



Submission on the 2024 State Wage Order

Appl No. CICS 1 of 2024
ON THE COMMISSION'S OWN MOTION

**Western Australian Industrial
Relations Commission**

15 May 2024

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1. Introduction

1.1. UnionsWA is the governing peak body of the trade union movement in Western Australia and the Western Australian Branch of the Australian Council of Trade Unions (ACTU). It represents 30 affiliated unions, who in turn represent approximately 150,000 Western Australian workers.

1.2. Section 50A(3) of the *Industrial Relations Act 1979 (WA) (IR Act)* states that in making an annual State Wage order the Western Australian Industrial Relations Commission (Commission) shall take into consideration, amongst other things,

- (a) *the need to:*
 - (i) *ensure that Western Australians have a system of fair wages and conditions of employment; and*
 - (ii) *meet the needs of the low paid; and*
 - (iii) *provide fair wage standards in the context of living standards generally prevailing in the community; and*
 - (iv) *contribute to improved living standards for employees; and*
 - (v) *protect employees who may be unable to reach an industrial agreement; and*
 - (vi) *encourage ongoing skills development; and*
 - (vii) *provide equal remuneration;**and*
- (b) *the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;*
- (c) *to the extent that it is relevant, the state of the national economy;*
- (d) *to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;*
- (e) *for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;*
- (f) *relevant decisions of other industrial courts and tribunals; and*
- (g) *any other matters the Commission considers relevant.*

2. UnionsWA position on increasing Award and Minimum Wages

2.1 UnionsWA contends that the Commission should make a substantial real wage increase for state minimum wage and award-reliant workers. This is essential to address the ever-widening gap between low paid workers and the rest of the workforce in WA, including national system employees, and address the sustained increases in living costs, which is particularly impacting non-discretionary spending in areas such as housing. Therefore, UnionsWA's claim is for an increase to the State Minimum Wage of **\$63.54 per week**, with

commensurate increases of **7.359 per cent** to award wages. This would bring the State Minimum Wage to **\$926.94** per week, or **\$24.39** per hour. See the table below for how a 7.359 per cent increase would impact award rates, based on the *Metal Trades (General) Award*.

Award classification	Current rates		Proposed rates		\$ Difference	
	Weekly	Hourly	Weekly	Hourly	Weekly increase	Hourly increase
C14	\$863.40	\$22.72	\$926.94	\$24.39	\$63.54	\$1.67
C13	\$883.30	\$23.25	\$948.30	\$24.96	\$65.00	\$1.71
C12	\$910.00	\$23.95	\$976.97	\$25.71	\$66.97	\$1.76
C11	\$935.00	\$24.61	\$1,003.81	\$26.42	\$68.81	\$1.81
C10	\$977.90	\$25.73	\$1,049.86	\$27.62	\$71.96	\$1.89
C9	\$1,004.60	\$26.44	\$1,078.53	\$28.39	\$73.93	\$1.95
C8	\$1,031.00	\$27.13	\$1,106.87	\$29.13	\$75.87	\$2.00
C7	\$1,055.30	\$27.77	\$1,132.96	\$29.81	\$77.66	\$2.04
C6	\$1,108.40	\$29.17	\$1,189.97	\$31.32	\$81.57	\$2.15
C5	\$1,135.00	\$29.87	\$1,218.52	\$32.07	\$83.52	\$2.20

3. The state of the economy of Western Australia and Australia

3.1. UnionsWA contends that, in a situation in which the WA and Australian economies are continuing to perform strongly, combined with rising living costs, a substantial increase in minimum wages is required.

3.2. The WA Government's 2024-25 State Budget states that:

- *Western Australia's domestic economy (as measured by State Final Demand or SFD) grew by 4.7 per cent in 2023 – the strongest of any State or Territory, and twice the pace of growth nationally. Over 2023-24, this is expected to further accelerate to 5.25% per cent.*
- *All key components of domestic economic activity are contributing to growth, with the strongest contributions from business investment (which grew by a massive 10.7 per cent in 2023), Government investment (underpinned by the State Government's record Asset Investment Program) and household consumption (supported by the strongest population growth in the nation).*
- *This strength in the economy has driven record employment outcomes, with Western Australia's total employment exceeding 1.6 million people for the first time in February 2024, and an annual average unemployment rate of just 3.7 per cent.*

Table 1









KEY BUDGET ASSUMPTIONS**Western Australia**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	Actual	Estimated Actual	Budget Year	Outyear	Outyear	Outyear
Real Gross State Product growth (%) ^(a)	3.5	1.75	2.0	2.0	2.25	2.25
Real State Final Demand growth (%) ^(a)	3.9	5.25	3.25	3.0	3.0	2.75
Employment growth (%)	3.1	3.75	1.75	1.5	1.5	1.5
Unemployment rate (%) ^(b)	3.6	3.75	4.0	4.25	4.5	4.75
Wage Price Index growth (%) ^(c)	4.2	4.25	3.75	3.5	3.0	3.0
Perth Consumer Price Index growth (%) ^{(c)(d)}	5.0	4.0	3.0	2.5	2.5	2.5

3.3 The latest CommSec *State of the States* economic performance report ranked Western Australia as the second-best performing economy in the nation as of 21 April 2024. Importantly, WA was found to have the strongest economic momentum, unchanged from January 2024, with the highest annual growth looking across all economic indicators.

3.4 WA was identified as having the highest annual growth of all states and territories in employment growth, construction work, population growth and housing finance. In relation to population growth, which CommSec identify as an important driver of the broader economy and in particular retail spending and housing demand, WA had an annual population growth rate of 3.33 per cent, which was 125.1 per cent above its decade average.¹

CommSec Overview of WA

Key Categories	This quarter	Vs decade average
 Dwelling commencements	3,180	-38.6%
 Unemployment	3.6%	-32.2%
 Population growth	+3.33%	+125.1%
 Economic growth	\$118,395m	+6.0%
 Equipment investment	\$3,699m	+34.5%
 Housing finance	\$1,788m	+17.5
 Retail spending	\$11,054m	+11.3%
 Construction work	\$10,054m	-2.2%

Source: CommSec, *State of the States*

¹ CommSec, *State of the States* (Report, 21 April 2024).

Payroll jobs and wages data

- 3.5 The strong performance of the WA economy over the last few years is also reflected in the most recent Australian Bureau of Statistics (ABS) measure of aggregate wages and salaries from Single Touch Payroll data. Below are the annual state and territory percentage changes in payroll wages and salaries paid by employers as of September 2023.

Annual percentage change in wages and salaries paid by employers, by state and territory²	
New South Wales	8.0
Victoria	7.5
Queensland	9.2
South Australia	9.0
<i>Western Australia</i>	<i>9.1</i>
Tasmania	8.1
Northern Territory	13.8
Australian Capital Territory	10.8
Australia	8.4

- 3.6 WA had the second largest increase in wages and salaries of all states and was the fourth largest overall. The Single Touch Payroll data also provides insights into the growth of payroll jobs. Below are the annual state and territory percentage changes in payroll jobs as of the week ending 13 April 2024.

Annual percentage change in payroll jobs, by state and territory³	
New South Wales	1.8
Victoria	1.9
Queensland	2.2
South Australia	3.0
<i>Western Australia</i>	<i>3.7</i>
Tasmania	2.4
Northern Territory	4.3
Australian Capital Territory	2.9
Australia	2.3

- 3.7 WA has the largest increase in payroll jobs of any state and the second largest overall, after the Northern Territory.

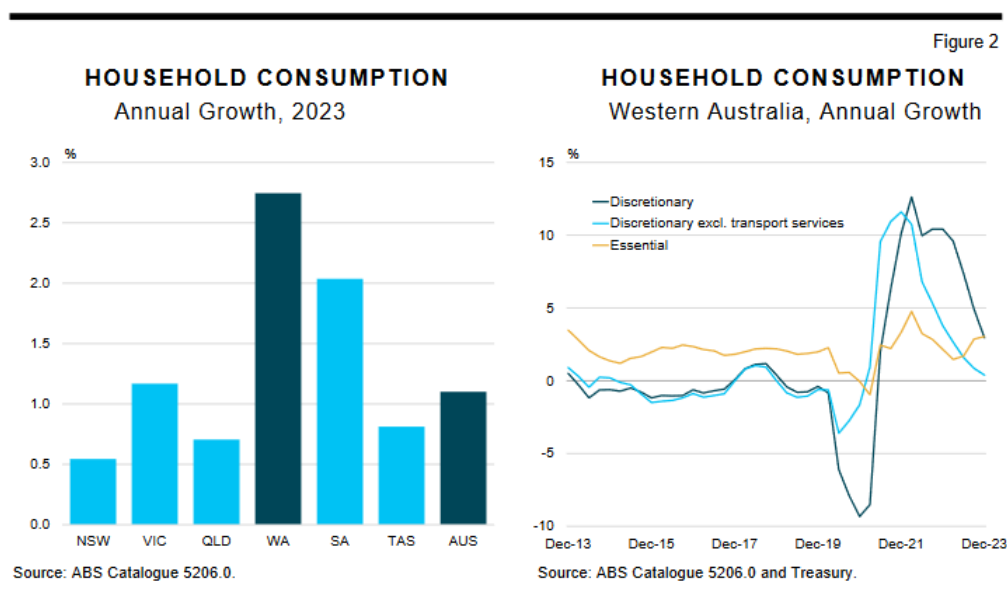
² Australian Bureau of Statistics, *Monthly Employee Earnings Indicator* (21 November 2023).

³ Australian Bureau of Statistics, *Weekly Payroll Jobs* (9 May 2024).

Retail trade and household consumption

- 3.8 The 2024 WA Budget notes that household consumption eased in the 2023 calendar year, due to consumers needing to reprioritise their expenditure towards necessities and reduce spending on non-essential purchases. It states, however, that:

Despite household consumption declining in per capita terms in 2023, total household consumption is holding up better in Western Australia than in other States, supported by the strongest population growth in the nation, strong labour market conditions and higher rates of savings.



