 and the increase on top.

I looked at what was available for that worker if they paid half of that salary - if they paid half of that salary - and in greater Perth at the moment, there's less than 80 properties available for that worker. And a roof's a roof, but looking at some of those properties, they're not living in luxury in those properties either. That to me just contextualised what we're talking about here, and it contextualised some of the pressure that's been put on the workers that we're speaking on behalf of today, and the Commission is going to make some decisions that will have a serious impact on.

Thank you for that indulgence.

I'm going to hand over to Mr Brinkman to make some closing submissions, and then as far as UnionsWA is concerned, Chief Commissioner, that will be our submissions.

**KENNER CC:** All right. Thank you very much indeed.

**SNEDDON, MR:** Thank you.

**KENNER CC:** Mr Brinkman?

**BRINKMAN, MR:** Thank you, Chief Commissioner.

UnionsWA submits in closing for an increase of 7.359 per cent to award wages and supports the realignment to the State minimum wage to the C13 rate, with the full increase applied to apprentices and juniors on the basis of economic analysis, consideration of cost-of-living pressures and the need for a fair wages system, whilst balancing the Commission's statutory considerations. Realignment to the C13 rate addresses the disparity and exacerbating inequality between the West Australian and national system of wages by providing a substantial real wage increase.

UnionsWA contends that the realignment will result in improving wage outcomes for low-paid workers, narrowing the aggregate gender pay gap and the growing pay gap between casual workers in the industrial relations system for WA. Despite increases to the State minimum wage and award wages, real wage increases have gone backwards. Positive growth forecasts for position in the West Australian and the Australian economy to make substantial increases to compensate for the rising cost of living, to award-free and award-reliant workers.

UnionsWA proposes changes to the work value principle will harmonise the federal test and ensure that workers receive equal remuneration, especially in women-dominated industries, by eliminating existing significant barriers in accessing work value claims. Finally, UnionsWA contends that cost-of-living measures are not a substitute for an increase in wages and contradicts the benefits to low-paid households. With that, as it please the Commission, that concludes UnionsWA's submissions.

**KENNER CC:** Thank you very much, Mr Brinkman.

Well, that's impeccable timing, five minutes to 1. What we'll do now is adjourn and we'll resume at 2.15 this afternoon.

Thank you very much.

(LUNCHEON ADJOURNMENT)

**KENNER CC:** Please be seated. Thank you.

Now, we're going to hear from WACOSS. Ms Hull, please.

**HULL, MS:** Thank you, Chief Commissioner.

May it please the Commission in court session. The WA Council of Social Service refers to its initial submission and proposes a 7.59 per cent increase to the state minimum wage. We strongly believe that this increase is required to meet the needs of low-paid workers and ensure they can maintain an adequate standard of living. Today I will speak to three points, highlighting why we believe such an increase is essential. Firstly, I will address the rising cost of living and how this had disproportionately eroded the purchasing power of low-wage workers. Secondly, I will consider low-income workers' experience of increasing cost, and finally, I will touch on the important role that the state minimum wage has in progressing gender equity.

Significant and sustained price increases have eroded the purchasing power of low-wage workers and left many families unable to afford the basics. CPI figures for the March quarter recorded an annual rise of 3.4 per cent to the Perth area. CPI levels for many non-discretionary items such as rent and healthcare have increased at an even greater rate. This is important to note, as low-wage workers spend a greater portion of their income on non-discretionary items, and as such do not receive benefits from inflation following in discretionary subgroups like international travel.

CPI on Perth rent has increased both in the last quarter and in the last year. In March 2024, rental CPI in Perth increased on an annual basis by 9.9 per cent, and from the previous quarter by 2.9 per cent. Housing is the single largest cost for households in WA, and dramatic shifts in this CPI subgroup see workers paying out hundreds of extra dollars. Over the past 12 months, median house rents in Perth have increased by more than 18 per cent per week, and median unit rents by 20.2 per cent. This increase has placed the median rent of a home in Perth at \$650 per week, and the median rent of a Perth unit at \$595 per week.

The annual Anglicare rental affordability snapshot, which examines properties that are available for rent, found that at these prices, less than one per cent of available properties were affordable for a single person on the minimum wage. In real terms, price increases to food and other non-discretionary items have also been significant. The inquiry into price gouging and unfair pricing practices found that many common household items have seen a real cost, and some of these household items have seen a cost increase of over 20 per cent since March 2021. This includes household basics such as cheese, bread, milk and other dairy products. Similar price surges are evidence in fuel costs, which apart from a slight dip in 2020 have been rapidly increasing for the past eight years. For example, since 2016, the price of unleaded petrol has increased over 73 per cent, rising from an average price of 111.1 cents per litre to an average price of 192.9 cents per litre in 2024.

