

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

WESTERN AUSTRALIAN INDUSTRIAL RELATIONS COMMISSION

CITATION : 2025 WAIRC 00348

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

HEARD : WEDNESDAY, 21 MAY 2025, WEDNESDAY,
4 JUNE 2025, WRITTEN SUBMISSIONS FRIDAY,
6 JUNE 2025

DELIVERED : THURSDAY, 12 JUNE 2025

FILE NO. : CICS 1 OF 2025

BETWEEN : COMMISSION'S OWN MOTION
Applicant

AND

(NOT APPLICABLE)
Respondent

Catchwords : State Wage order – Commission’s own motion – Minimum wage for employees under the *Minimum Conditions of Employment Act 1993* – Minimum award rates of wage – State Wage principles

Legislation : *Industrial Relations Act 1979* (WA) s 6(ac), s 50, s 50A, ss 50A(1)(a)(iii), (1A) & (1B), ss 50A(3)(a)(i) – (iv), s 50A(3)(b), s 50A(3)(c), s 50A(3)(d), s 50A(3)(f)
Industrial Relations Legislation Amendment Act 2024 (WA)
Minimum Conditions of Employment Act 1993 (WA)
Fair Work Act 2009 (Cth) s 285(2)(a)

Result : 2025 State Wage order issued

Representation:

Mr B Entrekin on behalf of the Hon. Minister for Industrial Relations

Mr C Harding and with him Mr S Collins on behalf of the Chamber of Commerce and Industry of Western Australia (Inc)

Mr K Sneddon of counsel and with him Ms R Hendon and Mr G Hansen on behalf of UnionsWA

Ms S Hantz on behalf of the Western Australian Council of Social Service Inc

Ms J Love and with her Ms S Lyon on behalf of the Western Australian Local Government Association

Case(s) referred to in reasons:

2018 State Wage Case [2018] WAIRC 00363; (2018) 98 WAIG 263

2021 State Wage Case [2021] WAIRC 00173; (2021) 101 WAIG 459

2022 State Wage Case [2022] WAIRC 00273; (2022) 102 WAIG 431

2023 State Wage Case [2023] WAIRC 00330; (2023) 103 WAIG 733

2024 State Wage Case [2024] WAIRC 00293; (2024) 104 WAIG 731

Annual Wage Review 2022-23 [2023] FWCFB 3500

Annual Wage Review 2023-24 [2024] FWCFB 3500

Annual Wage Review 2024-25 [2025] FWCFB 3500

Reasons for Decision

THE COMMISSION IN COURT SESSION:

Introduction

- ¹ Each year the Commission is required by s 50A of the *Industrial Relations Act 1979* (WA) to make a State Wage Order effective on 1 July. The SWO sets the State Minimum Wage and adjusts minimum award rates of pay. Section 50A of the *Act* provides as follows:

50A. Rates of pay etc. for MCE Act and awards, annual State Wage order as to

(1AA) In this section —

instrument-governed employee with a disability means an employee —

- (a) whose contract of employment is governed by an industrial instrument that includes a SWIIP that incorporates the SWS; and
- (b) whose productive capacity has been assessed under the SWS as being reduced because of a disability; and
- (c) who is not employed by a supported employment service; and
- (d) who is being paid a weekly rate of pay determined by the SWS under the SWIIP;

supported employment service means a service to support the paid employment of persons with disability, being persons —

- (a) for whom competitive employment at or above the wage payable under the relevant award is unlikely; and
- (b) who, because of their disability, need substantial ongoing support to obtain or retain paid employment.

- (1) The Commission must before 1 July in each year, of its own motion make a General Order (the ***State Wage order***) —

- (a) setting the following —

- (i) the minimum weekly rate of pay applicable under section 12 of the MCE Act to employees who have reached 21 years of age and who are not apprentices;
- (ii) the minimum weekly rate or rates of pay applicable under section 14 of the MCE Act to apprentices;
- (iii) the minimum amount payable under the MCE Act section 17(2);

and

- (b) adjusting rates of wages paid under awards; and
- (c) having regard to the statement of principles issued under paragraph (d) —