Business Investment and Activity

- 3.9 As outline by the WA Government in its submission to the 2023-24 Annual Wage Review, business investment in the state ‘grew by 0.7% in the December quarter, following a very strong 8.2% in September.’⁴

EXPENDITURE COMPONENTS OF DOMESTIC DEMAND

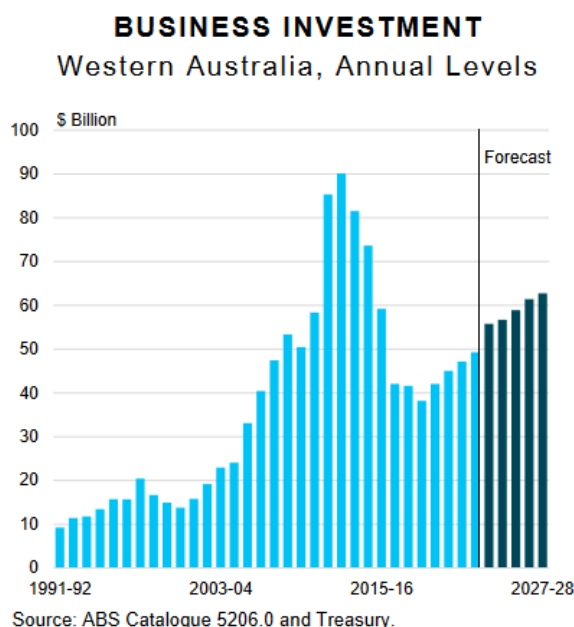
December 2023 Seasonally Adjusted

	Western Australia (%)		Australia (%)	
	Quarter	Year	Quarter	Year
Private Consumption	0.9	2.7	0.1	1.1
Business Investment	0.7	10.7	0.7	9.1
Dwelling Investment	-4.6	4.5	-3.8	-2.0
Government Consumption	0.0	1.4	0.6	1.7
Government Investment	6.0	18.0	-0.2	11.0
Final Demand	0.8	4.7	0.1	2.3
Exports ¹	3.4	1.5	-0.3	6.8
Imports ¹	3.3	11.7	-3.4	3.3
Gross Domestic Product	n.a	n.a	0.2	2.1

¹ Trade components include both merchandise and services trade

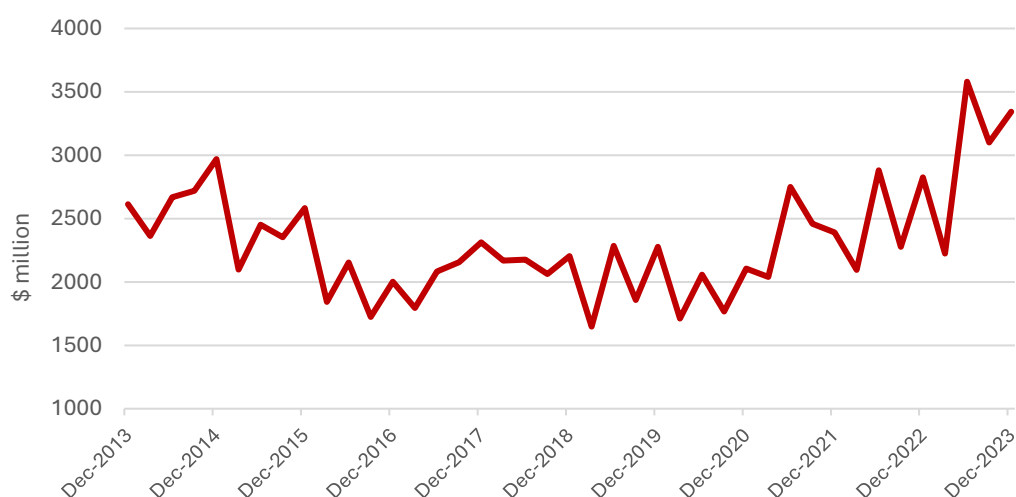
⁴ Government of Western Australia, Submission to the Fair Work Commission, 2023-24 Annual Wage Review (28 March 2024).

- 3.10 The 2024 State Budget states that business investment is forecast to grow by 13.25% in 2023-24 – the strongest growth in over a decade – up from 10.7% in the 2023 calendar year. In 2024-25, business investment is projected to consolidate at a high level. Further, a solid pipeline of current and prospective projects across industries, including non-mining infrastructure, is also expected to support growth in the outyears.



- 3.11 Total non-mining private new capital expenditure in Western Australia rose by more than 18 per cent in the December quarter 2023, to be 7.8 per cent higher than a year earlier. This investment in new tangible assets, including major improvements, alterations, and additions, by businesses outside of the mining industry, is indicative of expectations relating to growth and increased activity.

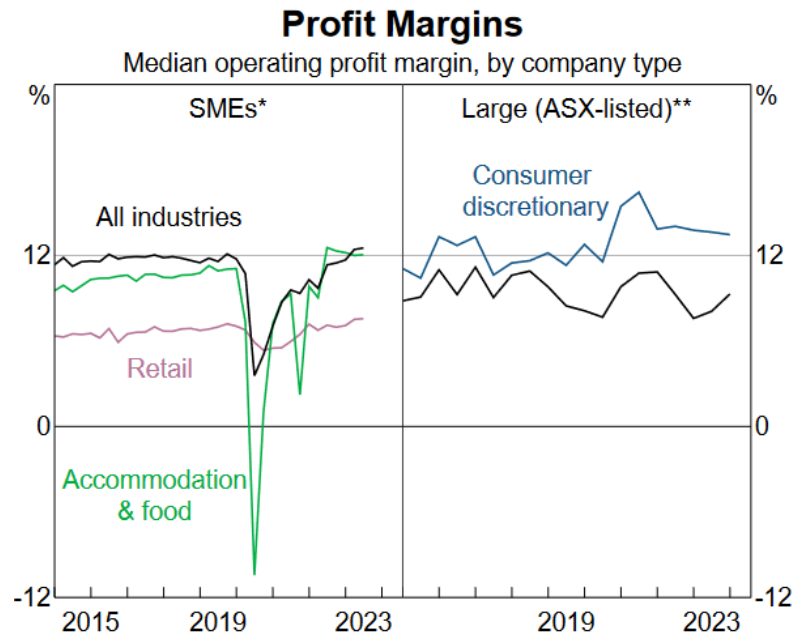
Total private new capital expenditure in Western Australia, non-mining, current price⁵



Source: ABS, *Private New Capital Expenditure and Expected Expenditure, Australia*

⁵ Australian Bureau of Statistics, *Private New Capital Expenditure and Expected Expenditure, Australia* (29 February 2024).

3.12 In its March 2024 Financial Stability Review, the Reserve Bank of Australia (RBA) noted that ‘most businesses’ operating profit margins (which exclude interest expenses) have remained around pre-pandemic levels based on the latest available data.’⁶ Company insolvencies are sitting at pre-pandemic levels, with business-related personal insolvencies near historical lows. Those businesses that are highly exposed to consumer discretionary spending have experienced challenges, as households have had to reduce consumption due to escalating cost pressures.



Source: RBA, *Financial Stability Review*

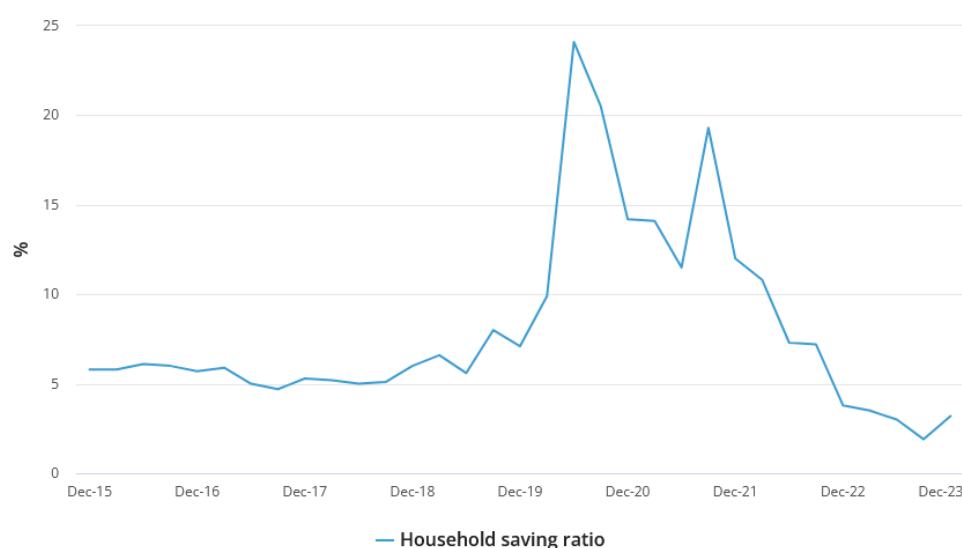
Household savings ratio

3.13 The household savings to income ratio remains below pre-pandemic levels. Savings increased slightly in December due to a rise in gross disposable income and a fall in income payable. The growth in income receivable was the result of a 1.4 per cent increase in the compensation of employees, 5.9 per cent increase in social assistance benefits, and 6.7 per cent in interest received. Income payable declined slightly through a 3.3 percent fall in income tax paid by households. The ABS noted, however, that nominal household final consumption expenditure (+0.9 per cent) partly offset household saving due to the continued rise in prices for essential goods and services.⁷

⁶ Reserve Bank of Australia, *Financial Stability Review* (Report, 18 March 2024).

⁷ Australian Bureau of Statistics, *Australian National Accounts: Income, Expenditure and Product* (6 March 2024).

Household saving ratio, seasonally adjusted



Source: ABS, *Australian National Accounts*

Federal budget economic parameters

- 3.14 Notably, it is stated in the Commonwealth Government's Mid-Year Economic and Fiscal Outlook (MYEFO) that because of elevated inflation and higher interest rates, 'some households are needing to draw upon previously accumulated savings to support their consumption and service mortgage costs.'
- 3.15 The 2024-25 Commonwealth Budget, released in May 2024, forecasts annual business investment growth to continue through to 2025-26, which would mark the longest sustained increase in business investment since the mining boom. Real annual wage growth returned to annual growth at the end of 2023.

