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BEFORE THE WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

CICS 1 of 2025

BETWEEN

COMMISSION'S OWN MOTION

Applicant

v

(NOT APPLICABLE)

Respondent

2025 STATE WAGE ORDER PURSUANT TO SECTION 50A OF THE ACT

TRANSCRIPT OF PROCEEDINGS

AT PERTH ON WEDNESDAY, 21 MAY 2025, AT 10:34 AM

COMMISSION IN COURT SESSION

CHIEF COMMISSIONER S J KENNER
SENIOR COMMISSIONER R COSENTINO
COMMISSIONER T KUCERA

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

MR C HARDING (Senior Policy Adviser, Workplace Relations) and with him
MR S COLLINS (Senior Economist) on behalf of the Chamber of Commerce and Industry WA

MR K SNEDDON (of counsel) and with him MS R HENDON (Secretary) and
MR G HANSEN (Research and Policy Officer) on behalf of UnionsWA

MS S HANTZ (Senior Policy Officer) on behalf of the WA Council of Social Service

MS S LYON (Employee Relations Project Consultant) and with her MS J LOVE
(Employee Relations Services Manager) on behalf of the Western Australian Local
Government Association

KENNER CC: Yes. We'll take appearances.

Mr Entrekin for the Minister this morning.

ENTREKIN, MR: Yes, Chief Commissioner.

KENNER CC: Thank you.

And Mr Harding and Mr Collins for CCIWA.

COLLINS, MR: Yes, Chief Commissioner.

KENNER CC: Thank you very much.

And for UnionsWA Mr Sneddon.

SNEDDON, MR: Chief Commissioner.

KENNER CC: Thank you.

Ms Hendon and Mr Hansen behind you.

HENDON, MS: Yes.

KENNER CC: Thank you very much.

Now, for WACOSS we have Ms Hantz.

HANTZ, MS: Yes, Chief Commissioner.

KENNER CC: Thank you.

And for WALGA we have Ms Love and Ms Lyon.

LOVE, MS: Thank you, Chief Commissioner.

KENNER CC: Very well. Thank you.

Now, I think we wrote to you on 16 May to indicate the order of presentation of cases and we assume that it no longer – it doesn't cause any difficulty for anybody at the Bar table. There's no change to that order, so we'll assume that to be the case. Are there any preliminary issues that we need to deal with before we get underway?

We're assuming we're going to hear from Mr Christmas first, Mr Entrekin, in accordance with the usual arrangements.

ENTREKIN, MR: Yes.

KENNER CC: We should also note, of course, that, as we advised previously, we do have time reserved tomorrow, if it is necessary, to take further time beyond today. Also, we should observe that, as the parties would be aware, once the Fair Work Commission hands down its decision in the 2025 annual wage review we will resume on a date to be fixed convenient to the Commission and the parties to hear from you about that particular decision.

So otherwise we're in your hands, Mr Entrekin.

ENTREKIN, MR: Thank you, Chief Commissioner. If it pleases the Commission in Court Session, I appear on behalf of the Minister for Industrial Relations. We'll begin with a usual presentation by our expert witness, Mr Christmas, from the Department of Treasury and that'll be followed by an opportunity for questions, if there are any, and then I'll address the Minister's position, as outlined in the submissions. If it pleases the Commission in Court Session, we'll now call Mr Christmas to the witness box.

KENNER CC: Thank you very much.

Mr Christmas, please, come forward. Thank you.

CHRISTMAS, DAVID BRIAN: affirmed:

EXAMINATION-IN-CHIEF BY MR ENTREKIN:

KENNER CC: Be seated, thanks very much, Mr Christmas, and welcome back?---Thanks, Chief Commissioner.

Yes, Mr Entrekin?

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

Mr Christmas, can I confirm that you've made a witness statement for these proceedings?---I did.

Thank you?---And I have a copy here.

That's okay?---The original.

Yes. Thank you. Mr Christmas, your witness statement states that you and your colleagues at the Department of Treasury have prepared the economic outlook document submitted as attachment A to the Minister's primary submission.

If it's convenient at this point, Chief Commissioner, I'll seek to tender the PowerPoint presentation from Mr Christmas that he'll be speaking to today.

KENNER CC: Very well. Yes, the PowerPoint presentation by Mr Christmas on behalf of the Minister will be exhibit Minister 1.

EXHIBIT MINISTER 1

unspecified

Minister

DATE

PowerPoint presentation by Mr Christmas on behalf of the Minister.

ENTREKIN, MR: Thank you. I have some copies for the other parties.

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

ENTREKIN, MR: Thank you, Mr Christmas. Could you take us through your presentation?---

THE WITNESS: Thank you. And thanks, ah, for the opportunity with presenting it. Um, so today's, ah, State wage case presentation is essentially – it's based on a assessment of the WA economy, as published on '24/'25 pre-election financial projection statement, which was released on 7 February. Um, it will include references to data released since then. Um, the State Budget will be out, ah, in late – later in June, um, so that'll contain our next assessment of, ah, the conditions in WA economy. It also refers to the '25/'6 Commonwealth Budget released in March and the IMF latest released, ah, world economic outlook in – released in April.

So key points Western Australia's domestic economy, as measured by State final demand, grew by 3.7 per cent in calendar '24. The strongest growth of all States with the PFPS forecast in growth of 3.75 per cent in '24/'5 and around three per cent per annum in '25/'6 and '26/'7. The pre-election, ah, financial projection statement forecast GSP growth to lift in '24/'5 and '25/'6. This is supported by ongoing growth in domestic demand and a recovery in goods exports, which declined in '23/'24 and act as a – a drag on growth in that year.

The latest data show a modest risk to achieving the forecast growth in SFD as well as risk to forecast growth in goods exports resulting in overall downside risk to the GSP forecast for '25/'6 – ah, '24/'5. The strength of the domestic economy has driven record employment outcomes with continuing strong growth in employment and an average unemployment rate that is historically low with the labour market conditions expected to ease, um, in line with moderation of growth in the domestic economy. The unemployment rate is still projected to remain below that historical average.

And despite the long – strong labour market conditions wages growth has been easing, however, wages growth is now outpacing consumer price inflation, which has been easing as well resulting in a real wage growth over the year to March quarter 2025. This trend is expected to be sustained over the forecast period.

Um, while the Trump tariffs or the tariffs announced by the US President have elevated uncertainty about global outlook the direct impact of – on Western Australia is negligible given the amount of trade the State has with the US but indirect impacts could be larger. This will depend on how things play out but, um, it also depends on, ah, Chinese authorities and their commitment to maintaining growth, um, and that will mitigate some of the risks from trade, ah, tariffs. I'll also touch on other risks, ah, at the end of the presentation.

So just starting off with that global and national context. Um, so between January '25 and April '25, um, the IMF's assessment of conditions in those two points of time, ah, the US President announced significant, ah, tariff increases – ah, tariff increases on every country of around 10 per cent with increases over and above that for a number of other countries, some of them quite significant. Some of those have been delayed, um, the particularly largest – large increases were levied against China and China did retaliate. Um, and both countries – both have – um, countries have de-escalated their tariffs but, um, tariff rates are still in the – ah, from on US goods are – sorry, on Chinese goods coming into the US are still around the 50 per cent level and Chinese tariffs on, ah, US are around, um, ah, 30 per cent. So those – those have been reviewed. They're – they, um – they're – there's a 90-day cooling off period where they can sort whatever – wherever they want to go out after that.

Anyway, those increases that I've just talked about are, um – um, have resulted in considerable uncertainty and they are the reason, um, the IMF downgraded its forecast for the global economy, which was forecast to grow by about three per cent per annum in '25/'26, ah, in, um, January and then they've been downgraded to a little bit less than that in '25. 2.8 per cent in '25 and three per cent in '26. And the strongest downgrades are – are really for the two countries most involved plus a number of other countries that have close trade, ah, for example, with China. So the Asian and a number of other countries have – ah, had their forecast growth rates revised.

In terms of inflation actually the global story's a lot better. Um, so global inflation has come down significantly since – in the last two years, um, sufficiently so that most banks have been – central banks have been cutting rates. Um, the Federal Reserve in the US, ah, last cut was in December and its – its latest statement says that its, um, holding rates around the 4.3 per cent mark reflecting that annual inflation is still above its target of two per cent and the uncertainty about the economic outlook has increased further. And the risk of – of higher unemployment and higher inflation have risen. So it's just monitoring conditions and we'll respond accordingly as things play out.

So just going back to that last slide, um, those – those – that downgrade was made before the de-escalation, so they were – they may - - -

KENNER CC: It may have shifted a bit by now?---

THE WITNESS: - - - have shifted a little bit but it's so live that we're - not going to republish numbers to, ah, probably mid-year. Um, going to the global context in China, um, one of the – ah, China's economy expanded by 5.4 per cent in the year ended terms in March quarter underpinned by a strong growth in consumption but that's mainly government consumption, not – not household consumption, and I'll show you a chart in a minute on that. Ah, and it's also focused heavily on exports. Um, so it is – that's why this is – the timing of these tariffs isn't the best because China is actually relying on – on, um, exports for not quite half of its growth but at least a third of its growth, probably a bit more than a third based on the chart there.

Um, it continues to face challenges, including its prolonged downturn in the property sector, um, and subdued consumer and business sentiment. Um, the IMF has downgraded some - while - while the authorities are still targeting five per cent, and they've indicated they'll do what it takes to get to five per cent, um, the IMF has, ah, got a slightly lower number of four per cent for both, ah, '25 and '26. As you can see on the right-hand slide, ah, chart of this slide China's growth rate has been coming down for some while and there are longer term issues, including that the country's population is actually contracting and it fell - contracted for the third year in 2024.

Um, just in terms of a bit more detail, so investment in infrastructure in China has been strong and, ah, as has investment in manufacturing. But investment in the real estate sector's been declining for three years, um, consistent with that weakness in property market, um, which is characterised by oversupply and, ah - and house prices are off their peaks. So given that a lot of Chinese wealth, household wealth, is held in property that has not been good for consumer demand. And you can see on that right-hand chart, um, that consumer or China retail sales really aren't increasing at the pace they used to prior to the, ah, COVID, which was, you know, early starting - it's that 2020 period where it really took a dip. But the trend rate, ah, since COVID is a lot less than it was - ah, was prior and China hasn't even caught up to the previous trend yet. So those are things that are - that household sector is quite a concern as far as China goes.

Um, despite everything the WA commodity price index has - it has trended down over the recent years but it is elevated still, um, and iron ore prices are a big, um, part of that. They're still at - at today they were a 100 US dollars per tonne. Um, and, ah, we also have very strong gold prices, ah, as well. So those two remain strong into the June quarter, so, um - or at least elevated, so, you know, the - the prices for the June quarter should remain elevated historically. And I mentioned, ah, the - the Aussie dollar averaged 64.8 cents over the year to date, um, which is down slightly from an average of 65.6 last year, the last financial year.

Just in terms of a slide on the impact of the US trade policy and responses, as I mentioned before, WA exports to the US in '24, 2024 alerted to 1.4 per cent of our total exports. That's mainly gold and gold is, ah - it shifts easily from one destination to another given the nature of the product, so, um, it'll find a home somewhere, um, and there's obviously strong demand given the price is so high.

So there's a minimum - minimal direct impact. Um, potentially, larger indirect impacts. So lower demand for Chinese exports, which embody iron ore processed into steel, um, in from China. Ah, we're at lower - lower global growth, just because of the, um, uncertainty and - and things like supply chains being interrupted and that sort of thing. Um, and, you know, there may be a redirection of trade. All that takes time and can be disruptive. Um, and then, probably, the most uncertain and hardest to measure would be confidence effects, uncertainty, on household spending and business investment, probably, primarily, in those countries, that are directly affected. But any - it could be spillover to our own, um, household - household or business. Ah, and we'll - I'll get to a chart - some charts in a - in a second.

China are – exports are – so China only exports about 11 per cent of its steel production. So most of its steel production is domestically consumed. Um, although, some of the – about 12 per cent is embodied in other, ah, exports, like, vehicles and machinery and things. So and that around 6 per cent to the next – North America – I think that's 6 per cent of total export, ah – Chinese exports of steel, not 6 per cent of total Chinese steel production. So that's quite small.