- (i) varying each award affected by the exercise of jurisdiction under paragraph (b) to ensure that the award is consistent with the order; and
 - (ii) if the Commission considers it appropriate to do so, making other consequential changes to specified awards;
- and
- (d) setting out a statement of principles to be applied and followed in relation to the exercise of jurisdiction under this Act to —
 - (i) set the wages, salaries, allowances or other remuneration of employees or the prices to be paid in respect of their employment; and
 - (ii) ensure employees receive equal remuneration.
- (1A) The amount set by the Commission under subsection (1)(a)(iii) must be the same as that set by the FW Commission in the national minimum wage order under the FW Act section 285(2)(c) for an eligible employee whose productive capacity is, under the SWS, assessed as reduced because of a disability.
- (1B) For the purposes of subsection (1)(b), the Commission must, in relation to an instrument-governed employee with a disability, order the highest of the following —
 - (a) that the minimum amount payable is to be the same as in the previous State Wage order;
 - (b) that the minimum amount payable is to be the same as that set by the FW Commission in the national minimum wage order under the FW Act section 285(2)(c) for an eligible employee whose productive capacity is, under the SWS, assessed as reduced because of a disability.
- (2) The Commission may, in relation to awards generally or specified awards, do any or all of the following for the purposes of subsection (1)(b) —
 - (a) adjust all rates of wages;
 - (b) adjust individual rates of wages;
 - (c) adjust a series of rates of wages;
 - (d) adjust specialised rates of wages.
- (3) In making an order under this section, the Commission must take into consideration —
 - (a) the need to —
 - (i) ensure that Western Australians have a system of fair wages and conditions of employment; and
 - (ii) meet the needs of the low paid; and
 - (iii) provide fair wage standards in the context of living standards generally prevailing in the community; and

- (iv) contribute to improved living standards for employees; and
 - (v) protect employees who may be unable to reach an industrial agreement; and
 - (vi) encourage ongoing skills development; and
 - (vii) provide equal remuneration;
 - and
 - (b) the state of the economy of Western Australia and the likely effect of its decision on that economy and, in particular, on the level of employment, inflation and productivity in Western Australia; and
 - (c) to the extent that it is relevant, the state of the national economy; and
 - (d) to the extent that it is relevant, the capacity of employers as a whole to bear the costs of increased wages, salaries, allowances and other remuneration; and
 - (e) for the purposes of subsection (1)(b) and (c), the need to ensure that the Western Australian award framework represents a system of fair wages and conditions of employment; and
 - (f) relevant decisions of other industrial courts and tribunals; and
 - (g) any other matters the Commission considers relevant.
- (4) Without limiting the generality of this section and section 26(1), in the exercise of its jurisdiction under subsection (1)(b) and (c) the Commission must ensure, to the extent possible, that there is consistency and equity in relation to the variation of awards.
 - (5) A State Wage order takes effect on 1 July in the year it is made and is applicable in respect of an employee or apprentice on and from the commencement of the first pay period of the employee or apprentice on or after that date.
 - (6) A State Wage order in effect under this section when a subsequent order is made under subsection (1) ceases to apply in respect of an employee or apprentice on the day on which the subsequent order commences to apply in respect of the employee or apprentice.
 - (7) A State Wage order must not be added to or varied.
 - (8) Nothing in subsection (7) affects the Commission's powers under section 27(1)(m).

- 2 As well as setting the SMW and adjusting minimum award rates of pay, the Commission is required to also set rates of pay for apprentices and trainees, and for employees with a disability, who are assessed as having a reduced capacity for work under the Supported Wage System.
- 3 Notice of the SWO proceedings was published on the Commission's website and in the 'West Australian' newspaper on 12 April 2025 and was also published in the Western Australian Industrial Gazette: (2025) 105 WAIG 687. Written initial

submissions were received from the Minister, the Chamber of Commerce and Industry of Western Australia (Inc), UnionsWA, the Western Australian Council of Social Service Inc and the Western Australian Local Government Association. Written submissions in reply were also received from the Minister, the CCIWA and UnionsWA. As has been the practice in the past, the Commission has also been assisted by a presentation by Mr Christmas, the Director of the Economic and Revenue Forecasting Division of the Western Australian Department of Treasury. Mr Christmas' presentation focussed on developments in the national and Western Australian economies, relevant to the issues to be determined by the Commission, and also the global outlook. As always, Mr Christmas' presentation has been of considerable assistance to the Commission.

