



Submissions in Reply for the 2024 State Wage Order

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

**Western Australian Industrial
Relations Commission**

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1. Submissions in Reply

The Western Australian Industrial Relations Commission (Commission) issued an application to make a State Wage Order pursuant to section 50A of the *Industrial Relations Act 1979 (WA) (IR Act)* to determine rates of pay for the purposes of the *Minimum Conditions of Employment Act 1993 (WA) (MCE Act)* and State awards.

UnionsWA filed a submission requesting the Commission issue a general order pursuant to Section 50A of the Act to increase award wages and the statutory minimum wage by 7.359 per cent.

UnionsWA notes the following submissions made by section 50 parties and other interested stakeholders:

- Western Australian Government (**the Minister**)
- Chamber of Commerce and Industry of WA (**CCIWA**)
- WA Council of Social Service Inc (**WACOSS**)
- WA Local Government Association (**WALGA**)

The submission below is the UnionsWA response to issues raised in these submissions, as well as other matters raised by the parties.

2. Submission – Minister for Industrial Relations

The Minister's submission states at para 12 that:

The Minister submits it is undesirable from a fairness and sustainability perspective for the SMW to be set at a rate significantly below the NMW, particularly at a time when living cost pressures have been impacting many working households.

UnionsWA agrees with this view and welcomes the recognition of this issue by the Minister. As noted by UnionsWA, this divergence results in a particular group of Western Australian workers being placed at a unique financial disadvantage. UnionsWA considers that this has the impact of the WA industrial relations system operating as a low-wage zone within Australia's employment landscape.

State Minimum Wage

In their submission, the Minister proposes that the Commission should re-align the State Minimum Wage from the C14 rate in the *Metal Trades (General) Award* to the C13 rate. UnionsWA strongly supports this proposal.

As articulated in our submission, UnionsWA is deeply concerned by disparity between the Western Australian and national system of wages and conditions, and the erosion of the perceived fairness of the Western Australian system. The witness statement of Sarah Whitaker demonstrates the perverse outcomes that this disparity is already resulting in.

UnionsWA notes the comment in the Minister’s submission that, any rates of pay in State awards that are below the new SMW would, in effect, be overridden and of no effect. We agree that it would be appropriate to investigate another General Order after the State Wage Case to adjust any rates of pay in awards that are then below the new SMW to ensure awards remain contemporary and up to date.

In addition to the realignment, the Minister proposes a general wage increase that is in line with what the Fair Work Commissions determines as part of the Annual Wage Review. UnionsWA would certainly not want to see an award wage increase lower than that in the national system, for the reasons articulated in our initial submission, but without knowing in advance what quantum the FWC will award, we are unable to comment at this stage as to whether it will be sufficient.

As such, on the basis of our economic analysis, consideration of the cost-of-living pressures that are facing workers, and the need for a system of fair wages and conditions, UnionsWA remains of the position that each award rate needs to be increased by at least 7.359 per cent.

In conjunction with this increase, the realignment to the C13 rate would result in a State Minimum Wage of **\$948.30** per week or \$24.96 per hour, which is a 9.83 per cent increase from where it is aligned currently. The table below demonstrates the impact of a 7.359 per cent on each award rate, based on the *Metal Trades (General) Award*.

Award classification	Current rates		Proposed rates	
	Weekly	Hourly	Weekly	Hourly
C14	\$863.40	\$22.72	\$926.94	\$24.39
C13	\$883.30	\$23.25	\$948.30	\$24.96
C12	\$910.00	\$23.95	\$976.97	\$25.71
C11	\$935.00	\$24.61	\$1,003.81	\$26.42
C10	\$977.90	\$25.73	\$1,049.86	\$27.62
C9	\$1,004.60	\$26.44	\$1,078.53	\$28.39
C8	\$1,031.00	\$27.13	\$1,106.87	\$29.13
C7	\$1,055.30	\$27.77	\$1,132.96	\$29.81
C6	\$1,108.40	\$29.17	\$1,189.97	\$31.32
C5	\$1,135.00	\$29.87	\$1,218.52	\$32.07

At para 122 of the Minister’s submission, the relevant point is made that:

there remain sections of the workforce that are currently award free in the State jurisdiction, including workers engaged in occupations that would traditionally be considered award type work. Employees who are award free have significantly fewer protections than those who are covered by an award and are particularly reliant on

adjustments to the statutory minimum pay rates that occur as part of the State Wage Case process.