Um, mitigators of the impact. And then why that's important is, because the bulk of our – what, um – we – our bulk, ah, exports to China are obviously, ah, iron ore.

Mitigators of the impacts of all this, um, Chinese policy stimulus. So they've – China's already instituted some policy initiatives mainly, um, monetary-type policy. Um, with some additional spending, ah – ah, approved for infrastructure. Um, but, ah, it's – it's trying not to overstimulate the infrastructure, if it can. Or well – well, it certainly doesn't want to do it in the housing sector, if it can, because the housing sector's already been impacted by past stimulus. Um, so there's a bit more infrastructure spending. But they've clearly signalled readiness to do more, if that's what it take – what it takes. And there's always the potential for a depreciation of the Aussie dollar if there's a significant economic deterioration nationally.

Just in terms of the national story, um, we, um – Australia's been able to maintain continuous, um, economic growth and preserve labour-market gains, including maintaining a low import rate, while, at the same time, recording a substantial moderation in inflation. So, um, while the real GDP outcome for '23/'24 and '24/'25 is, you know, modest by, um, the – the projected standards, um, ah, and then by historical standards, it's still semi-positive. And that's happening at a time where the labour market's tight. But importantly, CPI is falling and – and wages are easing as well.

Um, the budget - the Commonwealth budget observes that GDP growth picked up at the end of '24. And this momentum's expected to continue into, um – in the next – coming years, with GDP forecast to go up by, um, 1.5 per cent this year, but increasing to 2.25 in '25/'26 and, ah, each of the outyears, the – there's a step increase in each year.

Improvement of growth is expected to broad-based, um, and supported by gradual recovery in the private final demand of the forecast period. So household spending is expected to recover after stalling in mid-2024, underpinned by strong employment and wage growth, tax cuts and easing inflation. Business investment is expected to contribute to growth of the forecast period, supported by renewable energy infrastructure, warehouses and data centres. And dwelling investment is expected to accelerate in '25/'26 in response to robust housing demand, the supply side constraints (indistinct 10.54.46) and financing costs come off.

And just in terms of that financing costs come off, the, ah – the – well, you'd likely be aware that the, ah, Reserve Bank cut its rates by a quarter of a per cent yesterday. Um, and that's showing comfort, that, um, ah, the inflation rate, at the national level, is going to stay within its target, once you remove some short-term volatility, um, including through, ah, policy, like, the household, um, electricity credits, which do push growth around a bit.

So it's – and it also sees the upside risk. It – it was considered about the upside risk to inflation actually getting stronger. It sees that as more balanced, ah – ah, in its

assessment yesterday. Um, and obviously, it's keeping an eye to the fact that global uncertainty may be something that impacts it as well. Although, it has sort of suggested that maybe that it will even. Um, in the past, it's thought it – it could impact either way on inflation. Um, I think it's, um – um – obviously, it's comfortable enough now, that it – it's going to stay within the range.

And the market, ah – this is actually a chart that – which didn't – was – came out before yesterday's cut, but it indicates the market's expecting several more, um, over and above yesterday's.

KENNER CC: Certainly, the RBA appears more comfortable now than - - -?---Yes.

- - - it was six months ago?---Certainly. Yep – yep. So turning to the WA economy, um, consumer sentiment that, ah, it has been volatile and historically weak, in recent years. Um, COVID-related. Ah, and even since the – so consumer sentiment, as measured by Westpac-Melbourne Institute, declined sharply in April, after, um – well, some of this survey was after the Trump announcement. Um, so it declined by 13 points, ah, from 96 points to, um, 83. However, it's recently, largely retraced, ah, that. Um, sorry. It went from 97 points to 83. And now, it's back at 96. So essentially, given – so equity markets around the world actually fell dramatically, and so consumer sentiment responded.

Fell away pretty quickly?---But – yeah. They've also retraced and in fact, a bit higher, in most cases or key cases. So equity markets are – are back above pre-April levels. And so, ah, sentiment's improved accordingly.

But what this chart shows also, is there are periods where consumer sentiment may be negative, but consumers are still prepared to spend. Um, so it's certainly not a one for one type of, ah, link. Up to, say, just before the GFC – well, actually, even to maybe 2014 – 2013/'14, which is roughly when our mining boom ended, um – or the mining investment boom ended, you – you could see they track to each other quite well. But since then, they – they don't track each other as well. Ah, so it's hard to be definitive about, um – yeah, consumer sentiment and the impact of spending.

And likewise, from NAB Business Confidence, um, in April, conducted three weeks after the, ah, 2 April, ah, so-called liberation day tariff announcements, it was largely unchanged from March. Um, and the swings you see, evident in the chart up there, actually occurred in – between January and February. So it just shows that, um, you can have volatility, um, ah – even more volatility without having any announcements, than we have with – so it just puts it in perspective.

Um, so what's actually happened with spending? Um, so household spending has eased this, ah, um – so in 2024, it was 2 per cent, ah, um, down from 4.5 per cent a year earlier. So that moderation's been primarily – there has been moderation in, um, probably, discretionary spending. And that's not surprising, given that interest rates were higher until recently. And, ah – and even those cuts will – they take a lag – they have a lagged effect, anyway.

KENNER CC: About six months, sometimes, isn't - - -?---Yep.

- - - it, roughly - - -?---Yeah.

- - - I think - - -?---That's correct.

- - - on the data?---Yep. That's correct, Chief Commissioner, and so that would have caused a slowing in discretionary spending, plus the higher rates in place and - that were - were there when spending was particularly - yeah. The higher rates of inflation would have caused that ease in spending. The reason discretionary spending is held up quite a lot is because - until very recently as a total is because West Australians love travel, and once the borders were reopened we started to travel a lot more, and so our - our spend in travel really boosted our discretionary spending, but when you take that out of - well, travel out of it, you can see that dark - the - the black or dark - black line there really came off a lot earlier. It's travel that's been boosting that discretionary spend. Overall, they were spending around - our - our spending grew by two per cent in - in lavish terms, and that - it was a lot higher than the other States and almost double - well, actually a lot - much higher than nationally.

Seems like more than double the national - - -?---Yeah.

- - - level?---More - more than - - -

Yes?--- - - - double the national, yeah. Almost, yeah, three times, actually. Nationally was 0.6 in '24, so yeah. Retail volume, so this is slightly later data. So the latest national accounts data is to December, and next set of data comes out in the first week of June. So retail trade, this - the partial indicators give you some sort of indication of what's happening since then. So retail trade, that accounts for around a third of total household consumption. That bottled out and started increasing in the March quarter. So in annual average terms, it grew by 1.9 per cent in the March quarter and - and 2.9 per cent in year-ended terms. The ABS is actually going to replace the retail trade survey with the household - monthly household spending indicator, which actually accounts for almost two-thirds of the household consumption base, and that is - that's using the - a raft of other data sources, including aggregate bank card transaction data, supermarket scanner data, vehicle sales data, since - that's why it's broader, and that's still - well, that's shown in year-ended terms, that there was still a trend decline in household spending. Of that basket of goods, it's still very high, four per cent, and much higher than nationally, which was 0.3. So our households are doing a lot better than nationally is, I guess, the key. The - the resilience has been much higher, and that's probably in part because our households in aggregate, because there will be households that are challenged and I don't want to take away from that, but in aggregate, our households are saving quite substantially - a lot, and our - our household saving is rated a lot higher than nationally, and I - I've been making that point for several years now. It has declined, but we're still - our household saving rate is well in excess of 10 per cent, and you can also see how a residential mortgage arrears, which we get from S&P Global, are those - our arrears used to be substantially higher than nationally, and now they're very close to national. So households are doing - are trying to make sure their finances are in good shape, in aggregate terms. So that's why the PFPS forecast was for household consumption to increase by 2.5 per cent in '24/'5, up from the two per cent in '24, and then rising to three per cent, '25/'6 and '26/'7. Then some - some of that improvement is also supported by population.

THE WITNESS: Now, the fundamentals are still solid. So even though population growth is a bit slow, you're still - and - you're still having very solid outcomes. Turning to house - the housing market, a number of homes being completed and commenced both picked up in the second half of last year, which you can see on the left-hand chart there on that slide. That said - and the number of homes under construction is high, but the market's still being constrained by labour shortages, and it's interesting that even - even though the number of homes commenced and completed increased dramatically, we did find that dwelling investment actually declined in - in the - it increased in the September quarter by 4.3 per cent, but then declined in the December quarter by 2.1 per cent. So we're not saying necessarily that translated into what - the national account's measure of dwelling investment. So we're waiting - you know, that just show - showed that those labour constraints are impacting on the amount of work they can do in any quarter. In terms, again, in - in the future, the building approvals did jump up substantially from - through last year, and those track commencements quite well, but - so we would expect commencements to stay elevated, at least for the very near term, but the slightly - leading indicators that have a slightly longer lead, like HIA in home sales or - do so - do suggest there'll be a moderation in those approvals. You're probably talking, again, in - in six months' time from that pick, maybe - maybe even sooner. But what it is telling us is those approvals, while they may be elevated, aren't going to stay as high as what you see there. So our PFPS forecast is for dwelling investment to lift from 4.2 per cent in '23/'4 to 11.25 per cent in '4/'5, then to almost 10 per cent in '5/'6. Turning to business investments, the pre-election financial projection statement forecasts investment to consolidate at a higher level. So we actually can see from that slide on the left-hand side of that chart - the chart on the left-hand side of the slide, you can see a big jump in - in '23/'4, and that's largely to do with ramp up on work on Scarborough and Pluto Project, which is more - it's actually worth - to have upgraded those capex numbers, that was the number we had at the time of the PFPS, but I think it's more like a - it's over \$18 billion now. So it's a very - it's by far our largest project. So when that ramped up, that really picked up our total investment, and we're now just expecting in that - at - as - as - that level to consolidate this year, and then start increasing here and thereafter. And there's a range of other projects that are going to support investment over the - the forecast period. You can see some of them there, and - but there's also - we - which we haven't concluded specifically, there's a lot of work on decarbonisation. It's been particularly by the very big companies and also a lot of work being done on sustaining capex, and they don't always break that down into specific projects. So there - there is a lot - the big pipeline of support. In terms of, say, domestic economy as a whole, WA's domestic economy, we're about 3.7, as I mentioned at the start. We - the PFPS forecast says it's due to grow by 3.75 per cent for '5, with all components expected to contribute to that expansion, although the business investment is only making a small contribution this year.

KENNER CC: Compared to last year?---Compared to last year.

Which pushed the figure up significantly?---Yes, that's correct. That's correct, yep. I mean, 2.75 to five per cent forecast growth in '5/'6, mainly is when public spending is expected to soften a bit. So that's why - one of the reasons you have that come - growth coming off a bit. Getting trends today on household spending - so given out half - you could see that median - sorry. Monthly household spending indicated, whilst coming down slightly, there's some risk, and - and also, where the building work hasn't actually really bumped up because of the - the labour market constraints, there is some downside - some modest downside risk to that forecast for FSG growth in '24/'25.

THE WITNESS: Ah, the external sector. So the, um, PPS projects goods export to stabilise, with no growth expected in '24/'25, following a decline of 3.75 per cent in '23/'24. So the fall in '23/'24 reflected a culmination of a decline in grains exports due to small harvest in '23, reduced LNG production, um, as some of the capacity, um, comes out of that market, um, and there were some outages as well, and lower mineral production, notably nickel. The nickel market was impacted by Chinese, ah, investment in - in Indonesia, which made things very challenging for our - our companies.

Um, we're expecting a stable level of exports. Well, the pre-election financial projections statement expects stable export levels in '24/'25. Um, and that - that, um, was revised down from - from, um, the - um, mid-year review, which had a - a small increase in the exports. And part of the reason for that was Tropical Cyclone Sean - ah, reduced iron ore exports late last year. And there's - and we're - we're also expecting some weakness. Obviously, still, nickel is down, because of mine closures and in the second half of '24, there were still - grain exports were still weak. Um, but we do expect some expansion in lithium, although, at lower rates than we thought previously.