It's important to note that low-wage workers in regional areas are facing even greater price surges. The WA Department of Primary Industries and Regional Development price index compares a standard basket of goods and services across 39 towns in WA. The 2023 index highlights the expensive nature of life in the regions, and found that prices in all regions except the mid-west and south west were more expensive than Perth, and that for those living in the Pilbara, they were facing extreme price hikes.

The dramatic and sustained price increases seen by WA workers have not been met by adequate wage increases. Despite recent increases to WPI, workers have been exposed to at least three years of poor wage growth in incredibly high-cost environments, and this overall has led to - a real age decline that has eroded workers' saving and purchasing power.

This takes us to my second point, the lived experience of increasing cost. When not matched by adequate wage growth, price increases play a significant pressure on household budgets. Initially, many low-waged workers may have been able to draw on savings, reduce spending or acquire additional work to cover increasing financial stress, but prolonged periods of real wage decline have drawn down these families' reserves and left them struggling to cover the costs of basic, and having that experience of financial stress heightened.

To better understand this stress, I thought it might be useful to look at the impact of increasing costs on the household budget of a state minimum wage earner. So in 2016, if we look at median prices of a Perth unit, this absorbed 55.9 per cent of the net income of a state minimum wage worker. This left households with 44 per cent of their income to pay for other essential services. Currently, the median rent for a unit in Perth accounts for 68.9 per cent of the state minimum wage, while the median rent for a house absorbs over 75 per cent of the state minimum wage.

As of April 2024, state minimum wage households paying median rent for a Perth unit only have 31.1 per cent of their net income to cover the cost of essentials. When we consider this as a post-tax figure, the story becomes increasingly dire. If we assume that a single on fulltime state minimum wage pays tax and rents a median price unit, they have less than \$180 per week to cover the cost of food, utilities, healthcare, Internet, transport and all their other necessary items. I don't know about you, but I sure hope that state minimum wage workers never have to see a GP, never have their car breakdown and don't want to go and buy dinner out for a friend's birthday, because the numbers just simply do not add up. Minimum wage earners, after paying housing costs, do not have enough money to cover the costs of essentials, let alone maintain a decent standard of living.



Research conducted by Foodbank and reports WACOSS is receiving from the emergency relief sector reiterates this point, and provides further evidence that low-waged households in WA are currently in crisis. The most recent Foodbank hunger report indicates that in 2022 70 per cent of WA families reported that they were food secure. By the end of 2023, this number had fallen, with only 63 per cent of families reporting that they were food secure. Of those households that were not food secure or were experiencing food insecurity, 60 per cent had at least one person in paid employment and 77 per cent of people were experiencing food insecurity for the very first time. Similarly, the HUGS Service Centre, which is a grant scheme that assists WA utility customers in financial hardship, reported increasing demand over the past year. Between July and December 2023, the centre received 16,700 calls and supported 7,312 clients to access support. Over the same period in 2022, the centre only received 6,841 calls and supported 4,795 claims.

While increasing need for assistance is anticipated by our sector during inflationary periods, what has shocked all of us is the significant increase in the number of employed families reaching out for support. For example, the Emergency Relief and Food Access Service has reported an increasing proportion of clients who are employed, with employment being the main source of income for four per cent of clients in 2021, eight per cent of clients in 2022 and 12 per cent of clients in 2023.

It is important to note that the financial pressure resulting from increased costs has widespread impacts. For low-income earners, financial pressure works to disrupt the foundational elements of health, such as access to safe and appropriate housing and quality nutrition. Too often, these items are seen as discretionary, and are cut from the household budget when things get tight. Many families under pressure do not heat or cool their homes, avoid using transport and skip meals.

When considered through a social determinate of health model, it is evident that limited access to an adequate wage disrupts the foundational elements of health and creates significant inequity, including poorer health outcomes and lower life expectancy. Evidently, inadequate wage growth has not only left low-wage workers struggling to cover the costs of life's basics but has put their long-term wellbeing at risk. Now, we arrive at my final point. The important role that the State minimum wage plays in achieving gender equity.

The WA labour market continues to be characterised by a significant gender pay gap. ABS data indicates that at November 2023, WA supports the biggest difference in overall pay between men and women across all jurisdictions, boasting a gender pay gap of 21.7 per cent. While the WA gender pay gap has many contributing factors, much of it results from the gendered concentration of staff in higher paying industries, with women making up a significant proportion of the workforce in lower paying industries. And as such, are more likely to be on State minimum wage or minimum wage.