Table 1.1: Major economic parameters^(a)

	Outcome	Forecasts				
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Real GDP	3.1	1 3/4	2	2 1/4	2 1/2	2 3/4
Employment	3.5	2 1/4	3/4	1 1/4	1 3/4	1 3/4
Unemployment rate	3.6	4	4 1/2	4 1/2	4 1/2	4 1/4
Consumer price index	6.0	3 1/2	2 3/4	2 3/4	2 1/2	2 1/2
Wage price index	3.7	4	3 1/4	3 1/4	3 1/2	3 1/2
Nominal GDP	9.9	4 3/4	2 3/4	4	5 1/4	5 1/4

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

Source: Commonwealth Government, Budget 2024-25

- 3.16 UnionsWA contends that both the WA and Australian economies continue to be well placed to make increases to minimum and award wages that will compensate for the rising costs of living and materially improve people's circumstances.

4. The needs of the low paid, fair wage standards & improved living standards for employees

Consumer Price Index

- 4.1 Western Australian households are experiencing significant and sustained price increases, eroding the purchasing power of their wages. The Consumer Price Index provides a key measure of price inflation for households, tracking price movements for a fixed basket of goods and services over time.

Perth CPI percentage changes from previous financial year⁸

	2020-21	2021-22	2022-23
Percentage change	1.6%	6.0%	6.2%

Source: ABS, *Consumer Price Index*

- 4.2 Considering the increases in the WA minimum and award wages for each of the financial years above, UnionsWA is concerned that despite the increases awarded, real wages have gone backwards.
- 4.3 The most recent CPI figure for Perth which the Commission in Court Session can consider is the March Quarter increase of 3.4 per cent. This figure is moderated by the impacts of the temporary household electricity bill relief and the free public transport period earlier this year. A considerable number of expenditure items had annual increases in excess of 3.4 per cent. Just those with increases of 5 per cent and greater for example, includes:

Tradeable items (goods and services exposed to international trade) with annual percentage increases 5%and above - Perth

Bread	Cakes and biscuits	Breakfast cereals	Cheese	Snacks and confectionary	Oils and fats	Cleaning, repair and hire of clothing	Gas and other household fuels	Glassware, tableware and household utensils
8.3	6.8	6	5	6.3	7.4	5.9	7	6.7

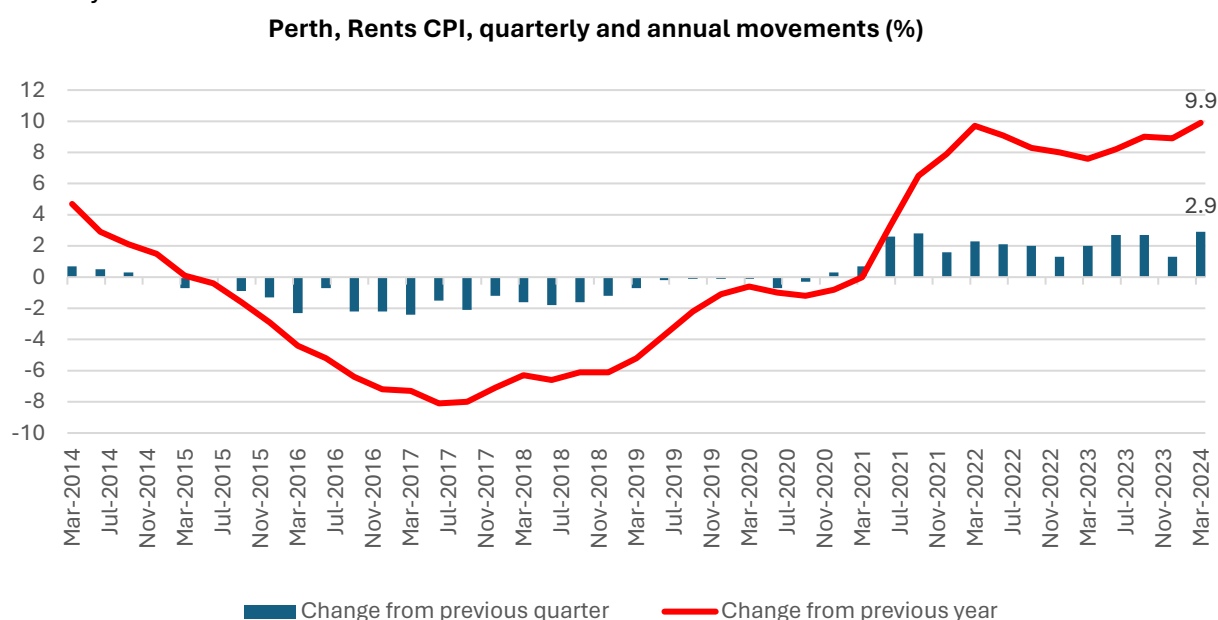
Non-tradeable items with annual percentage increases above 5%and above - Perth

Eggs	Takeaway and fast foods	Garments for infants and children	Rents	New dwelling purchase by owner-occupiers	Dental services	Postal services	Tertiary education	Insurance	Deposit and loan facilities
8.1	7.1	6.7	9.9	12.1	5.5	15.4	6.4	17.4	6.9

Source: ABS, *Consumer Price Index*

⁸ Australian Bureau of Statistics, *Consumer Price Index, Australia* (24 April 2024).

- 4.4 Workers, and in particular lower paid workers, are usually ‘price takers’ where ‘non-tradable’ goods are concerned. This is particularly the case with rental prices.
- 4.5 Rental price increases remain a pronounced pressure on low paid workers, with the Perth Rents CPI increasing in the March 2024 quarter on an annual basis by 9.9 per cent and from the previous quarter by 2.9 per cent. This is the highest annual increase in 15 years.



Source: ABS, *Consumer Price Index*

- 4.6 In relation to the electricity bill relief provided by the State and Federal Governments in their most recent Budgets, it should be noted that the average Synergy bill sits around \$212-\$332,⁹ while the State Budget also increased electricity charges by 2.5 per cent. As such, these payment, though welcome, will likely only support households through two electricity bills at most, and do not resolve the underlying and continuing issue of insufficient wages.
- 4.7 Nationally, non-discretionary inflation increased by 4.2 per cent through the year and 1.3 per cent on the previous quarter. In contrast, discretionary inflation increased by 2 per cent through the year and 0.5 per cent through the quarter.

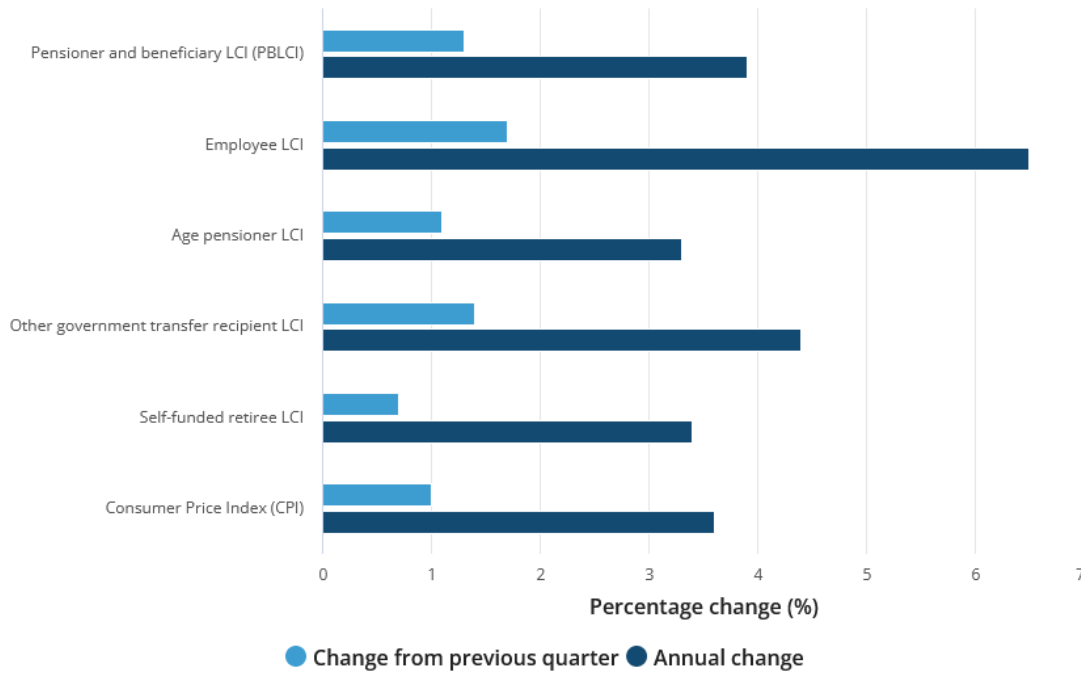
Selected Living Cost Indexes

- 4.8 It is important to note that the ABS selected living cost indexes, which measure the changes over time of the after-tax incomes of households, 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 employee households had the largest annual rise in living costs of all household types at 6.5 per cent from the previous year.¹⁰

⁹ ‘Compare your bill’, *Synergy* (Web Page) <www.synergy.net.au>.

¹⁰ Australian Bureau of Statistics, *Selected Living Cost Indexes, Australia* (1 May 2024).