Where we do have a risk, um, since - since the PFPS cut-off date, um, which, ah, the balance of (indistinct 11.12.04) data was released, and that does show merchandise exports fell by 4.1 per cent in calendar '24. So there is a bit of catching up to do in this - this first half of '25. So beyond '25, goods exports are expected to grow. Um, and supported by growth in, ah - Scarborough's, um, going to come online. Scarborough, Pluto. Plus, ah, growth in lithium exports and some iron ore ramp ups and projects like Iron Bridge and Onslow Iron. So the - we do expect growth to - to be stronger in those, ah, years.

In terms of our - our imports, they're very much determined by consumption and investment patterns. Um, and our services exports, after being very - and imports - after both going very strongly to recover to pre-COVID levels, are just going to - normal - are starting to normalise. And in any case, they're not bigger components of, ah, activity, as, ah, exports.

So the overall picture that we've got, ah, um, ah - the PFPS forecast growth of 2.25 per cent in '24/'25. Um, and that's a pick up from 0.5 per cent the year earlier. And then the PFPS projects growth to pick up to around 2.5 per cent per annum in the following years. Um, I should note that the, um - and over that period, the outlook is very much supported by domestic activity, as it has been since COVID started. Um, although, meat exports are expected to contribute in those later years.

Um, as discussed, ah, (indistinct 11.13.58), um, data released since the PFPS is finalised – was finalised, has shown a modest risk, ah, to the State Final Demand forecast, and a more material risk to the GSP forecast.

In terms of population, ah, year-ended growth – well, population growth has been strong, but it is coming off. So year-ended growth of, um, 3.4 per cent in September '23 was, um, the recent, ah, peak. And that – that equated to around 96,000 additional people – more than 96,000 additional West Australians in that time. And the latest data – so population data has actually lagged a lot, and the latest data is to September '24. And that's going at 2.5 per cent in year-ended terms. And that equates to about 72,600 people.

So, um, migration is coming off as well. Ah, net – net overseas migration, um, between – was around 70,500 – 70,600 people to the end of September '23. And that's now closer to 51,000 people to September '24. Ah, and that includes a rapid decline in student migration. And you can see that from the right-hand panel there. So the peak – there was – about 45 per cent of net overseas migration was from students. And that's – that's normalising there, including from some Commonwealth government, um, ah, policy to tighten up on student migration.

Um, we're forecasting population growth to continue easing. Um, so '23/'24, ah, we've got population, um, growth estimated at about 2.8 per cent, followed by 1.9 per cent in '24/'25, and going out to 1.8 per cent per annum from 25/26 and 26/27.

So turning to the labour market, um, the labour market tends to be surprisingly strong. Ah, so there – there's more than 1.64 million people now employed. We're – we're slightly off of peak. That peak, with some very small reductions in employment in the last two months. Nevertheless, annual average terms, which is less volatile, um, you've got employment growing by 3.3 per cent, which is, ah, you know, very, very strong. Um, ah, and most of that was from full-time employment. So full-time employment grew by 4 per cent, accounting for, um, I think it was about 2.8 per cent of the 3.3, overall. And then part-time employment was – it grew by 1.8, or contributing 0.6 per cent of that increase.

KENNER CC: I think, a few years' ago, that was the reverse?---Yes.

There was a significant growth in part-time, at the expense of full-time. It seems to have now flipped the other - - -?---Yes.

- - - way?---Yes. That's correct. And you can even see – you can see that on the chart. There was that massive increase in part-time, just as we came out of COVID. Yeah. Um, so that's correct. And – and – and what that recent trend has meant, is in – in – hours worked has been slightly higher than, um – growth has been slightly higher than full-time and, ah – sorry, total employment growth. The strongest industries of growth – so public administration and safety, followed by construction, utilities, a combination of food and admin and support. So very strong, um, growth in those industries. And despite moderating job vacancies, um – so moderating from April '23 record levels, um, monthly vacancy numbers are still well up, relative to pre-pandemic and, um, even relative to the mining industry boom – they're very strong. Well, they're – they're – they're elevated similar – at similar levels, I suppose, to the – the mining boom levels, just perhaps even a touch higher.

THE WITNESS: So that says there's still demand out there. Um, but we have the – the PFPS does forecast employment to grow this year by 3.25 per cent in '24/'25, before moderating to 1.75 per cent in '25/'26. And that moderation's in line with slow growth in the domestic economy. But it's also consistent with a slower supply, as – as population growth comes off as well. Um, you can see, right – right now, we've got 3.3 per cent growth, um, over the year, to April. We are – we – actually, because of the last two months, where we had slight declines in employment, there is a slight downside, um, risk to that forecast for '24/'25. But again, it's pretty modest, given we're almost – you know, we're a large through the year, anyway. So we'd – what I, um – well, I'm just flagging that.

Um, ah, in terms of our unemployment rate, that, ah, has averaged 3.75 – 3.7 per cent in annual up-terms in April. Um, only marginally higher than last year. So it's historically low. Um, we do have that forecast – let's see. I'll get to the forecast in a minute. Youth unemployment's averaged 8.3 per cent in the year to April. Again, that's the lowest of the state, so that's another good result, and it shows our – our labour market's conditions are very strong. And the PFPS forecast is for the unemployment rate, to average 3.5. Well, we did have a – a big jump in April, with – bearing in mind monthly data is very volatile, but the unemployment rate did jump to 4.2 per cent. So that means there's some upside risk to our forecast of 3.5. But again, that would be modest. The same with the participation rate, has remained elevated in '24/'5 to date. So it's at – in annual average terms, it's averaging at 68.9 in April. And we are forecasting a rate of 69 over the year, and to remain elevated next year, 68.9, after which we do see it coming off, and that's largely because of ageing of the population. So just going into wages, our preferred measure is the Wag Price Index because it doesn't have the – the – it doesn't – it's not so exposed to changes in composition as – as other indicators of wage. Wages did grow by 4.7 per cent in the December quarter of '23, and that's eased now, to 3.7 per cent in the March quarter of 2025. There was a bit of a jump in the March quarter, and you can see – so it jumped from 3.3 per cent up to 3.5 per cent – sorry, 3.7 per cent – in the March quarter, and that's largely because a number of very big public sector agreements came into the base in the March quarter. We're still expecting – so just on industries, where it's strong education, accommodation, food, and professional services and healthcare are the areas where it's in excess of 3.5 per cent. Growth – this – we use other indicators of what might be happening, which are our lead indicators, so this gives us April data, whereas we've only got WPI data until March, so – but even that's sort of showing the Seek Advertise Salary Index is coming off from, you know, close to 5 per cent to around 3.5 at the moment. That is slightly higher than it was earlier in the year, but if you look at the monthly data, there was a couple of very strong years, and strong increases in January and February, and that's – that's things come off. So in terms of our wage growth forecast, the PFPS suggests an easing from 4.2 in the last two full financial years, coming off to 3.75 per cent in the 4.5, and then 3.5 per cent in '25/'6. So we do have – have that tapering over time. So inflation, we – we forecast excluding the electricity sub-component, simply because the household electricity carrier pushes the number around. And it's – you know, we've had about four of them now, so it keeps – keeps doing it. So just so we have a – so that said, you can see the – the CPI excluding electricity and tracks, over time it's tracking the same basic profile as headline CPI. And that is tracking downwards, so growth in our CPI excluding electricity eased to 3.4 per cent in the year-end returns in the March quarter. And you can see from that right-hand chart that there's more than – there's, I think, more than 50 per cent – sorry, more than 50 out of the 87 components of the CPI basket actually have falling inflation.

So that's a - whereas there's a much smaller number with which are increasing. One of the areas of strength actually in - in the CPI has been in housing. So new - the cost of new housing to households is still quite elevated. It - it is coming off, but it is - is elevated. So as an example, I think new dwelling inflation in Perth was 10.1 per cent in the year to March '25 compared to 1.4 nationally. So new dwelling prices are higher because of those labour and material constraints that were evident earlier after COVID, particularly material. That's come off, but its labour constraints are still - still sort of - - -

KENNER CC: I mean, I suppose that's one of the effects of the tight labour market is - - -?---Yeah.

- - - the reverse of the coin is supply - difficulty in getting things built, for example?---That's right. That's correct. Yep. So there's - we've got that - that's one of the reasons which is sort of sustaining our - our CPI. So our forecast is - well, the forecast from the pre-election financial projection statement is for that to ease to 2.75 and 4.5 and then remain within the mid - the - our RBA target range for the whole period of the forecast. So just to compare our forecasts or the PFPS forecasts with the national CPI, the basic profiles are very similar. You do see that national CPI forecast from the Commonwealth Treasury and from the RBA does pick up in '25/'6 to the top end of that range. So that's the headline CPI, but the RBA basically looks at their trim domain, which includes some - some volatile components, and - and that's certainly consistent with being in the middle of their target range, 2.6, 1.1 above their target, middle of their range. So that's - that's obviously why they're comfortable with having reduced the - cutting their cash rate yesterday. And it's broadly consistent with our profile. Our profile is probably slightly higher than that short-term part - you know, it's not much higher than the RBA trim mean and that's - that would be the housing component, would be the contributor. So productivity - just before I go to the actual productivity slide, I mean - I - there are - there is - obviously, you'd be aware there's a number of ways of measuring labour productivity which looks about - in relation to outputs to labour inputs, and multifactor productivity which looks at the ratio of output to combination of labour and capital. Multifactor is more comprehensive measure. So improvements of productivity come from a variety of sources, and it's worth bearing in mind that measured increase in labour productivity cannot be attributed solely to contributions from labour. It's not a complete measure because it does not take in capital accumulation and investment in capital can make substantial contributions to labour productivity. That said, the ABS does caution that in the short-term multifactor productivity estimates are subject to data limitations, such as variations in capacity utilisation, economies of scale, reallocation of capital and labour, so effects from reallocation combining those, and measurement error. So it cautions that using measures such as multifactor productivity should be used for analysis of long-term trends, and that's not really - they're not really ideal for short-term fluctuations. So experimental estimates of labour and multifactor productivity have been produced by the ABS. They were first produced at the State level in January 2018. Obviously, since that time - they're experimental, they really heavily emphasise that at the State level. And obviously, since they started publishing - which was in 2018 - we've had a period in which things have been disrupted by COVID. And even the Productivity Commission's latest March quarter productivity quarterly bulletin does talk about how COVID has impacted on productivity measured in that period, that it was going up and down due to different effects from COVID. So yeah, I'm just saying that since they started this series, there has been that unusual impact.

THE WITNESS: Probably we would have been less impacted than other States because shutdowns weren't as prevalent there as they were over east. But what - just to summarise what the, again, experimental estimates of - and it's market sector productivity, it's not for the total economy. So it doesn't include educational health or, yeah, those. And I think a general administration and public sector administration type functions. So market sector productivity, if you look at multifactor productivity, again, that's showing a decline in West Australian multifactor productivity in 2023/'24, but I would caution again that the ABS does say that annual rates are something not to focus on, which is why I've included the past five years. The ABS actually talks about measuring it from peak to peak of the productivity cycle. Well, this isn't - this isn't quite measuring that, but I've tried to do something that gives you at least a five-year period of growth. So that's - it's basically saying multi-factor productivity is - has been flattened WA. And in terms of labour productivity, it's been declining both last year, last financial year, and modest declines over the past five years. Now, we do know that the mining sector, which almost accounts for more than - well -well over 40 per cent of our economy, close to 50 per cent of the State economy, has had a negative productivity for a few years, so that will be dragging the West Australian productivity measure down. But we don't have - I haven't tried and I'm not sure I would be able to anyway, to disentangle what that means by excluding it for WA, so I'm not in a position to provide advice on that. But other than if you've got zero modern multifactor productivity over the last five years, that's probably going to be - it would be positive if you take that mining industry out, and I think the mining industry's sufficiently - so nationally the mining industry multifactor productivity declined by 1.9 per cent over the past five years, so you can see, given that's such a big part of the WA economy, you would have had positive growth in that measure. But beyond that, you know, that - that's - that's - I'm just providing that as sort of summary statistics on productivity for the - the Commission to - the Commission's information and noting that it's come out. Yep.

KENNER CC: The RBA seems to still have the view that it's one of - it's a risk to its outlook, if you look at its most recent publications, and certainly mentioned yesterday in the release, in relation to the reduction of interest rates?---That's always going to be - yeah, it will. Because it's been so low for a number of years, it will be a concern to them because without productivity growth, you need productivity growth really to sustain wages growth over time if you're not going to have significant adverse effects on inflation or the - or unemployment.