Due to their reliance on lower wages, women are disproportionately and adversely affected by increased cost pressures. Increased cost pressures also have significant ramifications for women's long term economic security, with women under financial pressure less likely to make additional superannuation contributions, pay off debt or save. And for some women in WA, the combination of increased costs and low wages has deadly consequence, with many victim-survivors of family and domestic violence facing an impossible choice between staying and being subject to further abuse or leaving and facing a life under the poverty line.

In our written submission, we referred to the fact that the social and community service sector is a feminised industry. We also indicated that taken with a 40/40/20 gender balance, a 10 per cent increase in the community and social care wages will reduce the Australian gender pay gap. This modelling was conducted by Bankwest Curtin Economic Centre and the Workplace Gender Equality Agency, and is presented in their report, "Gender Equity Insights 2022 the State of Inequity in Australia". We note in CCI's reply to our submission, it was claimed, and I quote:

"Increases through the State Wage Case are not an effective mechanism to address this concern. Consequently other mechanisms need to be considered to address this issue, including a review of the State Government's current methodology for determining funding arrangements within the sector."

While we agree that there is room to improve current funding arrangements and continually advocate for this, we completely disagree with the interpretation that the State Wage Case is not an effectively mechanism to address the gender pay gap. Analysis undertaken by WACOSS in 2012 indicated that across the community service sector, roughly 30 per cent of providers fell in the State system and 70 per cent fell in the federal system. While a more recent analysis of this split has not been conducted, the most recent community sector survey highlights that there is a significant number of services located in a single region with less than 10 paid staff and with a single or a small number of service contracts.

This data indicates on balance, that there is a higher number of smaller and specialised services that could sit under the State award system. Considering this, it's important to note that while increases to the State award will not solve all gender pay issues, the State Wage Case plays a significant role in increasing community sector wages and moving WA a step towards the landscape outlined by BCEC and WGEA. There are no silver bullets to solving gender inequity. Instead, we must acknowledge that a gender-equal WA requires action on a range of levers.

Under the core the State Wage decision offers an opportunity to pull one of these levers and step towards a future where all women have access to an income that allows them to make meaningful decisions about their life and maintain an adequate standard of living. Sustained increases in the cost of living have eroded the purchasing power of low-income workers. Many low-income households no longer have sufficient funds to meet the rising cost of basics, such as rent, food and transport.

For State minimum wage earners, this pressure manifests into behaviour changes, such as skipping meals or not heating or cooling their homes. These behavioural changes increase inequity across a range of social determinates of health and create a negative relationship between increasing need and increasing financial pressure, thus the cycle of inequity is embedded. WACOSS proposes that increases to the State minimum wage is an effective strategy to help break this cycle. If it pleases the Commission in Court Session, that concludes the submission from the WA Council of Social Service.

**KENNER CC:** Thank you, Ms Hull.

**HULL, MS:** Thank you.

**EMMANUEL C:** No question, but I suppose just an observation that I think has been made regularly in recent years, that it's very helpful to the Commission in Court Session to have WACOSS make its submission in writing but also to appear at this hearing.

Thank you.

**HULL, MS:** Thank you.

**KENNER CC:** Thank you very much. Thank you, Ms Hull.

Now, now is the opportunity for any reply submissions based upon the oral submissions that have been put to us this morning.

Mr Entrekin, did you wish to lead off with any reply to what's been put after your initial submissions?

**ENTREKIN, MR:** Certainly, Chief Commissioner. I'll just keep it brief. We don't have a lot to say. Just a couple of minor points. Just I know there's been a lot of discussion today on productivity growth, and that's obviously a topical interest, and particularly in regards to inflation and real wages growth, what have you. Just an interesting statistic or an interesting observation, I guess, which was also referred to I believe in UnionsWA's submission as well, were some comments by the Productivity Commission, where they talked about, effectively, a productivity bubble during the COVID period, and they basically observed that the sharp productivity rise and subsequent sharp decline is unlikely to reflect workers becoming more or less productive themselves, but instead, the pandemic led to major but temporary shifts, where people were employed in more productive industries for period of time.

And then, when the economy reopened, a lot of people returned to businesses that do have lower productivity as a whole. So there's some element of a pandemic effect kind of washing through the system. And certainly, we're not disputing what the actual figures are, but just that that is a contributing factor to that. And the last two quarters, the productivity figures have returned to something more normal than that we would expect to see. So that was just a minor point.

And we thank the CCI for clarifying that issue to do with - I think it was paragraph 77 of their submission, just to do with the figures to do with the CPI versus the State Wage outcomes, and we get what they're trying to say now. I mean, we note that the year to March will crossover different Wage Case years but we understand the point that they're trying to make. And just finally, we actually agree with the CCI that we actually think that there are some issues that are perhaps more important than not disturbing relativities, and that the needs of the low paid actually are - do warrant some disturbing of the relativities. We were perhaps coming at it from a slightly different angle or what have you, but we would agree with that general sentiment that it's not necessary to always maintain relativities exactly as they are.