At para 135, the Minister's submission further states:

The Minister notes that the elevated living costs have been particularly challenging for low income households. Many employees reliant on minimum and award wages are unable to negotiate higher rates of pay, either individually or through collective agreements. These workers are particularly susceptible to experiencing poverty, debt and/or homelessness and a fair and just increase in wages, as recommended by the Minister, will help to protect their interests.

These are important observations and critical considerations for the Commission as part of this year's decision.

Trainees

UnionsWA supports the proposal from the Minister to take the same approach in this year's State Wage Case of rounding trainee rates to the highest Industry/Skill Level. As noted by the Minister, the trainee rates of pay in most State awards are substantially below the minimum trainee rates that apply in the national industrial relations system.

Principle 7 – Work Value Changes

UnionsWA thanks the Minister's representatives for holding discussions with us on the draft changes to Principle 7 and for its suggestions. We look forward to the Minister's contribution on this matter as part of the proceedings.

3. Submission – Chamber of Commerce and Industry WA

The Chamber of Commerce and Industry WA (CCIWA) makes the following submission at para 18:

we submit that this year's increase should:

18.1. be targeted towards meeting the needs of the low paid through a flat dollar increase.

18.2. promote a fair system of wages and conditions of employment by not disadvantaging small and family-run business operators with an unsustainable and substantial rise in the minimum wage that is aligned with the rate of inflation.

18.3. ensure that any increase does not contribute to increasing inflationary pressures in the Western Australian economy.

By not specifying a figure, it is difficult to ascertain from the CCIWA submission what they consider would be an appropriate increase to meet the needs of the low paid. Further, UnionsWA contends that a flat dollar figure increase would undermine the relativities of award classifications and work value determinations.

Inflation

CCIWA considers that the Commission's decision must ensure that any increase does not contribute to increasing inflation. It is fortunate, therefore, that the evidence indicates that there is no correlation between changes in minimum wages and the inflation rate. Analysis by the Australia Institute suggests that:

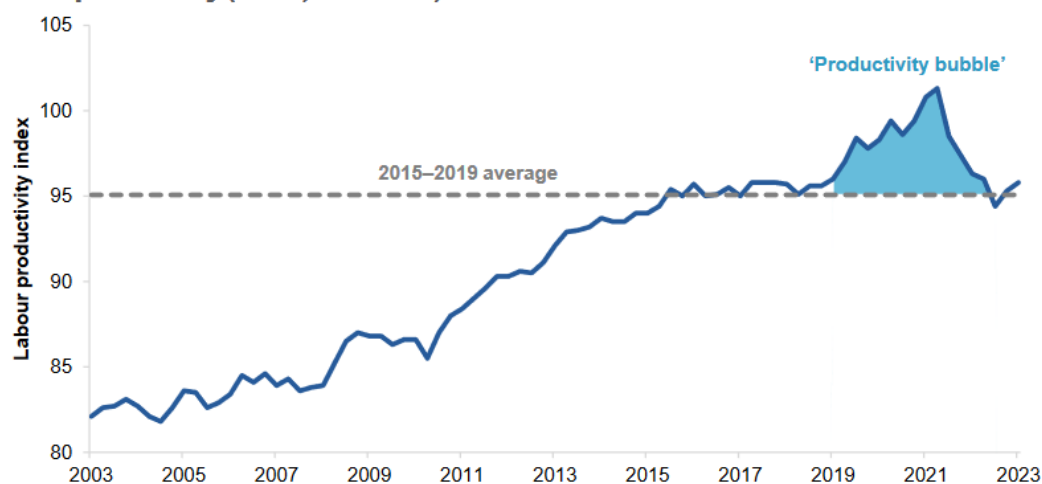
The impact on economy-wide prices of even a large increase in minimum and Award wages is negligible, due both to the limited coverage of Awards, and the relatively low starting level of Award wages.¹