I think the economic theory used to be that unless they keep pace with trendline productivity rates, then there'll be inflation, but that's the - - -?---Yes.

- - - the broad picture?---Yep.

But that's coloured by other things, of course - - -?---Yes.

- - - in the workings of the economy, but that seems to be the theoretical approach?---Yes, that's correct. Yep. So, I'll - I'll - we've been through the forecast, but essentially we're expecting after a week - well, the domestic economy activity to ease, but still remaining relatively solid. GSP were expecting to - well, the PFPS was expecting to increase after a very weak year last year.

THE WITNESS: There's some downside risk to both of those forecasts for '24/'5, more modest for State final demand and more material for – for – for, um, GSP. Ah, a slight, um, employment – there's a slight downward risk to that '24/'5 forecast and unemployment rate there's probably a slight upside risk. But beyond those, um, risks there's, ah – the – um, you know, that set of forecasts – I mean it's only in '24/'5 we can even point those out but, um, ah, um, beyond that we're – we're stilling looking at a – at an economy which is growing. This has got solid employment growth line of employment rate historically. Inflation within the RBA's comfort zone. Um, wages stabilising at about three per cent and real wage growth across the period, um, with slightly slower population but still going by 1.7 per cent by the end of the period.

Um, so the risk to what I've just described obviously the most significant risk is to that global outlook, um, and we just don't know how the US, um, and, ah, key trading partners might progress things. Obviously I think, um, the will would be to try and de-escalate, if – if, you know, the US can get agreements with its trading partners, particularly China. And they've made some way – headway having de-escalated from extremely high rates that they've applied against each other. Um, but we just don't know how that'll play out. There's the Chinese economy is weak. Um, largely that – that property market, um, means weak spending. Household spending is still subdued. And, um, because it's, you know, reliant on exports for growth that – that there's a little bit more exposure there, um, to what's happening with the trade situation.

Consumer spending may be lower than we have anticipated, if households become more cautious in response to elevated uncertainty or if mortgage rates are maintained at higher rates than anticipated. So far the RBA's been tracking the market sentiment but let's see. Um, the new residential construction market continues to face labour constraints and, um, that may actually constrain work done more than we forecast. Um, and obviously the volatility of commodity prices certainly may prompt, um, some delays or postponement of some investment decisions although we haven't been, um, hearing of that, ah, for – for large projects at all, so but it's always a risk. So that's the sort of outlook as far as, um, ah, I can describe to you today.

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

So are there any questions for Mr Christmas?

HARDING, MR: No questions from us.

KENNER CC: Mr Sneddon?

SNEDDON, MR: Nothing, Chief Commissioner.

HANTZ, MAS: No questions.

LOVE, MS: No, thank you.

KENNER CC: You're off the hook, Mr Christmas?---Thanks, Chief Commissioner. Thank you.

Thank you very much. That was very, very helpful indeed as usual and we're very grateful for your assistance. Thank you again?---Thanks, Chief Commissioner.

WITNESS WITHDREW

KENNER CC: Mr Entrekin, when you're ready, please.

ENTREKIN, MR: Thank you, Chief Commissioner. And I'd just like to thank Mr Christmas and his team again. We know they do a significant amount of work - - -

KENNER CC: Yes. Thank you.

ENTREKIN, MR: - - - that goes into that. Quite a lot of work that goes into those slides so – and the presentation, so we do thank you very much for presenting again this year. I'll now move onto the Minister's position. So from the outset the Minister acknowledges the critical importance of the State Wage Case. Many employees in the State jurisdiction are reliant on the Commission's determinations for the economic wellbeing and it's these workers that are really at the centre of the wage setting considerations.

While the needs of the low paid, and the provision of fair wage outcomes are highly relevant, wage adjustments also need to be sustainable for employers allowing small businesses and community organisations in the State system to remain viable. While not quantifying a specific figure the Minister believes that any increase determined by the Commission in this year's proceedings should, as a minimum, meet the needs of the low paid and keep pace with changes in the cost of living. The Commission should obviously take into account the needs to encourage opportunities for employment and skills development.

We note that in the 2024 State Wage Case decision the Commission made an important decision to realign the State minimum wage to the C13 rate in the Metal Trades General Award and that increased it to \$918.60 per week. This followed the Fair Work Commission's realignment of the National minimum wage the previous year. So as a result of that realignment the State minimum wage went from being almost \$20 a week lower than the National minimum wage to be just marginally higher. This outcome was welcomed by the Western Australian Government as it closed a gap that had opened up temporarily between the two jurisdictions.

To preserve the integrity of the State system and to ensure it remains fair and relevant for employers and employees the Minister submits it's desirable that any increase determined by the Commission this year not be less than that awarded in the annual wage review. There's merit in maintaining a degree of harmony in wage adjustments in the State and National systems to provide equity and fairness for Western Australian employers and employees. Having restored some parity between the amounts payable to the lowest paid in both jurisdictions we say it would be undesirable for the State system employees to then receive an increase this year that's markedly lower than that awarded nationally, which would potentially undermine some of the benefits that flowed from the realignment last year.

Another consideration is the need to ensure that rates of pay and State awards don't fall significantly behind those in the National system. We note that in the National jurisdiction many of the skilled classifications in modern awards are now higher than those in equivalent State awards and that's come about through a variety of factors. In some cases the lack of maintenance of the skill based classifications in some State awards but also some recent work value determinations at the National level.

Just to give a few examples, the minimum weekly wage for a level 4 social and community services worker the first pay point is \$1,636.93 in the National system and it's \$1,482.40 in the State system. That's including the equal remuneration order for both awards. The base weekly wage for a fulltime Certificate IV qualified pharmacy assistant is \$1,074.70 in the National system and it's \$971.70 in the State system. And for a qualified dental assistant it's somewhere between \$1,032.30 and \$1,067.30 per week in the National system depending on the level of responsibility. In the State system for dental assistants it's \$918.60.

So obviously that's not an issue that can be addressed fully in the State Wage Case. We just make that point that the margin between the wages for skilled classifications would widen further if there was to be a lower increase in the State system. And obviously there's still many skill shortages that are evident in a range of industries, as we've heard this morning from Mr Christmas's presentation. So it's desirable that a fair and sustainable increase be afforded to minimum pay rates in the State system.

In relation to the economy and the labour market the Minister notes the Western Australian economy and labour market have continued to display considerable resilience with low levels of unemployment, solid fulltime employment growth, buoyant household consumption, and ongoing population growth. As demonstrated in much of the data presented by Mr Christmas this morning, most economic and labour market industries remain above pre-pandemic levels and the State's domestic economy in particular has been robust. While WA's economy and labour market have remained strong the State's economic outlook is subject to several potential risks, which were also discussed this morning, in particular the significant escalation in trade protectionism and tariffs, which is rapidly evolving.

Notwithstanding these risks, West Australia's performed very strongly, and the State leads the nation on a variety of different indices, and indeed, we've regained the title of the number one State in the CommSec State of the - State of the States report. While WA's delivered strong economic outcomes, the Minister still acknowledges that cost of living pressures have been challenging for many households, in particular, salary and wage-earning households, and those people are more likely to have mortgage and loan repayments to service or rent to pay.

Over the past year, Western Australian property prices and rents have continued to increase, and while the State's housing market has had a modest - a modest softening in recent months, it still remains pretty tight. As some of the other parties have also noted in their submissions, increases to a number of non-discretionary expenses such as health, education and insurance have also exceeded the total per CPI over the last 12 months.

The Minister does acknowledge that rising expenses are also an impost for employers and hiring costs also create challenges for some businesses. So to help address some of the cost-of-living pressures, the State and Federal governments have implemented a range of initiatives to help ease the financial burden, and they've introduced a range of things such as electricity credits for - both for businesses and households, discounted public transport, student assist payments, utility hardship concessions, et cetera. While these initiatives are welcome and important, government cost-of-living measures are still not a substitute for fair and regular adjustments to minimum rates of pay, which still remain essential for the financial wellbeing of workers.

When looking at wages, the Minister notes the - the wages growth has eased over the past year and - as we saw from this morning's presentation, and the wage price index has declined from a growth of 4.2 per cent in the year to March 2024, down to 3.7 per cent in the year to March 2025. The latest projection from treasury is for wages growth to grow by 3.75 per cent in '24/'25, and we're tracking pretty close to that at the moment, before easing slightly to 3.5 per cent in the next financial year, and three per cent in the two years after that.

All inflations also eased considerably over the last two years and wages growth is projected to be positive from this financial year onwards. The significantly higher rates of inflation recently experienced have put pressure on many WA households. Minimum and award wage earners are a particularly vulnerable cohort, and they often have little in reserve to meet unexpected expenses or emergencies. The Minister notes the most recent seasonally-adjusted estimate for average weekly ordinary-time earnings, or AWOT, is now about \$2,156.80 per week or a little over \$112,000 per annum. At the same time, the State minimum wage is a little over - sorry, a little under \$48,000 per annum, and the C10 classification, that is the Skilled Tradespersons Classification, is a little over \$53,000 per annum.

As outlined in the Minister's primary submission, the most recent data indicates that award-reliant employees in WA have much lower average earnings than those employed on other pay-setting arrangements, and even lower average earnings than award-reliant employees nationally, and that may seem a little bit surprising, although it's perhaps not when you consider that WA has long had a higher Gini coefficient when it comes to wage distribution. So the importance of a fair and sustainable increase in award wages is therefore paramount.

In relation to coverage of the State wage case, the Minister's written submission included some breakdowns of the most commonly-accessed award summaries produced by the department.

KENNER CC: Yes.

ENTREKIN, MR: And it's notable that the top few awards actually accounted for a substantial portion of the total downloads. And we note that, while the number of award summary downloads is - is not a direct proxy for the number of employees covered under particular State awards, and I confess to being guilty of contributing to some of those downloads, this information - - -

KENNER CC: We'll apply a significant discount.

ENTREKIN, MR: Yes, yes. At least the good thing is, I probably have discounted it evenly across all of those summaries, so it probably washes out in the end. Nonetheless, this information does provide anecdotal evidence as to the industries that are most affected by the State wage case. The data in the Minister's submissions suggest that a relatively small number of State awards account for the bulk of private sector and local government award coverage in the State's system, and similar observations been observed in the national jurisdiction, where research has found that the vast majority of award-reliant employees are employed under a small number of national - - -

KENNER CC: Yes.

ENTREKIN, MR: - - - modern awards. The Minister notes that, in the last year, significant progress has been made outside of the State wage case to update a number of the key State awards and to expand their scope, and this work's vitally important to ensure the award system remains relevant and accessible for employers and employees in the State jurisdiction, and the State wage case process complements this work. The Minister's written submission also includes detail on apprenticeship and traineeship commencements and numbers in training. The information regarding training arrangements in Western Australia has been provided by the Department of Training and Workplace Development, and the Minister thanks the department for providing that information.

As outlined in the Minister's written submission, apprenticeship commencements remained largely static in 2024, while traineeship commencements declined. So traineeship commencements have declined by a fair bit in the last two years, following the withdrawal of certain Commonwealth government wage subsidy incentives in 2022. So the total number of West Australians engaged in training declined by around 2,000 persons in 2024. However, this was entirely due to the fall in the number of people engaged in traineeships. The total number of people currently undertaking apprenticeships rose marginally in 2024, and that's the seventh year in a row that total apprenticeship numbers have increased.

And we do - when we look at the breakdown of the actual industries, a number of those increased apprenticeship numbers are in the building trades, which will be good in some of the years coming. Western Australia's still experiencing a skill shortage in a variety of sectors, however, including the construction trades, health and aged care, tourism and hospitality and agriculture. A fair wage adjustment for State award wages will flow through to the rates of pay for apprentices and trainees, which is important for facilitating the uptake of vocational and educational training in Western Australia, and updated schedule of the registered training packages and the industry skill levels was appended to the Minister's primary submission for use - - -

KENNER CC: Thank you for that.

ENTREKIN, MR: Thank you. In this use of the State award order. As part of this year's proceedings, the Commission and court session indicated that it would also like to hear from the parties in relation to clause 8B of the State wage order, and that sets out the adjustment of trainee wages following any increase in the State wage order. So at present, the State wage order provides that the highest rate for each skill level - highest rates for each skill level are increased by 80 per cent of the arbitrated safety net adjustment.