Selected Living Cost Indexes (LCIs) by household type and CPI, Australia, quarterly and annual movement (%)

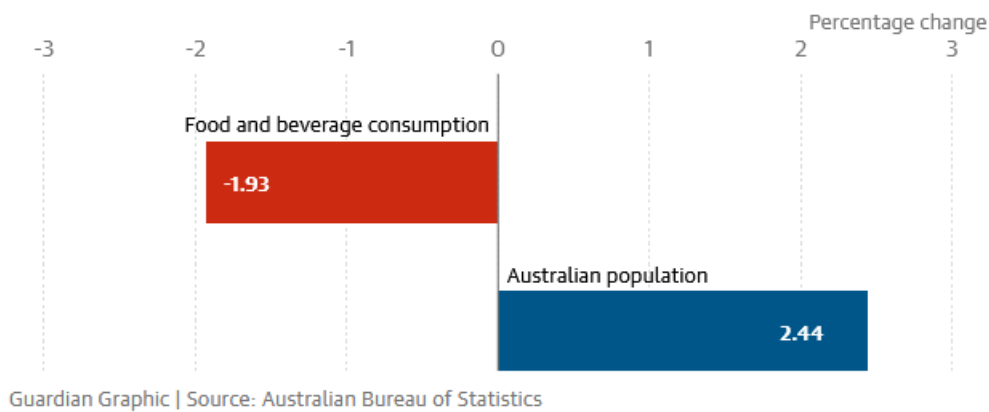


Source: ABS, *Selected Living Cost Indexes*

Food and beverage consumption

4.9 Recent data from the ABS has revealed that the amount of food and beverages sold in Australia decreased by approximately 1.9 per cent in 2022-23, despite population growth.¹¹ 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.

Percentage change in population, food and beverage consumption in 2022-23¹²



¹¹ Australian Bureau of Statistics, *Apparent Consumption of Selected Foodstuffs, Australia* (12 April 2024).

¹² Jonathan Barrett and Josh Nicholas, 'Australians dropping fruit and vegetables from diet amid cost of living crisis', *The Guardian Australia* (News Article, 13 April 2024).

4.10 The ABS states that this ‘may be associated with recent food price inflation’, noting 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 2022-23 exceeding previous years.

4.11 These statistics reveal the material impact that financial pressures and the lack of real wage growth for minimum and award wage workers have on the ability of households to afford the essential foods they require to be healthy.

Rental listing data

4.12 Domain’s *March Quarter Rental Report* makes clear the scale of rental cost increases burdening households in Western Australia. Rental costs for houses and units in Perth increased for a 10th consecutive quarter, with the steepest annual increases of all capital cities. Median house rents increased on by a staggering 18.2 per cent over the past year, with median unit rents facing even greater increases of 22.2 per cent.¹³ These increases place asking rents in Perth at a record high according to Domain’s dataset, which extends back two decades.¹⁴

Table 1. The current weekly house rents and changes

HOUSES MEDIAN RENTAL ASKING PRICE						
Capital City	Mar-24	Dec-23	Mar-23	Quarterly change	Annual change	Status
Sydney	\$750	\$730	\$660	2.7%	13.6%	New Record High
Melbourne	\$570	\$550	\$500	3.6%	14.0%	New Record High
Brisbane	\$620	\$600	\$560	3.3%	10.7%	New Record High
Adelaide	\$590	\$560	\$520	5.4%	13.5%	New Record High
Perth	\$650	\$620	\$550	4.8%	18.2%	New Record High
Canberra	\$685	\$680	\$690	0.7%	-0.7%	\$5 lower than record last seen in Mar-23
Darwin	\$650	\$650	\$650	0.0%	0.0%	Record (steady)
Hobart	\$550	\$550	\$550	0.0%	0.0%	Record (steady)
Combined Capitals	\$630	\$600	\$570	5.0%	10.5%	New Record High

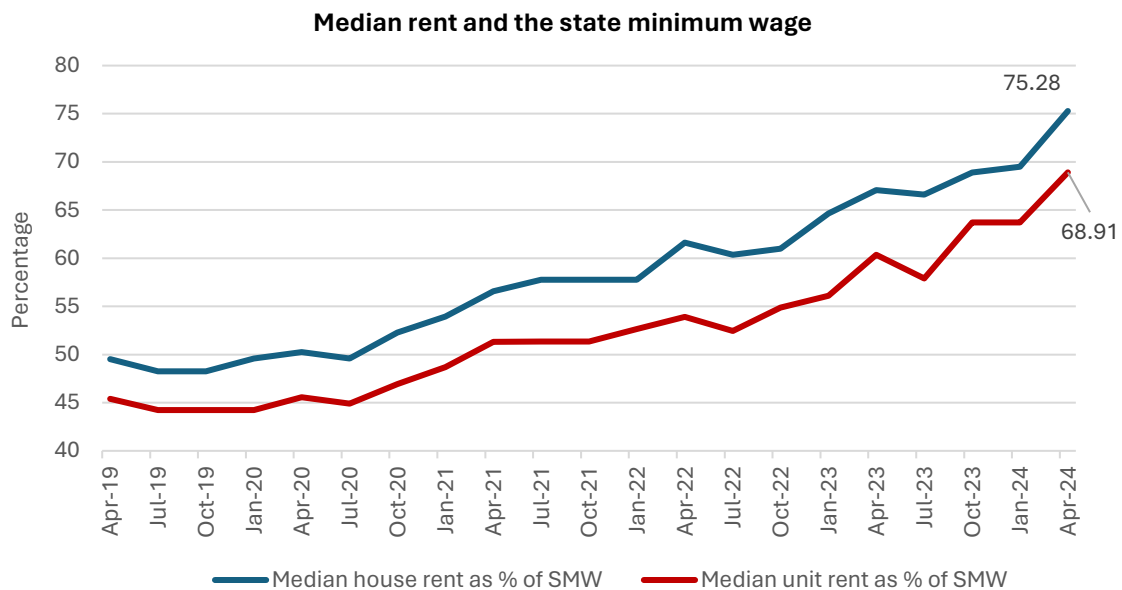
¹³ Domain, *March 2024 Rental Report* (Web Report, 10 April 2024).

¹⁴ Gareth Hutchens and Nadia Daly, ‘Australian renters face all-time record low vacancy rates after priced jumps in March quarter’, *ABC News* (online, 11 April 2024).

Table 2. The current weekly unit rents and changes

UNITS MEDIAN RENTAL ASKING PRICE						
Capital City	Mar-24	Dec-23	Mar-23	Quarterly change	Annual change	Status
Sydney	\$700	\$680	\$620	2.9%	12.9%	New Record High
Melbourne	\$550	\$520	\$480	5.8%	14.6%	New Record High
Brisbane	\$590	\$560	\$500	5.4%	18.0%	New Record High
Adelaide	\$460	\$450	\$420	2.2%	9.5%	New Record High
Perth	\$550	\$520	\$450	5.8%	22.2%	New Record High
Canberra	\$570	\$560	\$550	1.8%	3.6%	New Record High
Darwin	\$550	\$540	\$525	1.9%	4.8%	Record (last seen in Mar-14)
Hobart	\$460	\$450	\$475	2.2%	-3.2%	\$15 lower than Mar-23 record
Combined Capitals	\$620	\$600	\$550	3.3%	12.7%	New Record High

- 4.13 Examining the median rental data published by the Real Estate Institute of WA (REIWA) reveals that as of April 2024, median house rents consume an astronomical 75.28 per cent of the state minimum wage and median unit rents 68.91 per cent.



Source: REIWA, WA Department of Commerce & UnionsWA calculations

- 4.14 REIWA forecasts that this year will see a further 20 per cent increase in rents.¹⁵ Perth's sustained record-low rental vacancy rate of 0.3 per cent, which has remained below 1 per cent for the past 3.5 years,¹⁶ indicates that there is no short-term path to lower rental costs. As such, wage increases are essential for workers to be able to secure housing.

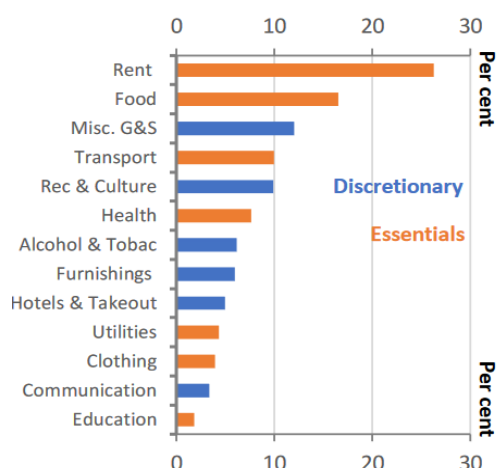
¹⁵ Kim Macdonald, 'Bad news for buyers and renters', *The West Australian* (online, 29 April 2024).

¹⁶ Domain (2024).

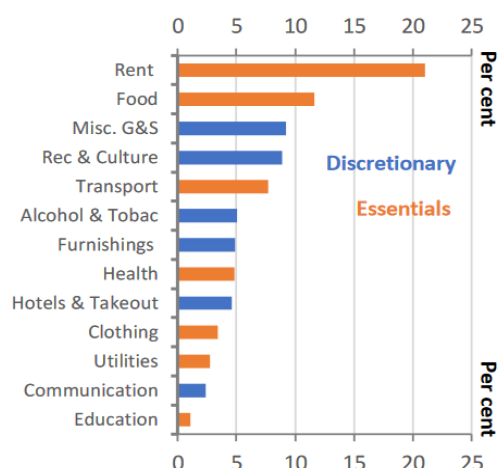
Consumption as share of income

- 4.15 The particular relevance of escalating rental prices in regard 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 income quintiles.

**Consumption as a share of income
– lowest quintile**



**Consumption as a share of income
– second quintile**



Source: ABS *National Accounts: Distribution of Household Income, Consumption and Wealth* & ACTU calculations

- 4.16 The ABS National Accounts data demonstrates that for the lowest two income quintiles, rent consumes the greatest share of income, followed by food. As a result, the historically large rental increases being experienced by households in Perth has the effect of ‘crowding out’ expenditure on other consumption categories as there is less income remaining after covering those costs.