Just in regards to UnionsWA, we agree with the observation that was made earlier that it probably does require a legislative change to be able to mirror the Fair Work Commission's approach. Our interpretation of the Industrial Relations Act and the Minimum Conditions of Employment Act is that it is only possible to set a single adult minimum wage and that - - -

**KENNER CC:** We can only do what Parliament enables us to do.

**ENTREKIN, MR:** Correct, correct. And then there's some different wording with apprentices and trainees that gives various different options.

**KENNER CC:** Yes, different rates can be set in some - - -

**ENTREKIN, MR:** Different rates can be set et cetera.

**KENNER CC:** That's correct.

**ENTREKIN, MR:** So that in terms of the state minimum wage - - -

**KENNER CC:** It's just one.

**ENTREKIN, MR:** - - - it's just one, correct, yes. And then we also agree with UnionsWA and with WACOSS that employee households are doing it very tough. I think that's been borne out with a lot of statistics today, and particularly the higher housing costs, food, transport, et cetera. And we agree that it's important to protect the needs of the low paid and that the removal of the C14 classification if you like, or the lifting of the minimum wage to C13, is therefore warranted for a lot of those social equity reasons including living standards, needs of the low paid, et cetera. So we agree with that approach. Well, that being said, we didn't really have anything else to contribute. Thank you.

**KENNER CC:** Well, thank you very much, Mr Entrekina.

Now, Dr Wesley, did you wish to reply on behalf of CCI or Mr Harding?

**HARDING, MR:** Just a very short one as well. Just some brief housekeeping that frankly one point has already been done. In relation to footnote 11 there was an omission - omitted statistic which was the ABS data, and as I said we took you during my initial submission. We'll make sure we get that data to you as soon as possible. Thank you.

**COSENTINO SC:** Thanks very much.

**KENNER CC:** Thank you.

**HARDING, MR:** So may it please the Commission, our submission in reply will be brief. It's just going to focus briefly on two aspects, mainly about how the decision is a yardstick itself as we've obviously noted through UnionsWA as well as the statutory considerations of the Act plus UnionsWA's position talking about lost gains and wages growth. I just particularly want to touch on the yardstick factor. And while the Minister's representative did state that it only has a lower impact and Mr Christmas today said, you know, it may or may not affect a large cohort, at the end of the day this decision will have a yardstick for enterprise agreement-making in this state as well as discussions that will occur between employers and employees discussing on whether or not - on pay rises and as such.

We'd like to just submit that that be considered as part of a factor because at the end of the day it is a yardstick in the same way that the Fair Work Commission's submission for the - the Fair Work Commission's decision is used in many enterprise agreements such as the SDA's one Coles and Woolworths as an example.

**KENNER CC:** Yes, I think it's been accepted for a long time that there is a signalling effect - - -

**HARDING, MR:** Yes.

**KENNER CC:** - - - of the minimum wage.

**HARDING, MR:** Yes. Just wanted to make sure that was put forward. And I also just want to go back to the point on lost wages growth. We accept that it has been tough for employers and employees across WA over the past three years. We also understand that there have been wages growth given by this Commission as well as the Fair Work Commission over the past two years. We don't think it's an appropriate consideration over the long term that we move to a situation where we only ever claw back lost wages growth because we believe that will not take into consideration local economic factors that are relevant under the Act. That's all.

**KENNER CC:** Thank you very much for those submissions, Mr Harding.

Now, I think is it Mr Brinkman who was going to undertake to reply or whoever wishes to, Mr Sneddon.

**SNEDDON, MR:** Perhaps I'll do it, Chief Commissioner.

**KENNER CC:** Very well.

**SNEDDON, MR:** And it will be brief. Other than to endorse the quite powerful submissions that were made by WACOSS, I think noting the Commission's observations that it would be helpful and supporting the observations made by the representative of the Minister, UnionsWA have nothing else to add.

**KENNER CC:** Thank you very much, Mr Sneddon.

**SNEDDON, MR:** Thank you.

**KENNER CC:** Ms Hull, did you wish to say anything based on what you've heard this afternoon? No obligation to do so. Totally up to you.

**HULL, MS:** No, thank you.

**KENNER CC:** Very well. Thank you very much.

All right. Well, thank you all very much for your written and oral submissions today. They've been very helpful. What we will now do is adjourn until the decision of the Fair Work Commission is handed down. And once that occurs, arrangements will be made for us to reconvene and hear from the parties in relation to the implications of that for our decision on this occasion. And until that time, we'll adjourn. Thank you very much.

**AT 2.41 PM THE MATTER WAS ADJOURNED ACCORDINGLY**