However, in practice, this only occurs when there's a flat dollar increase determined by the Commission. In the case of any percentage increase being awarded, the longstanding practice has been to adjust the highest rates for each skill level by the actual percentage and not by 80 per cent.

KENNER CC: Yes.

ENTREKIN, MR: So to (indistinct) 11.54.41 the - the State wage order to reflect the longstanding practice, the section 50 parties conferred and agreed on a proposed update to the wording in clause 8B, and that was included in the Minister's written submission.

KENNER CC: Yes, thank you.

ENTREKIN, MR: And I thank UnionsWA for reaching out and facilitating some discussion on that. In terms of the date of effect, the Minister submits that any increase awarded at this year's State wage case should take effect from the first pay period on or after 1 July 2025, in line with normal conventions. Before finishing, I'll just briefly touch on the submissions of some of the other parties participating in the State wage case. For the CCIWA - in its submission, the CCIWA proposes the Commission grant a 2.5 per cent increase to the State minimum wage and, presumably, State award wages.

The Minister notes that a 2.5 per cent increase would effectively amount to a real wage decline for minimum and award wage earners in WA. This would add further pressure to many working households, particularly given cost-of-living pressures they've experienced in recent years. So the Minister respectfully submits that a below-inflation increase would not adequately consider the needs of the low-paid and contribute to improved living standards. In its submissions, the CCI contends that the increases to certain allowances in State awards represent an improvement in the overall wages and conditions of employment and that any increase to the State minimum wage should be moderated because of this.

In regard to the allowances contained in State awards, a small handful of allowances out of many thousands operating across the State's system have recently been updated as part of award review processes. However, it's important to note that most of these allowances had been frozen for many years, and the award updating process has simply brought those allowances up to an amount that represents their contemporary value. So we don't consider that to be an enhancement of conditions of employment in the commonly-understood sense, but rather an adjustment process.

So the Minister contends it wouldn't be appropriate to discount the level of any across-the-board increase for the State systems workers because of the indexation of a few allowances to reflect present-day values. In terms of business operating conditions, the CCI's initial submission also highlights the - the difficult operating conditions that WA businesses currently face and submits - it also discussed the - the number of business failures across the State over the last 12 months and it submits that the - the data shows a considerable rise in the number of business failures and suggests that the - the sectors affected by the State wage case aren't as positive as suggested.

It also contends it's important for the Commission to consider the impact of high interest rates, higher input prices and higher labour costs on business. Certainly, the Minister acknowledges that business costs are a relevant factor in determining the capacity of employers to afford increased wages. However, in regards to insolvencies, the Minister notes that, actually, yesterday the Federal government provided to a response to a - a question on notice from the Fair Work Commission regarding an increase in business insolvencies at the national level, and in response to this question, the - the Federal government noted that insolvency levels actually remain below the long-term historical average as a proportion of total companies.

It also noted that the level of insolvencies are not a reliable indicator of business conditions, given insolvency activity can reflect other factors, and business insolvency doesn't necessarily equate to business closure, as small businesses entering corporate insolvency are increasingly using the small business restructuring process to remain in business. I think UnionsWA made a similar point in its submission as well.

The Minister also notes yesterday - as was discussed in this morning's presentation, that yesterday, the Reserve Bank lowered the official cash rate by a further 25 basis points, or a quarter of a per cent, and that followed a - a quarter of per cent reduction in February this year, and markets are strongly pricing in further rate cuts this year, which would hopefully also bring some relief to businesses and households servicing their debts. UnionsWA are seeking an increase to the State minimum wage of \$41.34 per week and 4.5 per cent increase to award wages. Just on a very technical point, the Minister noted that, consistent with the rounding formulas, minimum weekly rates of pay are rounded to the nearest ten cents. So that would effectively mean an increase of \$41.30 to the State Minimum Wage, rather than \$41.34. And rates of pay in State awards would also round to the nearest 10 cents.

UnionsWA's submission reproduces material demonstrating many essential and non-discretionary expenses that have been rising faster than total CPI. The Minister acknowledges that living costs for many minimum and award-reliant workers have risen faster than for the community as a whole. And that's also borne out by the Employee Living Cost Index, which is only available at the national level, unfortunately. But that does show employee households as having somewhat higher living cost increases than all CPI. And that's mainly due – or a large part of that is due to the fact that wage and salary earners are more likely to have mortgage and salary – sorry, mortgage and rent payments to service. So that's a relevant consideration for the Commission to consider.

UnionsWA's submission also notes the high gender pay gap in WA, and includes some of the same data regarding gender pay disparity that was referenced in the Minister's submission. So the Minister agrees that female employees are more likely to be reliant on minimum and award wages, and notes they're also more likely to be low-paid, award-reliant employees. While the State Wage Case can only play a limited role in reducing gender pay inequality, the fact that women are more likely to be award-reliant and low-paid reiterates the importance of a fair and sustainable increase being awarded in this year's proceedings.

And as with UnionsWA, WACOSS proposes a 4.5 per cent increase in the State Minimum Wage, although, it hasn't proposed a particular increase for other award wages. The Minister acknowledges the detailed information provided by WACOSS regarding living costs, inequality and poverty, amongst vulnerable members of the community, and the use of the case studies outlining the lived experience of low-wage earners. That does present some valuable, real-world examples of issues affecting people. So that's relevant background information for the WAIRC's – sorry, for the Commission's consideration in the State Wage Case.

And the West Australian Local Government Association also put in a submission again this year, and supporting increases that balance the need for fair wages with the requirements of 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's a relevant consideration, as is the need for local government workers reliant on award wages to receive a fair wage increase as part of this year's proceedings.

So in conclusion, the State Wage Case proceedings are an important part of the industrial relations framework. The Minister supports the Commission delivering a fair and sustainable increase to minimum and award wages, and one that protects West Australian workers and supports growth and opportunity for local business. Any such increase should, as a minimum, keep pace with changes in the cost of living, while also being sustainable.

And to preserve the integrity of the State system, the Minister also submits it's desirable that any increase determined by the Commission not be less than that awarded in this year's annual wage review.

The Minister has no further substantive information for these proceedings, but it reserves the right to respond to matters raised in the presentations of the other parties.

If it pleases the Commission in Court Session, that concludes the Minister's submission.

KENNER CC: Thank you very much, Mr Entrekin.

Thank you very much, indeed, Mr Entrekin, for those submissions.

ENTREKIN, MR: Thank you.

KENNER CC: Now, Mr - - -

HARDING, MR: Harding.

KENNER CC: - - - Harding, would you like to go first?

HARDING, MR: Yes. May it please the Commission in Court.

I, Mr Harding, appear on behalf of the Chamber of Commerce and Industry Western Australia, alongside my colleague, Mr Collins, who, today, if there's any substantive questions about productivity that get into the detail, will be able to help answer, as our Senior Economist.

CCIWA primarily relies on our written submissions and – that have been tabled and shared with all parties. However, I'll take this – the opportunity today to summarise our position.

Some of our economic insights referred to in my contribution today, as well as the two submissions, are produced in-house. Every quarter, we run our business confidence survey. This is the longest-running and most comprehensive business survey in WA. We survey WA businesses of all sizes and sectors across the State on a quarterly basis. We look at business confidence levels and the level of productivity – profitability, as well as exploring key concerns facing businesses, such as labour costs, supply chains, pressures and skill shortages.

For our March '25 quarter survey, we had 632 respondents. Of the respondents, approximately 40 per cent came from industries most represented in the State system. More than 50 per cent of those who respond to the survey have less than 20 staff. As a point of comparison, the NAB Small Business Survey has about a hundred respondents from WA.

CCIWA contends that the most appropriate and economically responsible increase to the State Minimum Wage and award wages is 2.5 per cent, with a total compensation increase of 3 per cent, when including the statutory rise in superannuation. There are several reasons for this position, which I'll take you through now.

Firstly, Chief Commissioner and Commissioners, we must look at the state of the global economy. The global economy has been more resilient than anticipated, considering the number of headwinds and external shocks that have been occurred – that have occurred through the global system. However, significant concerns remain. And there is considerable uncertainty going forward. CEO, Matt Comyn said, quite succinctly, that there is a heightened risk to the global economy from geopolitical and macroeconomic uncertainty, which can slow the domestic economy.

The OECD expects global economy to continue growing, however, at lower rates. They forecast global growth of 3.1 and 3 per cent in 2025 and 2026 respectively. This is also below the long-run average, and is attributed to sluggish productivity and global geo-economic fragmentation. This geo-economic fragmentation, currently underway, poses significant risks to both growth and inflation, both here and globally. In particular, the sweeping tariffs recently announced by the US on almost every economy in the world is threatening a global economic slowdown, as supply chains are forced to reshuffle.

Australia, and indeed, Western Australia, are not immune to these impacts of these tariffs. While having a limited direct impact, Australia has significant indirect exposure through the effect tariffs will have on our trading partners. Most notably, China. Australia's major trading partner, China, is going through, itself, a prolonged economic slowdown, the likes of which have not been seen since the 1990s. China has been the most heavily impacted by the US-tariff agenda, initially facing a tariff rate of 145 per cent on all goods from 12 April 2025. On 12 May, China and the US agreed to a 90-day reduction in the tariffs between them. However, beyond that 90-day reduction, at this point, the US tariffs on China will resume at 145 per cent, and China's tariffs on US goods resume at 125 per cent.

As a result, many commentators have significantly downgraded their forecast for China's economic growth. Vanguard, for example, has downgraded their forecast from 4.5 to just above 4 per cent. This is particularly relevant for Western Australia, as approximately half of our exports are sent to China every year. Any slowdown in China will likely most be felt in WA, as weaker economic growth results in weaker demand for WA's exports.

Alongside tariff risks, there are significant structural issues in China threatening its economic outlook, including the persistent downturn in its property market, high levels of debt and a declining population. China's economic troubles have a direct impact on WA, and particularly, our mining sector. Importantly, 85 per cent of WA's iron ore exports, a quarter of which are currently used in China's property sector. Recent data has shown that real estate investment in China continues to contract, falling to 9 – falling 9.5 per cent over the year, to February 2025. Floor space under construction has also fallen 9.1 per cent over the same period, and is now 24.8 per cent lower than the end of 2021.

This significant uncertainty surrounding the impacts of the tariffs on China's export sector, combined with persistent weakness in its property sector, means caution must be taken when assessing China's economic outlook. Given WA's reliance on China's demand for its exports, the health of China's economy should be considered a key risk to the economic outlook for WA, and in turn, the strength of WA businesses.

Chief Commissioner and Commissioners, I'll just now touch on the national economy. Australia's economy has softened over the past year according to the ABS. The economy grew just 1.3 per cent over the year to December 2024 lower than the 1.5 per cent growth of 2023. These figures are also below the long run average of 2.7 per cent as high interest rates and the last of the main inflationary pressures dampen economic activity. Public spending nationally has been the primary driver of growth with public consumption rising 5.1 per cent and public investment lifting 8.1 per cent over 2024.

In contrast, household consumption only rose 0.7 per cent and business investment fell 0.1 per cent, both of which have weighed on growth. Commissioners, this is not a sustainable formula for growth for the Australian economy as it continually is heavily financed by significant cash deficits by both States and Federal Governments and will weigh on Australians in the future either through higher taxation or reduced services. Encouragingly the RBA expects economic activity to improve in 2025 and 2026 alongside real wage growth supporting consumption. This is coincided with the easing of interest rates with now two rate cuts since February. Producer prices, which are measured by the producer price index, continue to remain elevated, however, and are increasing at a greater rate than they are being faced by consumers rising 3.7 per cent over the year to March.

The ABS knows the increase stems from labour shortages, higher input prices associated with higher labour costs and higher operating costs in service industries. This continues to push up the costs of doing business in Australia as well as Western Australia making it much harder for small and family run businesses to weather unsustainable wage increases. For consumers the outlook is much more positive. Inflation continues to subside nationally, which is now at 2.4 per cent over the year to March. True mean inflation, which is the RBA's primary inflation measure, is also now within the RBA's target band at 2.9 per cent over the year to March. The RBA has, in their recent statement of monetary policy, revised inflation to remain within the target band over the forecast period with 2.6 per cent to the June 2025 quarter.