Wage Price Index

- 4.17 The most recent release of the ABS Wage Price Index (WPI) for March 2024 found the following year to March increases for the states and territories.¹⁷

Wage Price Index – annual and quarterly movement

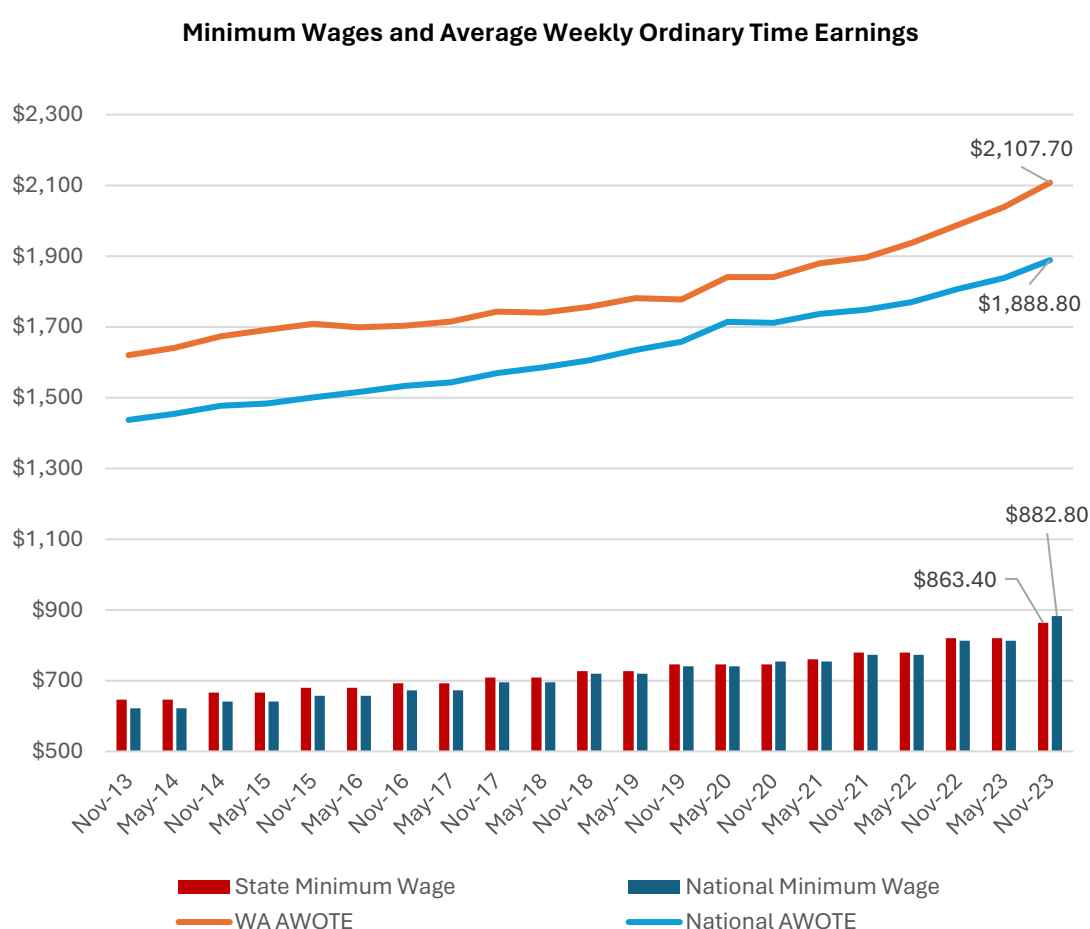
	Annual change (%)	Quarterly change (%)
NSW	4.2	0.6
VIC	3.6	0.6
QLD	4.6	0.7
SA	3.8	0.4
WA	4.2	0.6
TAS	4.9	1.6
NT	4.1	0.4
ACT	3.2	0.5
Australia	4.1	0.6

¹⁷ Australian Bureau of Statistics, *Wage Price Index, Australia* (May 2024).

- 4.18 At 4.2 per cent, Western Australia was the equal third highest annual wage movement, with New South Wales. The ABS noted that by method of setting pay, enterprise agreements had less influence on overall wage growth compared to the same period last year due to fewer new enterprise agreements this quarter. In comparison, jobs covered by enterprise agreements contributed almost half of quarterly growth in December quarter 2023. This is a critical consideration for the necessity of protecting employees who may be unable to reach an industrial agreement.

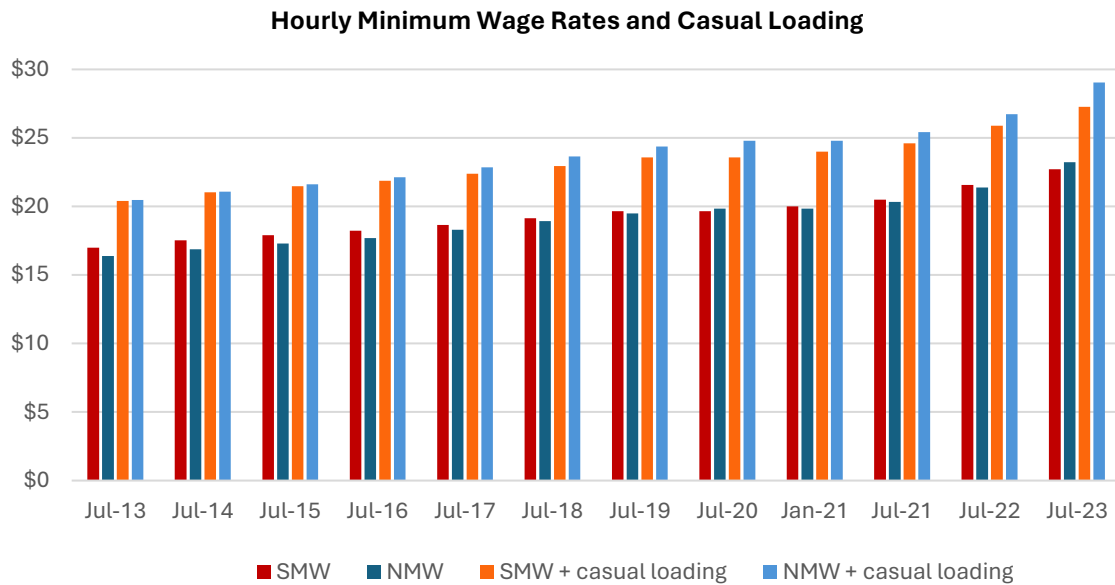
State and National Minimum Wage Comparison

- 4.19 As of November 2023, the state minimum wage was 41 per cent of the seasonally adjusted average weekly ordinary time earnings in Western Australia. In comparison, the national minimum wage was 46.7 per cent of average weekly ordinary time earnings.



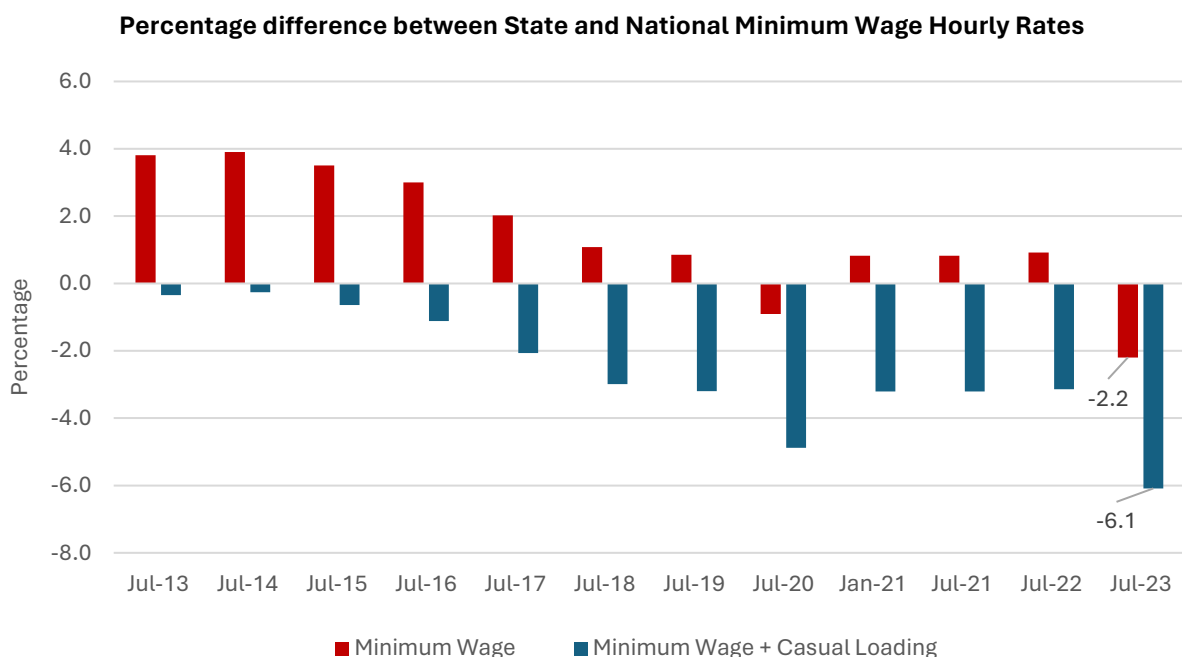
Source: Fair Work Commission, WA Department of Commerce, ABS *Average Weekly Earnings*

- 4.20 UnionsWA notes the decisions of the Fair Work Commission and the WA Industrial Relations Commission last year that have resulted in the state minimum wage falling behind the national. We draw particular attention to the gap that this creates for casual workers due to the different casual loading rates for some workers in the state system, compared to the federal system.



Source: Fair Work Commission, WA Department of Commerce, and UnionsWA calculations

- 4.21 For an casual worker, earning the minimum wage in the state industrial relations system who is award-free or on an award with a 20 per cent casual loading, they are now earning 6.1 per cent less than a casual worker on the minimum wage who is employed in the national system. The gap in earnings between national and state casual workers on minimum wages has been increasing as the value of the state and national minimum wages has become closer. This is the furthest, however, that a state system casual worker has been behind since at least 2013. UnionsWA notes that the period in which this gap was next greatest, at 4.9 per cent, was the result of the decision to delay the increase to the state minimum wage in light of the uncertain economic environment created by the COVID pandemic.