It is worth noting that the result of the Fair Work Commission decision last year saw an increase to the national minimum wage of 8.65 per cent. Despite this, consumer price inflation in Australia has markedly slowed. The spike in inflation over recent years has had a dramatic and negative impact on living standards for workers, with the resulting decline in real wages, but the evidence simply does not support a direct link between minimum wage increases and the inflation rate.

Productivity

CCIWA raises concerns that productivity growth is low. UnionsWA contends, however, that examining the most recent productivity numbers in isolation is not informative. By taking a longer-term view it can instead be seen that productivity has returned to the pre-pandemic trend. As noted by the Productivity Commission and illustrated in their graph below, the two consecutive quarters of labour productivity growth indicate that the 'productivity bubble' that was principally caused by COVID-related disruptions has ended.²

Figure 1 – Productivity has grown for two consecutive quarters following large falls
Labour productivity (index, 2021=100) between December 2003 and December 2023



Source: ABS (2023, Australian National Accounts: National Income, Expenditure and Product, December 2023, Cat. No. 5206.0., table 1).

¹ Greg Jericho and Jim Stanford, *The Irrelevance of Minimum Wages to Future Inflation* (Briefing Paper, March 2024) 1.

² Productivity Commission, *Quarterly productivity bulletin* (March 2024).

As stated by the Productivity Commission in relation to the ‘bubble’:

The sharp productivity rise (and subsequent sharp decline) is unlikely to reflect workers becoming more (or less) productive – instead, the pandemic led to major (but temporary) shifts in where people were employed – away from relatively low productivity sectors, towards high productivity sectors.³

Business Confidence

As in previous years, CCIWA relies upon the findings of their Business Confidence Survey as part of their submission. Without an explanation of the survey methodology, it is difficult to establish how they have avoided the risk for such a survey of selection and motive bias where CCI members with particular complaints are more likely to respond.

UnionsWA notes that, despite the lacklustre confidence expressed in the survey, the investment activity of businesses would suggest a different story. As noted in the UnionsWA submission, the 2024 State Budget states that business investment is forecast to grow by 13.25 per cent in 2023-24 – the strongest growth in over a decade – up from 10.7 per cent 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.

Further, as stated in our initial submission, 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.⁴

Variation of State Awards

CCIWA propose at paragraphs 84, 85 and 86 that the Commission’s updates to the *Shop and Warehouse (Wholesale and Retail Establishments) Award* and the annual updating of the location allowances should moderate increases to the State Minimum Wage.

It is not apparent to UnionsWA why updates to the *Shop and Warehouse Award*, which make it easier for employers and employees to understand and comply with it, as well as ensuring the Award reflects current legislation and modern conditions, should reduce in any way potential increases to wages under this award, let alone wages under other state awards and for award-free workers.

Further, the suggestion that location allowances should moderate increases to the State Minimum Wage is untenable. The entire purpose of the location allowances is to provide compensation for the additional cost of living, climatic discomfort, and isolation in certain

³ Productivity Commission, *Quarterly productivity bulletin* (December 2023).

⁴ Australian Bureau of Statistics, *Private New Capital Expenditure and Expected Expenditure, Australia* (29 February 2024).

regional towns. To moderate wage increases on the basis of these allowances would be to undermine the intent of providing them in the first place.

Needs of the Low Paid

UnionsWA suggests caution must be taken when examining cost-of-living policy initiatives as part of the Commission's determination. To directly discount or moderate wage increases on the basis of these measures would be to negate government action that is intended to benefit low paid households. In fact, not only would the result be to remove the benefit from households, but it would effectively result in the transfer of that benefit from workers to employers. Further, the benefits of these measures are far from shared equally and a more nuanced view of these initiatives is needed than can be obtained from a simple list of announcements.