While this is within target band it is still above the midpoint of the RBA's targeted range suggesting the RBA will continue to remain cautious about the outlook and the upside risk to inflation. This suggests that the fight against inflation while positive has not yet been won. In assessing risks to the inflation outlook the RBA has also identified low levels of productivity growth as one of the three most prominent risks underlying high inflation gaining traction once again. The impact of this is significant as inflation is regressive meaning it will impact those on the lowest incomes the most and erode whatever benefits come from large nominal wage increases.

Chief Commissioner and Commissioners, one of the most important aspects that CCIWA contends should be considered by the Commission is this issue of productivity. Productivity growth is important because it enables rising living standards and is needed for real wages growth to be consistent with stable inflation over the medium term. Ultimately increases in wages are not sustainable without long term gains in productivity growth. If labour productivity increases unit labour costs will decline where unit labour costs are the additional costs of an extra unit of output. Unit labour costs are a critical measure as they affect firms' pricing decisions and, therefore, the overall rate of inflation.

Commissioners, unit labour costs have risen 5.3 per cent over the year to December 2024 nationally. This is significantly higher than the pre-pandemic average of 1.8 per cent resulting from higher nominal wages growth with subdued productivity. Productivity in Australia remains weak with the RBA yesterday releasing that labour productivity has declined 1.5 per cent over the year to December 2024. As a result productivity levels have returned to the same level as they were in 2015, that is 10 years of stagnating productivity within Australia. Commissioner, this is a significant issue and is getting worse.

During 2024 annual wage review the Fair Work Commission made a decision to limit the increase of the rise of the National minimum wage and award wages as a result of the lagging productivity. In 2024 the Commission said this poor productivity performance was a moderating factor in the determination of the quantum of minimum wage increases awarded. Right now the nation's labour productivity has gone backward once again since the Full Bench made that statement.

Chief Commissioner and Commissioners, I'll now just touch on WA's economy and its outlook. While we have been extremely well positioned in Western Australia the WA economy has continued to perform strongly. This has been driven by a solid but slowing household consumption, rising business investment from large scale investment projects, and significant government investment and consumption. Lastly, government investment continues to drive a large proportion of the State's economic growth. The State Government asset investment program has seen a surge in public investment activity arising 17.6 per cent over 2024. Asset investment is expected to decrease over the forward estimates but is still at elevated levels as the program continues to be rolled out. However, extensive government expenditure is not a sustainable pathway for WA's economy to continue growing.

Also, as noted in the WA Government's budget inflation is forecasted to decline further falling to 2.75 per cent over 2024/'25 and remaining at that level in '25/'26. While we have been incredibly lucky WA's economy continues to also be overly reliant on a single industry for our economic prosperity with the mining sector comprising of nearly half of the State's gross value. This over reliance on the mining sector means that WA's economy often follows a boom and bust cycle. When commodity 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 combined make up almost three-quarters of WA's exports.

As you can see, our State's robustness is largely due to the significance and strength of the mining industry with that economic prosperity not always shared across the industry sectors. This is why we caution the use of the headline figured in determining whether businesses can afford a significant rise. Both short term and long term business confidence in WA has improved, however, it remained below levels experienced prior to COVID. Nearly 70 per cent of businesses involved in our March survey indicated rising operating costs as the biggest barrier to growing their business over the coming year.

Interest rates continue to weigh heavily on businesses. Just as higher interest rates increase mortgage repayments for households they too impact the growing costs for businesses. This is also reflected in the RBA's September 2024 financial stability review, which stated:

"The impact of higher interest rates tend to be larger for smaller businesses."

They are also the businesses most likely to be captured in the State Industrial Relations system. Commissioners, all of this has continued to put sustained pressure on business with the rate of business failure continuing to grow. CCIWA finds this deeply concerning.

KENNER CC: Presumably with the RBA seemingly on a pathway to loosening monetary policy that may have some positive effects for small business, which are, of course, may have mortgages - - -

HARDING, MR: Yes.

KENNER CC: - - - linked to their businesses to fund their business expansion. I know homes may be mortgaged to the businesses. So that will have a positive effect for them as well, won't it, as well as consumers - - -

HARDING, MR: Yes.

KENNER CC: - - - employees?

HARDING, MR: Yes, it will. Obviously I will caveat that with the fact that if the banks do pass it on, though I think all four banks, major banks, have passed it on as of today, but that obviously is predicated on that. However, we know that most business lending is primarily, particularly for small businesses, is by household mortgages. I can, during the break, make sure we can get some of that data to you.

KENNER CC: Yes. I think there was some material available last year as well.

HARDING, MR: I believe so, yes.

KENNER CC: But I just wanted to make that point because there will be some benefits for the small business sector as the RBA moves down this path I think.

HARDING, MR: That is true but obviously it's just one component of the rising costs as well.

KENNER CC: Yes.

HARDING, MR: Thanks. Commissioners, all this has continued to put sustained pressure on businesses with the rate of business failure continuing to grow. In WA we have seen 30 per cent more businesses enter administration over the last 12 months to March 2025 when compared to the year prior. Over the last two years we've seen a 66 per cent increase as more businesses enter administration. This is expected to trend higher as pressure on operating margins continue. The businesses failing include those most likely covered in the State Industrial Relations system. For example, the food services industry has seen a 21 per cent jump of businesses going into administration. The construction industry has seen a 19 per cent jump. The health care and social assistance industry has seen a 37 per cent jump. And the retail industry has seen a four per cent jump. When looking at these rates of administration we can broadly indicate that the overall capacity for businesses to pay continues to be restricted.

As the RBA has noted as well in the '24, September '24 financial stability review, there is an increasing 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 more significant declines in profitability in the retail and hospitality industries. This review reinforces the empirical data mentioned earlier. Businesses in WA and across the country more broadly continue to face significant uncertainty and cost pressures. These all continue to result in greater business failures and reduce profitability. Ultimately a reduced capacity to cover the higher wage increases. CCI, therefore, would submit that the Commission should consider the comments of the RBA and recent asset data that shows businesses continue to have a restricted capacity to pay.

Just on the next, I'll touch on a system of fair wages that conditions the Chief Commissioner and Commissioners. We contend that it is important to consider other increases that impact the entire remuneration package, which is the direct cost to employers. For example, effective of 1 July 2025, statutory superannuation contributions will increase by half a percent to a high of 12 per cent. There has also been recent changes to allowances and variations that are occurring for the State awards, which have been undertaken by the commission.

While we accept that it is bringing them up to what the levels are currently, it is still a direct substantial increase from where they were, which is a direct cost on their business, particularly those that are likely to be smaller. This also includes the recent general order, which will now make all State awards have a mandatory 25 per cent casual loading. We contend that these must be considered as part of the State wage case and considered by the commission in court, as they will have a direct impact on the cost of businesses, and do make up the total cost of employment.

Importantly as well, the wage price index shows wages in WA grew by 3.7 per cent to March 2025, compared to the national growth of 3.4. This is also the highest rate of wages growth of all states. We also note, for a system of fair wages conditions, businesses must continue to be profitable. Currently the profit margins for businesses, particularly SMEs, remain tight, and business failures are rising. And I'll just make some final comments around meeting the needs of the low paid.

State minimum wage and State award wage have received a real wage increase over the last 2024 State wage case. Using the State budget's assumptions, the State minimum wage increased by 3.64 per cent when compared to the rate of inflation of 2.75 per cent over this financial year. Since 2021 - 2022, real wages growth for those reliant on the State minimum wage have grown in real terms to 4.8 per cent, while the rest of WA has fallen over that same period by just 0.4 per cent.

While looking at it over the past four years, those reliant on the State minimum wage have not gone backwards, but have continued to improve, especially when compared to the rest of the WA. It is also important to note, as the commission has stated itself in previous cases, that the State minimum wage alone cannot address all the needs of the low paid. And as such, tax and transfer payments have a significant role in providing targeted relief to the low paid. As Mr Christmas noted, the State government and the federal government are providing cost of living relief for many of those who are low paid.

This, through a varied approach, is occurring, which includes greater social welfare benefits like rental assistance payments and other measures including income tax changes, which are directed at those on the lowest income levels. We believe these factors should be considered by the commission when determining the State minimum wage. I'll just like to briefly summarise our position and finish off.

CCIWA holds a position that a 2.5 per cent plus a half a percent superannuation increase is the most economically responsible course to support the low paid while not being inflationary or detrimental to WA businesses. Our reasoning is simple and clear. The economic environment for large increases of the State minimum wage is not there. The fundamentals of the WA economy is being challenged by a myriad of local, national and international factors.

Our largest trading partner is currently caught in the large global push away from free trade and the rise of protectionism, putting us at significant risk. Their own economic lows are a cause of concern for WA. Domestically, labour productivity continues to go backwards with workplaces in Australia continue to be less and less productive every year. We continue to see concerns raised time and time again of business failures, suggesting the headline figures being experienced do not marry up to the reality of operating in Western Australia and Australia.

For these reasons, we suggest that a 2.5 per cent increase to a total of 3 per cent when in factoring in super will proportionally provide greater benefit to the low paid workers while at the same time minimising any inflationary pressures or business insolvencies that may occur with a large percentage increase. This concludes my remarks today. Thank you, Chief Commissioners and Commissioner.

KENNER CC: Thank you very much indeed, Mr Harding.

COSENTINO SC: I think it's put against CCI that in relation to the submission that increases in allowances as part of award reviews are just bringing things up to date. But I guess to the extent that those award reviews involved changes to the scope of an award, for instance, the Hair and Beauty Award bringing in the beauty industry, those are allowances that never previously applied that now apply.

HARDING, MR: I will admit I'm not well versed on the Hair and Beauty Award, but I would, yes, that is the case. The one that would come to my mind was - it was last year - is the Shop Warehouse Award where there was a substantial increase as a result of using the calculation system that is in the national award, which, again, brought it up to the current standards but was a substantial increase from where it was. And while we accept that it is bringing up to today's standard, it is still a direct cost on the employer. They're the ones ultimately paying it. They've gone from being hypothetical of \$4 or \$15 up to a \$20 or \$30 or \$40 increase. It's still a direct cost to the employer, even if it is bringing them in line with the current costs that they're meant to be now.

KENNER CC: Thank you very much indeed, Mr Harding. Are we going to hear from Mr Collins?

COLLINS, MR: No, Chief Commissioner.

KENNER CC: All right. Thank you very much.

Now, UnionsWA, please. Mr Sneddon.

SNEDDON, MR: Chief Commissioner, Senior Commissioner, Commissioner. We primarily rely on our written submissions as well as those submissions in response, Chief Commissioner. We'll supplement those today with oral submissions.

Ms Hendon, Ms Rikki Hendon, who's the Secretary of UnionsWA, and today representing over 30 affiliated unions and well over 150,000 workers in Western Australia, will make some brief opening submissions, Chief Commissioner, and then we'll hand it over to Mr Hansen, who'll speak to our written submissions and take some questions if there's details around that

KENNER CC: Indeed.

SNEDDON, MR: It should be done by 1 o'clock, I would think.

KENNER CC: Well, that's very good to hear. We don't want to rush you at all.

SNEDDON, MR: You won't rush me. I'll hand it over to Ms Hendon.

KENNER CC: Thank you very much indeed.

Ms Hendon.

HENDON, MS: Thank you, Chief Commissioner. Senior Commissioner, Commissioner. Western Australians live in the richest state in one of the richest countries in the world. It is reasonable to expect that every full-time worker in WA, including those on the State minimum wage and the State award wages, can afford to put a roof over their heads, food on the table, and live a life that reflects their innate human dignity. This expectation is reflected in the Western Australian Industrial Relations Act, specifically Section 50A(3), which states that the Western Australian Industrial Relations Commission shall take into consideration - amongst other things - the need to meet - the needs - the mean to meet the needs of the low-paid, provide fair wage standards in the context of living standards generally prevailing in the community, and contribute to improved living standards for employees.

Chief Commissioner, Senior Commissioner and Commissioner, I will contribute to UnionsWA's oral submissions today by examining the extent to which these expectations reflect the present reality for State minimum wage earners in Western Australia. Let's start with housing. Housing is more than just a roof over our heads. It is the foundation of stability, security, and opportunity. Yet for many hard-working people earning the State's minimum wage, the dream of affordable housing feels increasingly out of reach.