Source: Fair Work Commission, WA Department of Commerce, and UnionsWA calculations

- 4.22 A full-time adult on the state minimum wage is earning \$19.40 per week less than their national equivalent. For an award-free casual worker on the state minimum, if they had also worked a 38-hour week, they would be \$67.17 behind their national equivalent. They would have had to work just short of two and a half hours extra to have earned the same amount.
- 4.23 While it has long been the case that there is a divergence in the value of the state and national minimum wages, with the state minimum wage historically sitting higher, UnionsWA contends that there is a fundamental difference when it sits lower.
- 4.24 With approximately 63.8-65.8 per cent of workers in WA being national system employees,¹⁸ UnionsWA contends that this necessarily means that state system workers are falling behind the living standards generally prevailing in the community.
- 4.25 The state minimum wage and state award wages can be considered a critical safety net for workers within the WA industrial relations system. To have a state safety net that kicks in at a lower level than the national places a particular group of Western Australian workers at a unique financial disadvantage.
- 4.26 This is even more pronounced for casual workers, with the different casual loading arrangements between the state and national systems, creating significant inequity for casual workers on the state minimum wage.
- 4.27 Income inequality is a particularly significant issue in Western Australia. The most recent ABS *Survey of Income and Housing* demonstrates that even before last year's decision, WA had the most unequal distribution of equivalised disposable household income of any state and territory. The Gini coefficient values closer to 0 represent higher equality and values closer to 1 represent higher inequality.

Gini Coefficient 2019-20 (National, States and Territories)¹⁹

State	Gini coefficient
NSW	0.329
VIC	0.325
QLD	0.317
SA	0.312
WA	0.331
TAS	0.301
NT	0.297
ACT	0.277
<i>Australia</i>	0.324

¹⁸ WA Government, *Ministerial Review of the State Industrial Relations System* (Interim Report, 20 April 2018).

¹⁹ Australian Bureau of Statistics, *Household Income and Wealth, Australia* (March 2022).

- 4.28 Maintaining a state minimum wage at a lower rate than the national risks exacerbating and deepening this inequality.
- 4.29 Further, UnionsWA is concerned that this has the impact of the WA industrial relations system operating as a low-wage zone within Australia's employment landscape. We consider that an undesirable consequence of this decision is that it incentivises businesses operating in WA to set up their operations such that they would be able to financially benefit from paying lower minimum and award wages to a particular cohort of workers in this state than they would in the national system.

C14 and C13 Rates

- 4.30 On 16 April 2024, the Fair Work Commission handed down its decision in the *Review of C14 and C13 rates in modern awards* (the **Review**). The need for the Review was identified in the 2018-19 FWC Annual Wage Review Decision, where the Commission considered a proposal advanced by the ACTU to lift the C14 rate to a level above 60 per cent of median wages, being the notional poverty line.
- 4.31 The national C14 rate originally reflected the Federal Minimum Wage under the *Workplace Relations Act 1996* (Cth). It was aligned to the lowest rate available under the *Metal Industry Award 1984* (the **Metals Award**), and was enshrined as the National Minimum Wage in the *Fair Work Act 2009* (Cth) without consideration of whether the C14 rates met the needs of the low paid.²⁰ The Fair Work Commission's view that the C14 rate in the Metals Award was effectively a transitional training rate raised the question whether other awards that had anchored their minimum rate to C14 in fact had a properly fixed minimum rate of pay. This in turn expanded the scope of the review from a relatively small subset of modern awards to a provisional view that all modern awards should provide at least the C13 rate as the minimum rate following any temporary entry-level training, and that any classification below C13 would become a transitional entry level classification that would not exceed 6 months.²¹
- 4.32 Ultimately, the review process determined:
- 4.32.1 That the C13 rate should represent the lowest rate applicable to ongoing employment that extends beyond an initial phase of induction, training and basic skills acquisition in order to fulfil the modern award objective;²²
 - 4.32.2 That modern awards were adjusted to align C14 classification descriptors to reflect the transitional nature of the role;
 - 4.32.3 That the C13 rate effectively acts as the award minimum rate of pay.

²⁰ See *Review* [4] – [12], [22] – [28] for history of the C14 rate as the reference point for minimum wages.

²¹ *Review of C14 Rates September 2023 Statement* [2023] FWCFB 168 [8].

²² *Review* [230].

- 4.33 We submit that the Commission risks the creation of a permanent underclass of employees, who could be employed at the C14 rate on a permanent basis, unless steps are taken to align state award classifications with their national counterparts.
- 4.34 The witness statement of Sarah Whitaker, filed with this submission, outlines emerging disparities within the disability care and support sector, and the strong incentives created for employers to structure themselves in a way that allows them to access the Western Australian industrial relations system, or to at least create ambiguity as to whether they are a state or national system employer. Without corrective action, UnionsWA submits similar incentives may emerge in other industries, particularly if those industries are in receipt of government funding that is based on national modern awards (for example, in aged care, disability care, and early childhood education and care).
- 4.35 The following table shows the State and Federal C14 and C13 rates:

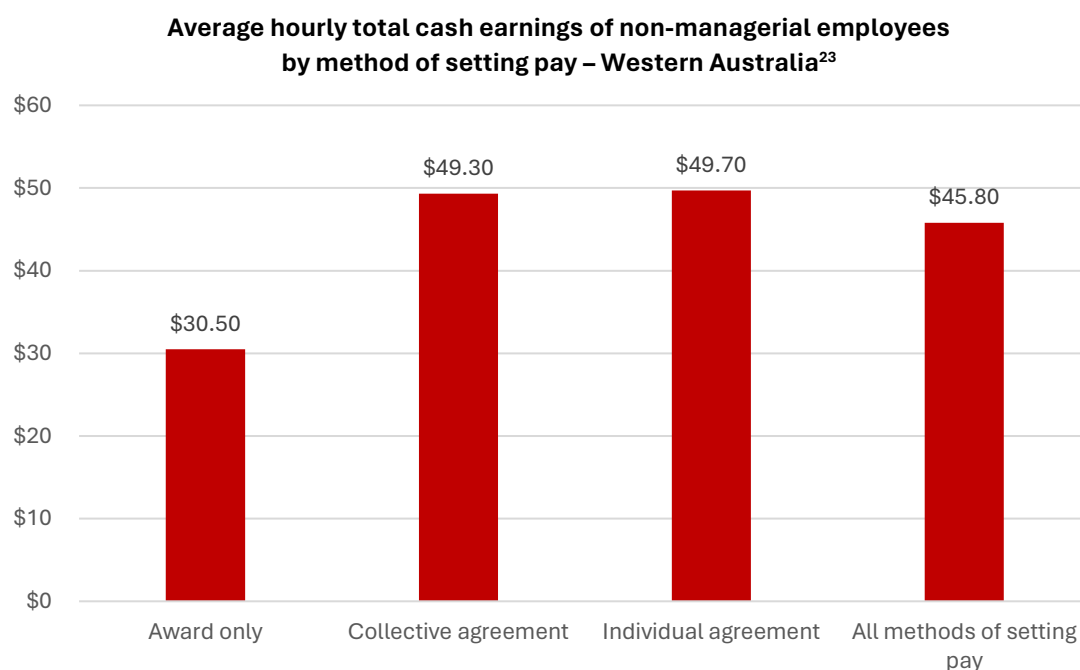
Award classification	Current state rates		Current national rates	
	Weekly	Hourly	Weekly	Hourly
C14	\$863.40 <i>(Minimum rate)</i>	\$22.72 <i>(Minimum rate)</i>	\$859.30	\$22.61
C13	\$883.30	\$23.25	\$882.80 <i>(Minimum rate)</i>	\$23.23 <i>(Minimum rate)</i>

- 4.36 The decision of the Fair Work Commission is particularly relevant to the mandatory considerations under s 50A, in that:
- 4.36.1 The Review creates a disparity between the Western Australian and National system of wages and conditions, and erodes the perceived fairness of the Western Australian system (s 50A(3)(a)(i));
 - 4.36.2 The Review highlights the fact that the C14 rate is unlikely to meet the needs of the low paid (s 50A(3)(a)(ii));
 - 4.36.3 Fundamentally alters what is a fair wage in the national employment system, which is the prevailing system for setting wages within the community (s 50A(3)(a)(iii));
 - 4.36.4 Ensuring C14 is a transitional rate will improve living standards for the lowest paid employees (s 50A(3)(a)(iv));
 - 4.36.5 Enshrining C14 as a transitional rate protects employees who may be employed under a state award and without the protections afforded by an industrial agreement (s 50A(3)(a)(v));

- 4.36.6 Changes to the federal C14 rate potentially impacts the State system of fair wages and conditions of employment by creating a disparity between the two systems; and
- 4.36.7 The Review itself is a relevant decision of another tribunal (s 50A(3)(f)).
- 4.37 On this basis, UnionsWA submits that the Commission should review state agreements to ensure all classifications that reflect the State C14 rate are transitional and do not allow for permanent employment at the C14 level.

5. Protecting employees unable to reach an industrial agreement

- 5.1 UnionsWA contends that an increase in the state minimum wage in WA is critical to assist those workers who are less likely or unable to negotiate liveable increases for themselves. An increase is also of great importance for lower income households where income is principally derived from wages. In addition, an increase will benefit households with a mixture of lower and higher income earners by providing more independence for the lower income earners and taking financial pressure off the higher earners.
- 5.2 Examination of the ABS *Employee Earnings and Hours* data demonstrates the significant gap between the earnings of award only employees and those whose pay is set through a different mechanism. The most recent dataset reveals that of non-managerial employees in Western Australia, those who were only paid under an award were earning on average just 66.59 per cent of the average of all methods of setting pay and 61.87 per cent of those employed under a collective agreement.



Source: ABS, *Employee Earnings and Hours, Australia*

²³ Australian Bureau of Statistics, *Employee Earnings and Hours, Australia* (January 2024).