Broad overview of submissions

- 4 Whilst the issues raised by the submissions will be considered in detail when dealing with the statutory factors under s 50A of the *Act*, the following is a brief overview of the positions put.

The Minister

- 5 The Minister submitted that the SWO decision is critically important for those employees reliant on minimum award wages in the State industrial relations system. Whilst not nominating a figure by which the SMW and minimum award wages should be increased, the Minister contended that any increase should be such that the needs of the low paid are met to keep pace with the cost of living, and the Commission should take into consideration the importance of the small business sector in the State economy. In terms of any outcome, the Minister's position is that it is desirable for any increase to be not less than any increase awarded by the Fair Work Commission in its current 2025 Annual Wage Review.
- 6 The Minister described the overall state of the Western Australian economy as buoyant. A strong domestic economy, along with a robust labour market, has resulted in resilient household consumption. Gross State Product is forecast to grow by 2.25% over 2024–25, with State Final Demand to expand to 3.75% over the same period. The Minister noted a fall in inflation to 2.8% to the March quarter 2025. Excluding the electricity sub-component from the Consumer Price Index to remove volatility caused by electricity household subsidies, the Perth CPI increased by 3.4% over the year. Wages growth, as measured by the Wage Price Index over the same period, is expected to rise by 3.75%.

- 7 The Minister also referred to the Commission's decision in last year's SWO case, to realign the SMW from the C14 to the C13 classification rate, which has led to the SMW now being slightly higher than the National Minimum Wage, an outcome which was welcomed by the State Government.

The Chamber of Commerce and Industry

- 8 The CCIWA urged the Commission to have regard to the challenging circumstances facing small businesses, in terms of increases in cost pressures, as well as those being borne by households. Whilst the CCIWA noted that the State's economy has performed solidly overall, it was contended that business insolvency rates have shown a sharp increase, with a considerable number of small businesses in Western Australia being placed into administration in the first four months of this year. This reflects a trend of increased levels of business insolvencies over the last two years or so. CCIWA noted a significant increase in rates of insolvency for businesses in accommodation and food services, construction, health care and social assistance and retail, industry sectors most represented in the State industrial relations system.
- 9 Along with these factors, the CCIWA also noted Australia's poor productivity performance, additional labour costs to be borne by small businesses through increases in superannuation contributions from July 2025, and the uncertain global economic outlook. Having regard to all of these considerations, the CCIWA contended that an increase in the SMW and minimum award wages of 2.5% would be appropriate.

UnionsWA

- 10 According to UnionsWA, the State and national economies are strong. Given the continued high cost of living, a substantial increase in the SMW and award wages is needed. In particular, UnionsWA noted the resilience in household consumption, along with a very strong labour market. Whilst moderating somewhat, business investment remains solid, and in the main, businesses remain profitable. UnionsWA noted in particular, the effect of high inflation over recent years, as eroding the value of minimum wages.
- 11 Given the impact of the rising cost of living, and UnionsWA's view that award wage increases since 2021 have not kept pace with inflation, a substantial increase in the SMW of \$41.34 per week and an increase in minimum award wages of 4.5% is needed.

Western Australian Council of Social Service Inc

- 12 The claim by the WACOSS was in line with the UnionsWA claim for a 4.5% increase in the SMW, but expressed as a percentage. It was contended that such an increase is needed to meet the needs of the low paid and to align their standard of living to community expectations.
- 13 The WACOSS contended that over recent years, given increases in the cost of living have outpaced wage increases, living standards for many in the community have declined. This has particularly impacted low income employees, who are most affected by increases in housing costs. The WACOSS submitted that the substantial increase in the **2024 State Wage Case** [2024] WAIRC 00293; (2024) 104 WAIG 731, whilst providing welcome relief, has not led to a sustained increase in the standard of living for low income employees.
- 14 In particular, the WACOSS emphasised the importance of increases in minimum wages as a means by which low income employees can meet their basic needs and to sustain a decent standard of living, relative to community standards generally. The WACOSS submitted that State and Commonwealth Government cost of living measures provide limited relief, but they do not replace the ongoing effect of regular, minimum wage increases, as recognised by the Commission most recently in the **2024 State Wage Case** at [63].