Perth, once known for its relatively affordable living conditions, has now become one of the least affordable capital cities in Australia for renters. CoreLogic's most recent quarterly rental review reported that Perth continues to record the largest annual rental increase amongst the capitals, up 6.3 per cent. Median weekly rent in Perth has surged to \$710 per week, making it the most expensive city in Australia in which to rent after Sydney.

The vast majority of minimum wage workers are forced to spend more than 30 per cent of their income on rent, pushing them into housing stress. For a single worker earning the State minimum wage, median house rents would consume an astronomical 74.03 per cent of their wage and median unit rents 70.76 per cent based on figures current as of April 2025. This means that securing a safe and stable home is no longer just difficult, it is nearly impossible. Many are left with no choice but to share overcrowded accommodations, live in insecure housing and or poor quality housing that places their health and safety at risk.

Some face the heartbreaking reality of homelessness despite working tirelessly to make ends meet. UnionsWA acknowledges the case studies highlighted in the written submissions by WACOSS. The themes within them are consistent with the stories WA unions report hearing from workers under their coverage. Stories of workers forced to sleep in cars because they have been unable to secure an affordable home at the end of their lease. Stories of workers forced to move back in with their parents, with their children in tow, because they can no longer afford their rent after yet another increase. Next, let's talk about putting food on the table. The affordability of food should not be a privilege. It should be a right, but according to Foodbank's latest hunger report released in October last year, food insecurity is a reality for approximately seven - sorry, three - 370,000, or 34 per cent of WA households, with low income households identified at greater risk than the general population.

And it is no wonder. As highlighted in UnionsWA's written submissions, the ACCC's supermarket inquiry final report released on 21 March this year found that, over the last five years, grocery prices have risen by more than other goods and services, with wages not keeping pace with grocery inflation. A trip to the supermarket is no longer just a routine errand. It's a financial balancing act. Prices for fresh produce, dairy and meat have surged, and with what little is left in their budgets after paying for rent, many workers on the State minimum wage finds themselves forced to make tough choices at the checkout by quality or quantity, risk the nutrition of growing children or cut back the size of adult meals, skip a meal altogether to make ends meet.

These are the real and impossible decisions which many low-paid workers tell their unions they're forced to make at the cost of their health and wellbeing. When a worker cannot reliably afford shelter that is safe and food that is nourishing, let alone their other non-discretionary expenses like utility bills, transport, education and medical costs - it's easy to reduce the frame by which we assess the adequacy of their wages to one of facilitating survival, but what of dignity? Section 50A(3)(iii) requires consideration be given to the need to provide fair wage standards in the context of living standards generally prevailing in the community.

Australia rakes - ranks highly on both the OECD Better Life Index and UN Human Development Index. Western Australians overall enjoy a good standard of living and expect a fair day's pay for a fair day's work to deliver them more than a hand-to-mouth existence. For most, it delivers a dignified standard of living that affords them the capacity, not just to keep their head above water, but to enjoy life, establish social connections and participate fully in their communities. Financial constraints can limit participation in social activities, cultural events and recreational activities, which are essential for mental wellbeing and community engagement.

This is reflected in reports from unions of low-paid workers who are unable to enrol their children in sport or pay for them to participate in special activities like going to the movies with their friends during the school holidays. The cost barrier to social inclusion experienced by low-paid workers exacerbates their challenges, limits their networks of support and impacts their capacity to realise their full potential. The capacity of State minimum wage and award-reliant workers to put a roof over their heads, food on the table and live a life that reflects their innate dignity hangs in the balance.

Chief Commissioner, Senior Commissioner and Commissioner, these workers are fortunate that you are in power to improve their living standards. Your decision in this year's State wage case has the potential to make a real, significant difference in their lives by awarding an increase that improves their security, stability, health and social wellbeing. UnionsWA contends that the Commission should make a substantial, real wage increase to the State minimum wage of \$41.34 per week, with commensurate increases of 4.5 per cent for State award-reliant workers. This is needed to address both the sustained increases in living costs I have described and the real wage decline my colleague, Mr Hansen, will now speak to in more detail. Thank you.

KENNER CC: Thank you very much, indeed, Ms Hendon.

Mr Hansen?

HANSEN, MR: Thank you, Chief Commissioner. Even as growth in the Consumer Price Index moderates, the cumulative impact of significant and sustained price increases has eroded the purchasing power of Western Australian workers. Despite the overall strength and resilience of the Western Australian economy, the cost of living remains a pronounced pressure on award-reliant workers. It is particularly acute for those on lower incomes because of the extent to which increases in the prices of essentials have contributed to the decline in real wages.

Using Perth's CPI in previous State wage orders, we chartered the trajectory of real award wages as presented on page 20 of our initial submissions. What is apparent is that real award wages show a decline. Real award wages, as measured using Perth's CPI, show the decline of 3.2 per cent from their peak in June 2020. An even greater decline of 4.92 per cent from June 2020 is observed when the Electricity Subindex is excluded. Conducting that exercise for the State minimum wage reveals a different trajectory due to the realignment from the C14 to C13 levels last year.

When the Electricity Subindex is excluded from Perth's CPI, however, it is apparent that, even following that realignment, real wage decline of 2.14 per cent has occurred from the June 2020 high point. In our initial submission, we also considered real wage growth through deflating the State wage case decisions by CPI at the - the time the decisions were made. Examining each decision from 2021, it is clear that increases in award rates have been outstripped by Perth CPI in every year except 2023, both when electricity is included and excluded.

The cumulative result is a real wage decline of 4.65 per cent and 4.95 per cent when electricity's excluded over that period. Doing the same to the State minimum wage, we found a real wage decline of 1.66 per cent and 1.96 per cent when electricity is excluded over that period. This is driven by Perth's CPI including and excluding electricity, outstripping State minimum wage increases in 2021 and 2022. UnionsWA recognises that CCIWA has taken a different approach to measuring real wages than we did in our initial submissions. We consider their approach to be analytically justifiable for the reasons outlined in our submissions in reply.

However, we can attend that by setting 2021/22 as the base year, it misses the commencement of the period where we have seen significant inflationary increases. As such, we consider it more illustrative, when taking this approach, to - to set 2020/21 as the base year. On that basis, cumulative State minimum wage growth over the period would be just 0.89 per cent. Given the realignment that occurred as part of last year's decision, which is responsible for pushing that growth into positive territory at all on this measure, it is clear that workers on award levels above C13 have not experienced real wage growth.

What these different measures indicate is, despite real increases for the State minimum wage in the last two decisions, and in 2023, for award wages, State minimum wage-reliant workers have, at best, seen only minimal real wage growth, while award-reliant workers at other levels have experienced a real wage decline. UnionsWA submits that, given the economic and business conditions of Western Australia, this year's State wage determination is the appropriate opportunity to make substantial progress in repairing the real value of minimum award wages.

UnionsWA also submits that the State wage order has an important role to play in addressing the gender pay gap. While we would certainly not contend that award wage increases alone are sufficient to overcome it, the significant overrepresentation of women workers on award wages means that increases in the minimum and award wages provide a greater benefit to women workers. This is not unique to Western Australia or Australian labour markets, and there has been substantial international research, as referenced in our submissions, across the variety of different labour markets to demonstrate the direct and significant impacts that increases in minimum award wages have on the gender pay gap.

On the subject of productivity, UnionsWA reiterates the position put forward in our written submissions that the national GDP, per our statistics, do not adequately reflect underlying productivity trends in the area of the economy that are relevant to the State wage case, resulting in a level of concern about wage growth that is not supported by the data. As discussed in our written submissions, as mentioned by Mr Christmas, and the non-market sector acting as a drag on those national statistics, in the case of mining, this appears to be the result of high-commodity prices incentivising the mining of more challenging deposits, which does not reflect sector profits or its capacity to pay wages.

The non-market sector includes industries that produces goods or services free of charge or sold at highly-subsidised prices, meaning that conventional measures of output face significant difficulties in tracking productivity. As such, to the extent that it is necessary to consider productivity as part of these proceedings, UnionsWA submits that it is growth in the market sector, excluding mining, that is the more relevant measure, included on page 5 of our submissions in reply, which demonstrates that the relevant productivity growth is much healthier.

If mining is not excluded, we note the Western Australian specific data we presented on page 12 of our initial submissions relating to market sector capital and labour income shares, which indicates that growth in real product wages, the level of wages relative to the price of the output that employers sell, has significantly lagged behind labour productivity growth over the last 10 years in WA. We contend too that government cost of living initiatives are no substitute for award wage increases, and we note the Commission has previously stated that one-off assistance initiatives cannot replace the ongoing beneficial effect of regular increases in minimum wages.

Likewise, we do not consider that increases in the Medicare levy low-income threshold, or the chances to the lowest tax bracket, are a replacement for wage increases. The benefits, if any, that award reliant workers would receive will be minimal. Two, directly discounting or moderating wage increases on the basis of these measures would be to negate government action that is clearly intended to benefit the lowest paid households. I won't repeat the observations on business insolvencies made by Mr Entekin, which was going to be virtually word for word exactly what he had said, but we do know - - -

KENNER CC: The doctor's submissions. Thank you.

HANSEN, MR: We do know there has been net growth in the number of businesses in WA, with WA having the largest percentage increase of businesses in Australia. In reference to the observation made by Mr Entekin regarding the conventions regarding rounding to the nearest 10 cents for the figure, we simply make the point that as the union movement will, of course, argue for every last cent to go into a worker's pocket.

Finally, in relation to Clause 8b of the State Wage Order on adjusting training rates of pay, as stated in our initial submission, Unions WA supports the wording of that clause reflecting what occurs in practice when training rates are adjusted. Following discussions with the other Section 50 parties, we've proposed the wording as included in our submission and the Minister's. If it pleases the Commission in court session, that concludes my submissions.

KENNER CC: Thank you very much indeed, Mr Hanson. Yes, thank you all very much for those submissions. Thank you very much.

Now, Ms Hantz, do you wish to commence now? How long do you think you might be? It's 12.42.

HANTZ, MS: I can finish by 1pm. I'll take about 15 minutes.

KENNER CC: All right. We don't want to rush you because if you want to take further time, of course, but don't feel you have to stop at 1 o'clock. All right, thank you.

HANTZ, MS: Okay. Thank you, I might move over here. Thank you, Chief Commissioner, Senior Commissioner and Commissioner. The WA Council of Social Service refers to its written submission, and proposes a 4.5 per cent increase to the State minimum wage. We strongly believe that it is essential to lift the standard of living for the low paid and enable them to better meet their basic needs.

This year at WACOSS, we wanted to provide the Commission with insight into the real-world experiences of people on low wages. Because at the core, we're talking about people, and numbers alone don't tell the full story. So in collaboration with Murdoch University, we've been working with eight people living on low income - that is, around minimum wage or less - to develop case studies illustrating their experiences. In our submission to this Commission, we've included three case studies from people who are employed.

Today, I'm going to touch on a few of their experiences to illustrate the issues. And I'll start by sharing some words from Heather, not her real name, who works two casual jobs and earns about full-time minimum wage from her work plus some income support from Centrelink. Heather struggles to cover the cost of essentials every week and relies on support services to get by. She says:

"I'm a support worker at a small business, but at the end of the week, I still only pay my rent, insurance and a few bills. I struggle to work enough hours to pay all my bills. When you look at an hourly rate as a casual, you need to work 24 hours a day, seven days a week to actually have a decent life. Although I see the light at the end of the tunnel because I'm being promoted, it's still \$640 a week for rent. And I've been breached a few times for late rent payments. There are times when I'm struggling to find the money to pay bills. But as soon as the money comes in, I pay it, and they will withhold the breaches, which makes a difference. But the stress of the breach is just ridiculous, and I've had to use the rent relief program in the past for rental debt. That saved my life at the time. I get some help from friends, but yeah, it's been a struggle. A support group has been paying my Synergy account.