Commonwealth Rent Assistance

Commonwealth Rent Assistance, for example, is a benefit available only to persons who are in receipt of either an income support payment or Family Tax Benefit Part A at more than the base rate. Further, Family Tax Benefit Type A is limited to persons who meet an income test and are responsible for the care of children. It should also be noted that the 10 per cent increase to Commonwealth Rent Assistance equates to an extra \$9.40 a week for a single person receiving the maximum rate. Considering the scale of rent increases being experienced in the community, as discussed in detail in our initial submission, it is difficult to see how this modest measure offsets those dramatic increases in costs.

Electricity Bill Credits

As stated in our initial submission 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-\$332,⁵ while the State Budget also increased electricity charges by 2.5 per cent. As such, this 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.

UnionsWA notes that in its suggestion that the household electricity credits announced in the State and Federal Budgets should be considered as part of the State Wage Case, that CCIWA has not made mention that these credits are also being provided to small businesses. Indeed, the Federal energy bill relief announced is \$25 greater for small businesses than it is on a household level. This support includes small businesses that are not direct customers of Synergy or Horizon Power, with the state payments provided through the Small Business Corporation.⁶

⁵ 'Compare your bill', *Synergy* (Web Page) <www.synergy.net.au>.

⁶ WA Government, *2024-25 WA State Budget*, Budget Paper 3.

Stage 3 Tax Cuts

UnionsWA contends that it would not be appropriate to in any way reduce potential award wage increases on the basis that workers will benefit from the Stage 3 Tax Cuts. As stated above, this would risk negating measures that are intended to benefit low paid households.

Further, it is worth considering what a worker will actually gain from the tax cut. The ACTU has modelled the benefits for award reliant workers from both the Stage 3 Tax Cuts and what the received under the Low-Middle Income Tax Offset. This assists in contextualising the benefits expected from the Stage 3 tax cuts against the last major tax change affecting award reliant workers.

Modelling the Stage 3 Tax Cuts at selected award reliant earning levels, 2023

	Weekly total cash earnings	Annual total cash earnings	Income Tax Payable, 2023-24 scale	Income Tax Payable, "Stage 3" Scale	Reduction in Annual Income Tax	Reduction in Weekly Income Tax
Full time, non managerial, adult – median	\$1,396.96	\$72,641.79	\$14,075.58	\$12,580.54	\$1,495.05	\$28.75
Works Full Time Hours – Average	\$1,466.86	\$76,276.63	\$15,256.90	\$13,670.99	\$1,585.91	\$30.50
Works Part Time Hours – Average	\$637.67	\$33,158.97	\$2,842.20	\$2,393.44	\$448.77	\$8.63
Casual – Average	\$628.47	\$32,680	\$2,751.31	\$2,318.89	\$434.42	\$8.35

Source: ABS EEH; Treasury; ATO; ACTU calculations

Modelling the LMITO at selected award reliant earning levels, 2021

	Weekly total cash earnings	Annual total cash earnings	Income Tax Payable, 2021-22 scale	Income Tax Less Low Income Tax Offset	Effective reduction in Annual Income Tax	Effective reduction in Weekly Income Tax
Full time, non managerial, adult – median	\$1,234.10	\$64,173.20	\$11,323.29	\$9,823.29	\$1,500	\$28.85
Works Full Time Hours – Average	\$1,329.43	\$69,130.10	\$12,934.28	\$11,434.28	\$1,500	\$28.85
Works Part Time Hours – Average	\$595.25	\$30,967.30	\$2,425.79	\$1,750.79	\$675	\$12.98
Casual – Average	\$589.58	\$30,658.18	\$2,367.05	\$1692.05	\$675	\$12.98

Source: ABS EEH; Treasury; ATO; ACTU calculations

What is apparent from this modelling is that the Stage 3 Tax Cuts provide a lesser benefit to many award-reliant workers than the LMITO which preceded it. Despite this, however, the negative effect of the withdrawal of the LMITO does not seem to have been taken into account by the Commission. In those circumstances, and in light of the objective of the Stage 3 tax changes, it would not be appropriate to consider them as a moderating factor in the State Wage Case.