- 5.3 In its submission to the Annual Wage Review, the WA government notes that ‘over 39 per cent of all Western Australian employees work in the six most award-reliant industries, and there is a particularly high level of award reliance in three of Australia’s largest employing industries, Health Care and Social Assistance; Retail Trade; and Accommodation and Food Services’.²⁴ They include the following chart:

Employment and award reliance by industry - WA and Australia, February 2024

Industry	WA: Proportion of Workforce ¹²	Australia: Proportion of Workforce ¹²	Australia: Proportion of employees paid by award ¹³
Accommodation and Food Services	5.8%	6.4%	63.4%
Administrative and Support Services	3.0%	3.0%	40.5%
Retail Trade	8.9%	9.6%	35.1%
Health Care and Social Assistance	16.3%	15.6%	35.0%
Arts and Recreation Services	1.4%	1.9%	32.7%
Other Services	3.8%	3.7%	31.4%
Rental, Hiring and Real Estate Services	1.3%	1.6%	19.1%
Manufacturing	4.9%	6.3%	18.7%
Construction	8.7%	9.2%	16.2%
Public Administration and Safety	5.4%	6.5%	15.2%
Transport, Postal and Warehousing	5.4%	5.1%	14.7%
Wholesale Trade	2.8%	2.8%	13.8%
Professional, Scientific and Technical Services	8.5%	9.3%	9.9%
Information Media and Telecommunications	0.8%	1.3%	9.6%
Education and Training	8.8%	8.4%	7.4%
Electricity, Gas, Water and Waste Services	1.2%	1.2%	4.9%
Financial and Insurance Services	2.3%	3.7%	3.6%
Mining	8.9%	2.1%	2.5%
Agriculture, Forestry and Fishing	1.9%	2.3%	N/A*
All industries	100.0%	100.0%	25.0%
* N/A: Enterprises primarily engaged in agriculture, forestry and fishing are outside the scope of the ABS <i>Employee, Earnings and Hours</i> survey from which this data is drawn.			

Source: Government of Western Australia, Submission to the Fair Work Commission

- 5.4 Regular and substantive increases to the state minimum wage are essential for those who cannot to negotiate wage increases and protects those unable to negotiate an industrial agreement.

²⁴ Government of Western Australia, Submission to the Fair Work Commission, *2023-24 Annual Wage Review* (28 March 2024).

6. Encouraging ongoing skills development

- 6.1 The ACTU has previously noted the ‘relatively low pay for apprentices during a cost-of-living crisis and the increasing costs of undertaking an apprenticeship’. This acts as a substantial barrier for workers to engage in ongoing skills development.
- 6.2 The latest ‘in-training’ data for WA from the National Centre for Vocational Education Research (NCVER) paints a concerning picture. As of September 2023, there had been an 8.3 per cent decline in the number of apprentices and trainees in-training.²⁵

In-training highlights for Western Australia - quarterly

as at 30 September 2023



43 205 in-training (down 8.3% from 30 September 2022)



2.7% of workers were employed as an apprentice or trainee



10.2% of employed workers within the trade occupations were an apprentice or trainee



27 955 trades (up 2.4% from 30 September 2022)



15 215 non-trades (down 22.9% from 30 September 2022)

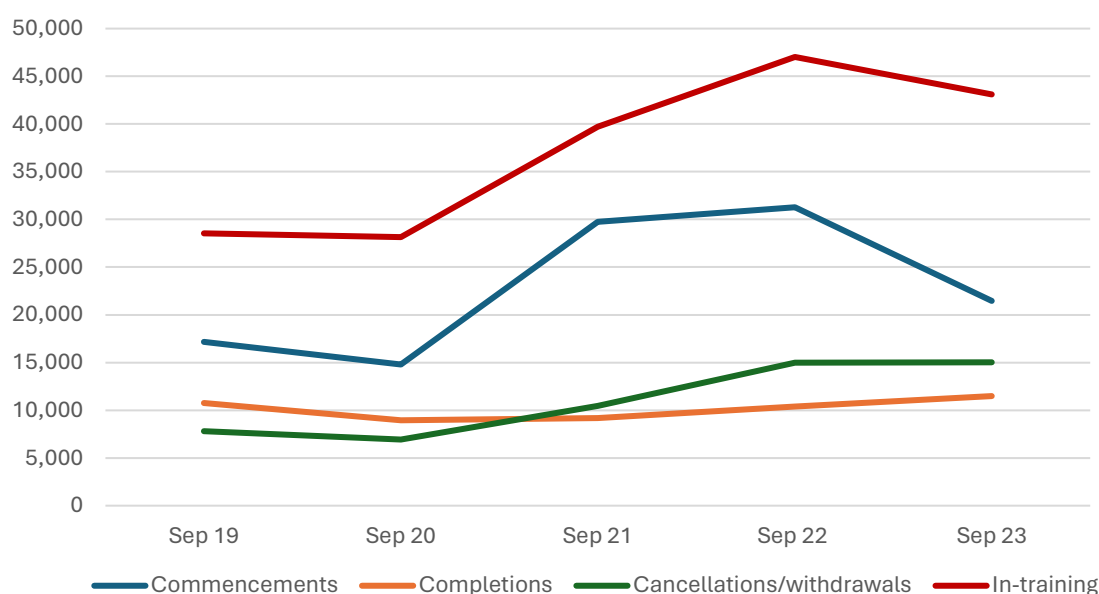


30 520 males (down 5.5% from 30 September 2022)



12 660 females (down 14.6% from 30 September 2022)

WA apprentices and trainees – September quarter 12-month series



Source: National Centre for Vocational Education and Research

²⁵ National Centre for Vocational Education and Research, *Apprentices and trainees 2023: September Quarter* (Statistical Report, 28 March 2024).

- 6.3 Alongside the decline in the number of apprentices and trainees in-training, there has also been a noticeable decrease in the number of commencements and an increase in the level of cancellations and withdrawals.
- 6.4 The spike in training commencements that occurred in 2021 was driven by the significant incentives provided by governments to support economic recovery following the immediate impacts of COVID-19. Since that time, however, the number of apprentices and trainees has drastically declined. This poses a serious challenge for economy changing government investment and projects such as the green energy transition and AUKUS, which will see significant demand for workers in trades areas such as construction and manufacturing.
- 6.5 UnionsWA contends that this is likely the result of cost-of-living pressures that places a greater barrier in front of those who would otherwise be interested in undertaking an apprenticeship or traineeship due to the lower apprentice rates of pay. As such, an increase to the state minimum wage that flows through to apprentices and trainees is essential for encouraging ongoing skill development in Western Australia.

7. Providing equal remuneration

- 7.1 In its 2023 decision, the Fair Work Commission noted that due to the high level of concentration of women in award-reliant industries, ‘increases to modern award minimum wage rates will provide a disproportionate benefit to female workers and may contribute to narrowing the aggregate gender pay gap across the entire employee workforce’.²⁶
- 7.2 The Annual Wage Review 2023-24 Statistical Report make clear that women are more likely to be a low-paid adult employee.²⁷ Further, the research conducted for the review into the characteristics of employees earning the National Minimum Wage rate makes clear that women are both more likely to be an award and agreement free employee on an individual arrangement earning the national minimum wage or a modern award-reliant employee with earning equivalent to the national minimum wage.²⁸

Characteristics of low-paid adult employees

	Low-paid adult employees	Other adult employees
	(%)	(%)
Personal characteristics		
Gender		
Male	45.1	50.6
Female	54.9	49.4

²⁶ *Annual Wage Review 2022–2023* [2023] FWCFB 3500, 9.

²⁷ Fair Work Commission, *Statistical report – Annual Wage Review 2023-24* (Version 2, 28 March 2024).

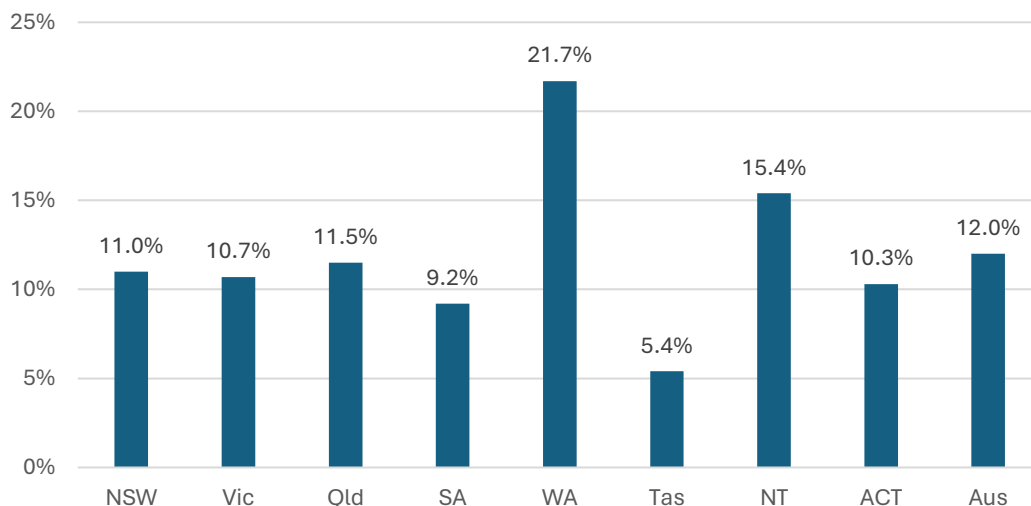
²⁸ Josh Tomlinson, *Characteristics of employees on the National Minimum Wage* (Research Report, February 2024).

Characteristics of employees earning the NMW, by method of setting pay

	Individual arrangement (NMW-reliant) (1)	Modern award-reliant (2)	Miscellaneous Award (3)	Above NMW (individual arrangement earning up to 10 per cent above the NMW) (4)
	NMW, adult rate of pay	C14, adult rate of pay	All employees	Adult rate of pay
Sex (%)				
Male	47.1	43.3	50.0	54.8
Female	52.9	56.7	50.0	45.2

- 7.3 This is of particular relevance in Western Australia, where the gender pay continues to be substantially higher than every other state and territory. ABS data reveals that as of November 2023, the gender pay gap in WA sits at 21.7 per cent.²⁹

Gender pay gap, full-time, adult, ordinary time earnings (%)



Source: ABS *Average Weekly Earnings*

- 7.4 UnionsWA submits that a substantial real wage increase to the state minimum wage and award wages is necessary to improve wage outcomes for low paid women and as an important contribution to narrowing the aggregate gender pay gap.