Western Australian Local Government Association

- 15 Whilst not nominating a figure by which the SMW and minimum award wages should be increased, the WALGA supported increases in wages that balance the need for fairness, along with the need for Local Governments to manage their budgets. The WALGA noted the State awards that apply to Local Governments and that in the main, employees are covered by industrial agreements, as a safety net. These are either negotiated and registered with the Commission, or operate as new State instruments under the transitional provisions contained in the *Act*.
- 16 Whilst acknowledging that the Western Australian economy is strong, it was submitted by WALGA that Local Governments, given increases in costs for the sector, must be prudent in the management of their budgets, as their main revenue sources are rates and State and Commonwealth Government grants.

Statutory factors to be considered

- 17 Consistent with s 50A(3) of the *Act*, the following factors are to be taken into account by the Commission in making a SWO. Some, whilst expressed individually in s 50A(3), have been considered together.

The economic environment (ss 50A(3)(b) and (c))

- 18 It was common ground that the State economy has continued to perform strongly. Including the external sector (goods exports), GSP is forecast to grow by 2.25% over 2024-25, with some further growth of 2.5% for both 2025-26 and 2026-27. This solid growth is supported by a robust domestic economy, with SFD projected to reach 3.75% over 2024-25. This domestic performance is underpinned by solid household consumption, along with increases in both housing and government sector investment, as noted by the Minister in her submissions.
- 19 Annexed to the Minister's submissions at Attachment A, is the *2025 State Wage Case – Economic Conditions Outlook*. Table 1 – Major Economic Aggregates, Annual Growth (%), which contains a summary of key economic indicators for the State as follows:

Table 1 – Major Economic Aggregates, Annual Growth (%)

| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|---------|------------------|---------|---------|---------|
| | Actual | PFPS Forecast | Outyear | Outyear | Outyear |
| State Final Demand | 5.7 | 3.75 | 2.75 | 3.25 | 2.75 |
| Gross State Product | 0.5 | 2.25 | 2.5 | 2.5 | 2.0 |
| Employment | 3.8 | 3.25 | 1.75 | 1.5 | 1.5 |
| Unemployment rate ^(a) | 3.7 | 3.5 | 3.75 | 4.0 | 4.25 |
| Consumer Price Index ^{(b)(c)} | 4.7 | 2.75 | 2.75 | 2.5 | 2.5 |
| Wage Price Index ^(c) | 4.2 | 3.75 | 3.5 | 3.0 | 3.0 |
| Population ^(c) | 2.8 | 1.9 | 1.8 | 1.8 | 1.7 |

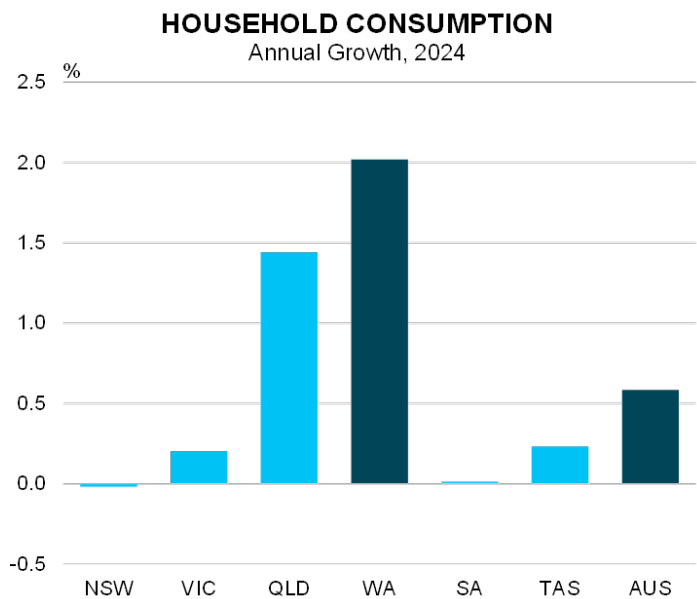
(a) Data expressed as annual average during the financial year.

(b) CPI growth rates are based on the total index excluding the electricity sub-sector.

(c) Growth is expressed in year-ended terms.

Source: Western Australia 2024-25 Pre-election Financial Projections Statement and Australian Bureau of Statistics.