Social Security

UnionsWA considers the suggestion by CCIWA at paras 91 and 92 that Commonwealth income support should in any way be a moderating influence on wage increases to be utterly egregious and should be given absolutely no credence. The social security system does not exist so that employers can avoid paying their workers a liveable wage. This appears to be a flagrant attempt to socialise the costs of labour and should be rejected out of hand.

Principle 7 – Work Value Changes

UnionsWA welcomes that CCIWA does not oppose in principle the changes we propose to Principle 7. CCIWA propose that a further amendment to the principle should be made that:

The Commission must have due regard to the impact of any proposed order on affected employers; whether employers rely, in whole or in part, on government-funding arrangements; and the interests of those in need in the community.

UnionsWA contends that this amendment would not be appropriate and would be highly inequitable. The result of including this amendment would be to establish additional barriers for workers whose employer is in any way government-funded to have significant changes in their work value recognised. In particular, UnionsWA notes that this would result in specifically making it harder for workers in women-dominated industries, such as the community services sector, to make an application under this Principle.

UnionsWA also queries whether CCIWA have mistakenly conflated Principle 7 with Principle 8, which is the specific principle relating to equal remuneration for men and women for work of equal or comparable value. While an application for a wage increase based on changes in work value may be utilised as a necessary corrective to gender-based undervaluation, an application under this Principle if amended per the UnionsWA proposal would specifically relate to changes in the nature of the work, skill and responsibility required or the conditions under which work is done.

4. Submission – Western Australian Council of Social Service

In its submission (p.25), the Western Australian Council of Social Service (WACOSS) states:

A strong minimum wage — one which ensures workers are provided with a decent living standard, well above poverty levels is integral for an inclusive and sustainable economy, where the benefits are shared with all Western Australians.

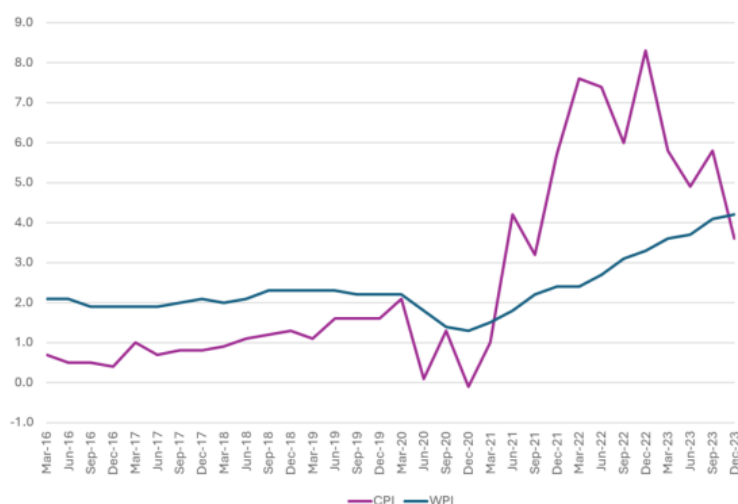
UnionsWA agrees and commends the WACOSS submission to the CICS. We would like to draw the Commission's attention to the following points made by WACOSS.

On page 14 of their submission, WACOSS states:

In real terms, price increases cost workers hundreds of dollars. When not matched by wage growth, increases place significant pressure on household budgets. Since March

2021, WA workers have been exposed to inflationary pressures that have not been met by wage increases (Figure 8).