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

- 8.1 To determine which workers are in the state industrial relations system, UnionsWA is utilising the analysis of contained in the Interim Report - Ministerial Review of the State Industrial Relations System. The Interim Report describes the numbers of employees

²⁹ Australian Bureau of Statistics, *Average Weekly Earnings, Australia* (November 2023).

who are covered by the State system as potentially between 21.7 per cent and 36.2 per cent of the employees in the State.³⁰

- 8.2 The Interim Report also includes data from the Wageline contact centre in the Private Sector Labour Relations Division (PSD) of the Department of Mines, Industry Regulation and Safety, which receives approximately 20,000 calls per annum. The internal analysis of Wageline data for 2016/17 indicated that, of the calls that pertained to the State system:

- a) 20 per cent related to award free employees;
- b) 14 per cent concerned the Building Trades (Construction) Award;
- c) 11 per cent concerned the Restaurant, Tearoom and Catering Workers' Award;
- d) 9 per cent concerned the Hairdressers Award; and
- e) 8 per cent concerned the Shop and Warehouse (Wholesale and Retail Establishments) Award.

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

- 9.1 UnionsWA is advocating that the Commission increase award wages and the statutory minimum wage by a percentage value (**7.359 per cent**). Such an increase would ensure relativities of the award classifications are maintained is consistent with subsections (1)(b) and (c) of the Act.
- 9.2 The decisions of the WA Commission in recent years have all included percentage increases. A decision favouring the UnionsWA claim would preserve these results. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications and work value determinations.

10. Work Value Principle

- 10.1 As required by s 50A(1)(d), the Commission publishes a set of principles to be applied in relation to setting wages, salaries, allowances or other remuneration of employees or the prices to be paid in respect of their work and to ensure employees receive equal remuneration. UnionsWA submitted a proposal to amend 'Principle 7 – Work Value Changes' as part of the 2023 State Wage Case to seek greater consistency with the approach the Fair Work Commission had taken as part of the *Aged Care Work Value Case* [2022] FWCB 200.
- 10.2 On 4 November 2022 the Fair Work Commission (FWC) Full Bench awarded a 15 per cent interim wage increase to aged care workers by recognizing an increase in their work value, as part of the Aged Care Awards case. The increase was determined by referring to (among other things) past under-valuation of female-dominated classifications.

³⁰ WA Government, *Ministerial Review of the State Industrial Relations System* (Interim Report, 20 April 2018).

- 10.3 What was new in the decision was that the FWC determined that past federal wage fixing principles are no longer relevant to assessing work value. These previous principles required that a ‘change in the nature of work’, be so significant as to ‘warrant the creation of new classification’.
- 10.4 The reasons for decision made clear that the FWC can award a wage if changes in any of the following three matters (under the latest s157(2A) of the *Fair Work Act*) apply:
- (a) The nature of the work*
 - (b) The level of skill or responsibility involved in doing the work; and*
 - (c) The conditions under which the work is done.*
- 10.5 This is an important change in how the FWC assesses work value claims, as justifying the creation of a new classification was a significant hurdle to clear. UnionsWA submitted that for the WA Commission to consider a work value claim in a State Award consistent with how the FWC will now do so in a Federal Award, Principle 7 needs be harmonised with the federal tests.
- 10.6 UnionsWA chose to not press the changes it sought during the 2023 State Wage Case due to the time constraints. Since that time, UnionsWA has made contact with the other s 50 parties and conferred with the Minister. As a result of those discussions, UnionsWA submits a modified proposal for amending Principle 7.
- 10.7 The proposed Principle is as follows:
- 7. *Work Value Changes*
 - 7.1 *Applications may be made for a wage increase under this Principle based on changes in work value.*
 - 7.2 *Changes in work value may arise from significant changes in the nature of the work, skill and responsibility required or the conditions under which work is done. Changes in work by themselves may not lead to a change in wage rates.*
 - 7.3 *The Commission may make a determination varying wage rates under this Principle if it is satisfied that the variation is necessary and justified by significant changes in work value related to any of the following:*
 - (a) the nature of the work;*
 - (b) the level of skill or responsibility involved in doing the work;*
 - (c) the conditions under which the work is done.*
 - 7.4 *If the Commission varies the wage rates in an award on work value grounds, it must ensure that any new or changed rates of pay are confined to those employees whose work value has changed. Work value increases should not be flowed on to other awards to maintain relativities between awards or particular classifications in awards.*

- 7.5 *Where new or changed work justifying a higher rate is performed only from time to time by persons covered by a particular classification or where it is performed only by some of the persons covered by the classification, the new or changed work should be compensated by a special allowance which is payable only when the new or changed work is performed by an employee and not by increasing the rate for all employees working at that classification.*
- 7.6 *The time from which work value changes in an award should be measured is any date that on the evidence before the Commission is relevant and appropriate in the circumstances.*
- 7.7 *Care should be exercised to ensure that changes which were or should have been taken into account in any previous work value adjustments or in a structural efficiency exercise are not included in any work evaluation under this provision.*
- 7.8 *A past work value assessment which was not free of gender-based undervaluation would not constitute a proper assessment of work value.*
- 7.9 *Where the conditions specified in 7.2 and 7.3 are met, an assessment will have to be made as to how that alteration should be measured in money terms. The assessment should normally be based on the previous work and the nature and extent of the change in work.*
- 7.10 *The expression “the conditions under which the work is done” relates to the environment in which the work is done.*
- 7.11 *The Commission should guard against contrived classifications and over-classification of jobs.*
- 7.12 *Any changes in the nature of the work, skill and responsibility required or the conditions under which the work is done, taken into account in assessing an increase under any other provision of these Principles, shall not be taken into account in any claim under this provision.*

11. Conclusion

- 11.1 UnionsWA contends that the Commission should make a substantial real wage increase for award-reliant workers. This is essential to address the ever-widening gap between low paid workers and the rest of the workforce in WA, the recent increases in the cost of living, and the continuing postponement of real wage growth for WA workers. It is also critical to address the state minimum and award wages falling behind those in the national system, and the ensuing issues this creates. Therefore, UnionsWA’s claim

is for an increase of **\$63.54 per week** at the C14 level and commensurate increases of **7.359 per cent** for subsequent classifications.

11.2 The following is a summary of our positions under the statutory considerations in section 50A (3) of the *Industrial Relations Act*.

(3) *In making an order under this section, the Commission shall take into consideration —*

(a) *the need to —*

(i) *ensure that Western Australians have a system of fair wages and conditions of employment; and*

The increase to minimum and award wage should apply from the end of June 2024 onwards for all workers, with no delays for selected industries. The full increase within the Act should be applied to apprentices and juniors.

Further, it is critical for the fairness of the system of wages and conditions of employment in WA, that the state minimum wage not be set at a lower rate than the national. The current gap is having the undesirable consequence of incentivising businesses operating in WA to set up their operations such that they would be able to financially benefit from paying lower minimum and award wages to a particular cohort of workers in this state than they would in the national system.

(ii) *meet the needs of the low paid; and*

The costs of living in WA have increased dramatically. The increase in CPI inflation for unavoidable necessities, such as housing, should also be noted when considering the cost of living and the needs of the low paid in WA, as such increases will be more impactful for low wage workers.

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

Binding, institutional increases to wages, such as those brought by the minimum wage, are needed to ensure workers, particular low wage and award reliant ones, are benefiting from the strong performance of economies at both the state and national level. The disjunction between average wages growth and that of the state minimum wage must be addressed by decisions of the WA Industrial Relations Commission.

With approximately 63.8-65.8 per cent of workers in WA being national system employees, having the state minimum wage set at a lower level than the national necessarily means that state system workers are falling behind the living standards generally prevailing in the community.

(iv) *contribute to improved living standards for employees; and*

Workers are being paid less than the full value of their output given the ongoing strength of the WA economy. Historically large rental increases being experienced by households in Perth has

the effect of ‘crowding out’ expenditure on other consumption categories as there is less income remaining after covering those costs. As such, living standards are decreasing, as evidenced by the decline in the consumption of food and beverages, and in particular fruit and vegetables.

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

An increase in the state minimum wage in WA is critical to assist those workers who are less likely or unable to negotiate liveable increases for themselves. An increase is also of great importance for lower income households where income is principally derived from wages. The necessity of this is demonstrated by the significant gap in WA between the earnings of award only employees and those whose pay is set through a different mechanism.

(vi) *encourage ongoing skills development; and*

For apprentices there is an opportunity cost involved in the time spent as an apprentice. Unless regular and generous increases in apprenticeship wages flow on from decisions such as those from the minimum wage, apprenticeships become increasingly unattractive. Apprentice and trainee wages should be lifted to attract new entrants and retain existing participants.

(vii) *provide equal remuneration;*

As noted by the Fair Work Commission, increases to minimum wage rates provide a disproportionate benefit to female workers and may contribute to narrowing the aggregate gender pay gap across the entire employee workforce. A substantial real wage increase to the state minimum wage and award wages is necessary to improve wage outcomes for low paid women and as an important contribution to narrowing the aggregate gender pay gap.

and

- (b) *the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia;*
- (c) *to the extent that it is relevant, the state of the national economy;*
- (d) *to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration;*

Growth forecasts for the both the WA and national economy are similarly positive, making both economies well placed to increase minimum and award wages in such a way that maintains and materially improves the living standards of low waged workers. Low wage growth in WA, and Australia, derives from the power of employers to refuse to increase wages.

- (e) *for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment;*

An increase of **7.359 per cent** as a percentage increase, balances the range of factors that the Commission must consider. It delivers the largest proportionate increase to the lowest paid, while preserving the existing skill-based relativities for award classifications

- (f) *relevant decisions of other industrial courts and tribunals; and*
- (g) *any other matters the Commission considers relevant.*

UnionsWA contends that the WA and Australian economies are performing strongly and are well placed to make increases to state minimum and award wages that will compensate for the rising costs of living and materially improve people's circumstances.