I'm with the Hardship Utility Grant Scheme now, for my gas. I get food from Foodbank, from the church, from the local pantry. And sometimes I'll contact a service that helps me with a voucher. This means I probably eat more starchy foods, which I don't really want to eat. Sometimes getting the voucher for Woolworths or Coles is easier because I can just buy the meat. And I will buy the meat at the end of the day when it's marked down to \$4. For me, best before date or an expiry. It's not an issue, but I have to pull the stickers off, so my son doesn't see them. "

Heather certainly doesn't have the financial buffer to cover large emergency expenses. She says:

"I have been promoted to manager. Things are looking up. But there are times that I think, if anything happened to my health. And then things like the car breaking down or about to break down. I'm driving it now thinking, "is it just going to explode?" It's \$10,000 to replace the timing chain, but I can't sell the car in this condition now either, so I just pray. But it is scary not knowing what is going to happen in the future, really."

Heather's low-income forces her to make significant sacrifices, and a major one is her health. She has scoliosis, and while work hurts her back, she has no option but to keep going. This makes her back worse, so she needs more treatment, which costs more, means she needs to work more to earn more money. It's a catch-22. Her son has recently been diagnosed with scoliosis too. And she wants to make sure he gets treatment so he's not in pain in the future. But financially, she doesn't know how she'll achieve that. She says:

"I do need to come up with money for the chiropractor for my scoliosis. And I've just taken my son there. And now, he needs to see the chiro as well on a regular basis. And that's a \$1,700 commitment for 90 days, which is a lot of money. My son has the rotation thing I have as well. And I know what pain I'm in. So if I'd started earlier, then I probably wouldn't have been this bad. And that's what I think about. Okay, so my son, if I leave it, will it develop and impact him more into the future? So I don't know. I don't know what I'm going to do there."

Many of the people we spoke to described the health consequences of their low income. Food, heating or cooling of their home, and medical expenses were the main essential items that people cut back on to make ends meet each week. Andy(?)^{12.46.49} described to us the toll that this has taken on their body. And they're worried for how this might worsen into the future. They're 22. And they're studying full time at university. They work part-time and receive income support from Centrelink. In total, they receive about the equivalent of 22 hours a week of work on the State minimum wage. They say:

"I have one fruit a week, maybe. Two is pushing it. Two is like if there's a huge sale or a really good deal. Like it's not healthy, but seven days' worth of fruit, that's so much. Then maybe I'll have a work meeting and there's fruit at the work meeting, so I'll get more fruit there. It's kind of the same with veggies. I try to aim for five veggies a week. I don't know what the nutritional content of onion and garlic are, but they're my go-to veggies every week. And I count those. I'm definitely experiencing the costs of not properly feeding my body. I see my psychologist less than I need to."

When I see him, it'll have been two months since I last saw him. Then I see him again in a month's time after that, if I'm lucky. Originally, it was meant to be every three weeks, but it's like I can't afford that. And that's not covered in the mental health plan. Last year, I got diagnosed with fibromyalgia. And I don't know, through the years, I've just noticed the constant stress of things does have a huge impact on my body. I get really scared about how it's impacting my health, like future things, like the body keeps the score type stuff."

The relentless mental burden of managing their financial insecurity is a major issue raised consistently by all of the people that we spoke to in this research project. On this end, he says:

“I can’t imagine how freeing life would be without these constant financial pressures on me. Genuinely, I think it takes up so much time that could be spent studying, could be spent, I don’t know, partying or hanging out with friends. I think it’s shaped every aspect of my being to what it is now. And I always get worried if this is what I’ve gone through so far, and it’s like, I’m 22. I’ve got how many years left of this? How many more years? What else is happening? What else is in the cards for me? Like, I hope the future gets better. But also, realistically, I know there will be bumps. I guess it’s just scary that it’s always going to be like this.”

And while this financial stress impacts many, it is disproportionately shouldered by women, who make up the majority of low-wage workers. WA’s gender pay gap is much higher than the rest of the country, and the pay gap exacerbates other gender-based barriers women face in achieving financial security. For example, we know when women earn less than their male partner, it reinforces gender norms and incentivises women to take on unequal parenting responsibilities. Most of the women we spoke to had, at some point in their lives, worked in a female-dominated industry with low pay.

Most had stopped working for a period of time to care for their children, and then juggled caring and working throughout their careers. As a result, they had fewer savings and less superannuation than their male partners, and their income had not progressed equally. Heather and Anita, another person we spoke with, both explained that as primary carers for their children, their parenting responsibilities significantly impact how much they can work each week, and their hours fluctuate according to their children’s needs.

Anita described her frustration that after years of working in a low paid industry, the community services sector, and taking considerable time off to care for their children, she is now significantly financially worse off compared to her ex-husband who is financially comfortable. She has much less super and her hourly wage is about three quarters of his. Even if she could work as many hours as he does she still wouldn’t earn the same. Anita, Andy, and Heather, like everybody else, they have complex lives but each of them, along with everybody else we spoke to as part of this research project, said simply more money would make a huge impact.

Now, I understand these are three individual stories but they’re experiences of low income are backed up by the data shared by my colleagues at UnionsWA and contained in our written submission. To reiterate that point I will quickly take you through some of that data again. Between 2021 and 2024 essential costs grew dramatically, groceries by 24 per cent, Perth rents by 80 per cent, insurance by 22.6 per cent. These price hikes caused the financial security of low wage households to deteriorate dramatically. WACOSS has been modelling income and expenses from modelled households, including a low wage family, for many years now. For a long time the low wage family with Centrelink supports and frugality was able to make ends meet from week to week and have a very small buffer left over for unexpected expenses.

From 2021, however, this started to drop quickly and severely. In 2024 for the first time since we started this modelling the low wage family finished each week with a deficit. Each week they were \$60 short. If they had any savings we can assume this was drawn down to cover expenses until they had to cut into essentials to avoid going into debt. Since 2024 all group CPI has moderated currently sitting around 2.8 per cent for Perth. And last year the Commission delivered a truly welcome increase to the State minimum wage of over six per cent. You'd be forgiven for thinking the situation has been remedied but that's just not the case.

Further, non-discretionary cost growth has eroded the gains delivered to low wage workers last year. This can be demonstrated by the percentage of fulltime minimum wage required to rent a median priced house in Perth. In mid-2020 median house rent in Perth accounted for 50.2 per cent of the minimum wage. By 2024, at the time this Commission last reviewed the minimum wage, it had jumped to a whopping 75.3 per cent of minimum wage. Last year's increase by the Commission provided some relief bringing it down to 70.8 per cent but in the last 10 months it's crept right back up. Now it's 74 per cent almost at the same record high as 2024.

Now, we know a whole range of costs make up a basic budget, it's not just housing. However, housing is central to all other facets of standard of living. And the housing burden demonstrates the purchasing power of minimum wage workers remain severely eroded leaving minimum wage workers struggling to afford the basics. Service reporting also backs up this data picture.

Among a range of services showing this trend this year's Oz Harvest Community Needs Survey found that 31 per cent of the people accessing food support from their charity partners had at least one person employed in the household and that"

"Working families still unable to make ends meet is one of the key groups experiencing particular vulnerability to food and security."

While we have a range of living standards in Australia at a minimum people should be able to afford a safe and secure home. Should be able to put food on the table. Should be able to pay for transport to and from work and should be able to put money away for an emergency. The wage and costs data and the people that we spoke to tell us that minimum wage earners are not achieving this. Forget about buying a friend a birthday present or having a weekend away, the people we spoke to are struggling to put food on the table and to keep their car running.

By lifting the State minimum wage the Commission can meaningfully contribute to improved living standards for low wage workers, for women, for young people. An increase of 4.5 per cent is absolutely warranted. And that concludes my submission. Thank you.

KENNER CC: Thank you very much, Ms Hantz. Thank you very much indeed.

HANTZ, MS: Thank you.

KENNER CC: Now, it's five to one. Ms Lyon or Ms Love, who wishes to – how long do you think you might be in your submissions?

LOVE, MS: Well, we're certainly in the Commission in Court Session's hands. We don't intend to speak for very long. If you were inclined to push on we're happy to speak now.

KENNER CC: Well, would 15 minutes be sufficient for you?

LOVE, MS: That will be more than sufficient. Thank you.

KENNER CC: Yes, we'll sit further. Thank you very much.

LOVE, MS: Thank you. Thank you. We thank the Commission in Court Session for the opportunity for WALGA to participate in today's proceedings on behalf of the Local Government sector in Western Australia. We predominantly rely on our written submissions made in this matter but just make a few points for your attention. As we've outlined in our submissions, we see that any wage increase to the State minimum wage and award rates should balance a need for fair wages with the requirement for Local Governments to carefully manage their budgets in the interest of their communities.

We did note in our submissions there are a number of State awards that do underpin the employment of Local Government in WA, as we outlined in our submissions. And it's also common, and we would point out, that it's common for Local Governments to have a wide variety of occupations within their remit, particularly, for example, in the small regional town. They may have daycare services, cafes, even the local supermarket may fall within the remit of a Local Government.

As we outlined in our submissions, Local Government employers apply either the State awards, they may also apply industrial agreements, or they may also apply what are known as new State instruments that did transition over from the Federal system. We would point out, since this Commission sat in last year's State Wage Case, that regulation 8 of the Industrial Relations General Regulations has now ceased as at 1 January 2025. And we would say that that impact has a broader impact in application for those State awards potentially applying to Local Government employers and should be given some weight. We would see that whilst there might be some other agreements applying the potential for either the two main local government awards to apply and any other awards to apply could be fairly common into the future.

As we've outlined in our written submissions, costs have risen strongly for Local Governments in recent years. And primarily the lever for raising revenue is somewhat constrained because any increase in rates obviously has a direct impact on the community that they're wanting to serve.

I just take a quick opportunity to outline a little bit more around the Local Government cost index, which we outlined in our submission, which is an indicator that measures changes in a basket of cost items that are commonly incurred by local governments. It intends to capture the key imports that Local Governments purchase to undertake its activities and they include both capital and operating costs. It includes matters such as employee costs, materials and contracts, furniture, non-residential building, machinery and equipment, non-road infrastructure, road and bridge construction, utilities, insurance, and other expenditure. It is a measure of the change in the cost of goods and services purchased by Local Governments conceptually like the Consumer Price Index just with a slightly different basket of goods.

This cost index is produced by WALGA and calculated on data provided by the WA Local Grants Commission. It's primarily used for the following purposes. To inform the preparation of annual budgets by Local Governments and as input for determining any rate increases, and communicating to ratepayers the cost inflation being experienced by Local Government, which is sometimes over and above CPI and hence the rationale for any rate increases. WALGA regards the Local Government cost index as an important tool for supporting its advocacy work on behalf of its members. And you'll note we have provided at point 45 of our submission essentially the current and the forecast rate for the Local Government cost index.

And, look, just finally in conclusion, as we said, we do support a balanced wage increase but we would note obviously, particularly our smaller Local Governments, their capacity to pay in the face of increased costs is a factor to be weighed up. We thank the Commission in Court Session for the time.

KENNER CC: Thank you very much indeed, Ms Love.

LOVE, MS: Thank you.

KENNER CC: Now, we've also made provision, of course, today for any replies. Are there any replies that you're burning to make at this point from the Bar table?

I know the Minister you commented on with submissions earlier in your oral submissions.

ENTREKIN, MR: I did. I was just going to say we didn't have anything further to add.

KENNER CC: All right.

ENTREKIN, MR: So happy to forgo that.

KENNER CC: All right. Thank you very much.

Mr Harding from CCI's perspective?

HARDING, MR: We don't have anything further, Chief Commissioner.

KENNER CC: Thank you.

Mr Sneddon or your colleagues?

SNEDDON, MR: No, thank you - - -

KENNER CC: All right.

SNEDDON, MR: - - - Chief Commissioner.

KENNER CC: Ms Hantz?

HANTZ, MS: Nothing from WACOSS. Thank you.

KENNER CC: All right. And I take it none from you, Ms Love.

LOVE, MS: No, nothing further. Thank you.

KENNER CC: You've had your chance as they say.

LOVE, MS: Yes.

KENNER CC: All right. Thank you very much.

Well, we're very grateful for your assistance this morning and for your written submissions that have already been filed. As I indicated earlier, we'll adjourn now and we will resume on a date to be fixed once the Fair Work Commission has handed down its decision in the 2025 annual review. So we'll adjourn until then. Thank you.

AT 1.01 PM THE MATTER WAS ADJOURNED ACCORDINGLY

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