Figure 8. Australian Wage Growth and Inflation, Year-ended percentage change

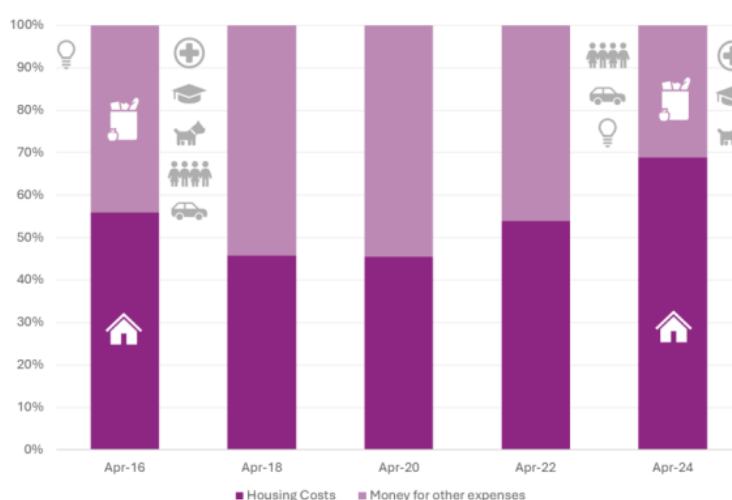


Source: Calculated using Australian Bureau of Statistics (Mar-quarter-2024), [Consumer Price Index, Australia, ABS Website](#); and Australian Bureau of Statistics (December 2023), [Wage Price Index, Australia, ABS Website](#).

Examining the cost pressures on minimum wage households, WACOSS notes the findings of the *Inquiry into Price Gouging and Unfair Pricing Practices*, which found that many common household items have seen a price surge of over 20 per cent since March 2021. They make the following observation on page 16 of their submission:

Assuming a single on full time State Minimum Wage pays tax and rents a median priced unit in Perth they have less than \$180 per week to cover the costs of food, utilities, bills, childcare, transport, and other necessary items. The numbers simply don't add up - minimum wage earners, after paying housing costs, do not have enough money to pay for other essentials.

Figure 9. Median Rent for a Perth Unit as a Percentage of SMW



Source: Calculated using Historical State Minimum Wage Data and REIWA Data

A reduced ability by consumers to spend in areas like retail and hospitality will have a direct negative impact on the small to medium enterprises that are more likely to be covered by the state industrial relations system. The maintenance of household consumption needs to be underpinned by a real wage increase. Only the UnionsWA and WACOSS claims would provide such an increase.

5. Submission – WA Local Government Association

In para 4 of its submission, WALGA states:

WALGA supports:

- a. Wage increases that balance the need for fair wages with the requirement for Local Governments to carefully manage their budgets in the interest of their communities.*
- b. Increases in line with wage fixing principles.*

WALGA does not make clear in its submission what such a wage increase would be.

WALGA states at para 35 that:

Local Governments' primary lever for generating revenue is rates – which are a form of property tax levied by Local Governments to fund local infrastructure and services. Rates are the sector's primary source of revenue – accounting for 60% of the sector's revenue in 2019-20, and 70% of the sectors own-sourced revenue. Local Governments also rely heavily on grants from the Federal and State Governments to meet their operating and capital needs.

UnionsWA suggests that the ability of local governments to be able to set rates in order to generate revenue places them in a very strong position to able to respond as an employer to increased costs in order to manage their budgets.

It should also be noted that most local governments have Collective Agreements already in place which set out their wage rates and would have been negotiated with the legislated increases to Superannuation Contributions in mind, which WALGA also references in paras 17 and 18.

As part of last year's case, the Australian Services Union WA Branch, which is the main union for local government workers, informed us that while there are 139 local governments in Western Australia, only around 12 per cent of them apply the *Local Government Officers' (Western Australia) Award 2021* (LGO Award), or the *Municipal Employees (Western Australia) Award 2021* (ME Award).

Therefore, a state minimum and award wage increase would not have any dramatic state-wide effect that would require a significant increase to local government rates.

6. Conclusion

UnionsWA continues to contend 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.

UnionsWA remains of the position that each award rate needs to be increased by at least **7.359 per cent**. In addition, we support the proposal made by the Minister to realign the State Minimum Wage with the C13 classification in the *Metal Trades (General) Award*. When combined with the percentage increase UnionsWA has proposed for each award classification, this realignment to the C13 rate would result in a State Minimum Wage of **\$948.30** per week or **\$24.96** per hour.