- 20 Both the Minister and UnionsWA noted that the Western Australian economy was ranked the nation's strongest in the most recent *CommSec State of the States* economic performance report. This report ranked Western Australia first in terms of retail spending, unemployment, population growth, housing finance and housing commencements.
- 21 Mr Christmas referred to household consumption, expected to grow by 2.5% over 2024-25, as did the s 50 parties, as remaining resilient, despite some easing from last year. A strong labour market, and wages growth, in conjunction with continued population expansion and surging house prices, has continued to underpin this resilience. Mr Christmas noted that whilst acknowledging some households have been challenged, the household consumption growth for Western Australia has far outpaced other States and the national performance, as reflected in the following bar chart at p 14 of Mr Christmas's presentation (Presentation):



Source: ABS

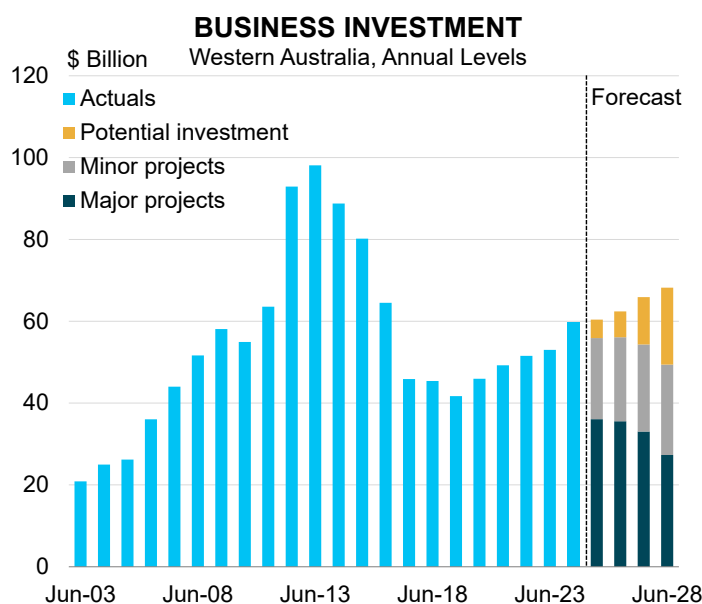
- (a) Discretionary consumption includes 'transport services', 'cigarettes and tobacco', 'alcoholic beverages', 'clothing and footwear', 'communications', 'furnishings and household equipment', 'hotels, cafes and restaurants', 'purchases of vehicles' and 'recreation and culture'.
- (b) Non-discretionary consumption includes 'food', 'rent and other dwelling services', 'electricity, gas and other fuel', 'health', 'operation of vehicles' and 'education'.

22 Retail spending is also elevated, with Mr Christmas noting a recovery for the March quarter this year, which represents about 30% of household consumption. Retail spending increased by 1.9% in the March quarter 2025, and by 2.9% in year-end terms, as reflected in the following chart at p 15 of the Presentation:



Source: ABS

- 23 In addition, recent falls in interest rates, Commonwealth Government income tax cuts and budget measures to ease the cost of living, will likely provide some further stimulus to household consumption and discretionary spending.
- 24 Both business investment and dwelling investment remain robust. Whilst the very strong growth of 12.7% over 2023-24 has eased, business investment has consolidated at a high level. This is supported by a pipeline of projects in the resources sector, along with non-mining infrastructure development. Increasing decarbonisation will also contribute to an increase in this investment. This investment profile is shown in the following bar chart at p 20 of the Presentation:

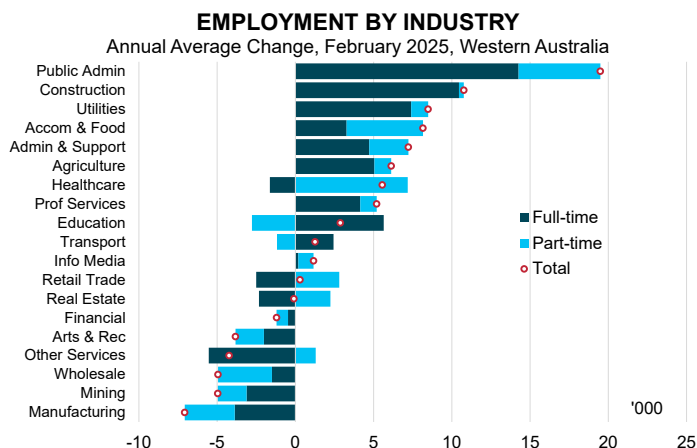


Source: ABS & Department of Treasury

- 25 In the *ABS, Private New Capital Expenditure and Expected Expenditure, Australia March 2025*, released on 29 May 2025, Western Australia had the highest level of capital investment of any State and Territory for the year to the March quarter 2025, with growth of 5.8%. In all other States and Territories, except New South Wales (3.9% increase) and the Australian Capital Territory (0.4% increase), capital expenditure declined over the same period. Western Australia was one of only three States and Territories to show positive growth in business investment (an increase of 2.1%) over the March quarter 2025.
- 26 As in the *2024 State Wage Case*, the CCIWA emphasised in its submissions, that the Western Australian economy is overly reliant on the resources sector, which accounts for nearly 50% of the Gross Value Added to the State economy (see chart at [87] below). In this respect, it was contended that this sector is cyclical in nature. In particular, the CCIWA referred to the current tariff and trade issues between the United States and China, and the risk to the outlook if China's economy suffers a slowdown, given that it accounts for approximately 53% of the

State's exports. As to these trade tensions, in its reply submission, UnionsWA referred to modelling undertaken by the Commonwealth Treasury, concluding that the direct and indirect effects that any tariffs may have on the Australian economy would be modest. Similar views have been expressed by the RBA in its *Minutes of the Monetary Policy Board Meeting, 1 April 2025*. For these reasons, UnionsWA contended that domestic factors are more relevant to take into account.

- 27 Mr Christmas also said the risk of the current United States trade policy and tariffs, in terms of the direct impact, is seen as relatively minimal. There may be an indirect impact on China, if its exports are substantially curtailed, which may have an effect on embodied imports from Western Australia. Also, lower global growth may decrease demand for commodities. A notable effect of this is a falloff in confidence impacting on both household spending and business investment. Mr Christmas however, referred to mitigating measures that China may take, including policy stimulus, to boost its domestic economy.
- 28 The strength in the labour market, evident at the time of the **2024 State Wage Case**, continues. As at March 2025, there were approximately 1.64 million people employed in the State, with the rate of growth in employment of 3.3% in annual average terms to April 2025. All parties acknowledged the strong labour market performance in their submissions. Unemployment has averaged 3.7% to April 2025, well below the State's long run average rate of 5.9%. Mr Christmas noted that as opposed to prior years, over the last year, employment growth has been principally full-time, reflecting growth of 4% to April 2025. On the other hand, part-time employment has grown by 1.8% over the same period. Employment is forecast to grow by 3.25% in 2024-25, moderating to 1.75% in 2025-26, consistent with easing in domestic economic growth over the same period. The participation rate has also remained elevated over 2024-25, with Mr Christmas noting a record level of female participation in the labour market.
- 29 The following chart, at p 29 of the Presentation, shows employment growth by industry sector. Notably, strong growth has been evident in public administration, construction, utilities, accommodation and food services, and administration and support:



Source: ABS

- 30 Despite the strength in the labour market overall, the rate of growth in wages in Western Australia has eased over 2024-25. In the year to March 2025, the WPI has increased by 3.7%. This is a fall from the peak of 4.7% in the December quarter 2024. A number of public sector industrial agreements coming into effect contributed to the March quarter WPI growth. The WPI is forecast to grow by 3.75% for 2024-25 and settle somewhat lower at 3.5% for 2025-26 and 3% for 2026-27. Mr Christmas noted however, that with easing inflation, there has been real wages growth over the year to 31 March 2025, and real growth is forecast for the period ahead.
- 31 As further measures of earnings growth, Average Weekly Ordinary Time Earnings grew by 2.3% in the 12 months to November 2024, and Average Weekly Earnings grew by 3.2% over the same period. Comparing wages growth generally, with inflation as measured by the CPI (excluding the electricity sub-component), inflation outstripped wages growth by a large margin in the period of high inflation during the pandemic over the March quarter 2022 to the March quarter 2023, only achieving parity or gains in some quarters from September 2023, as reflected in the following table in the Minister's submission at p 12:

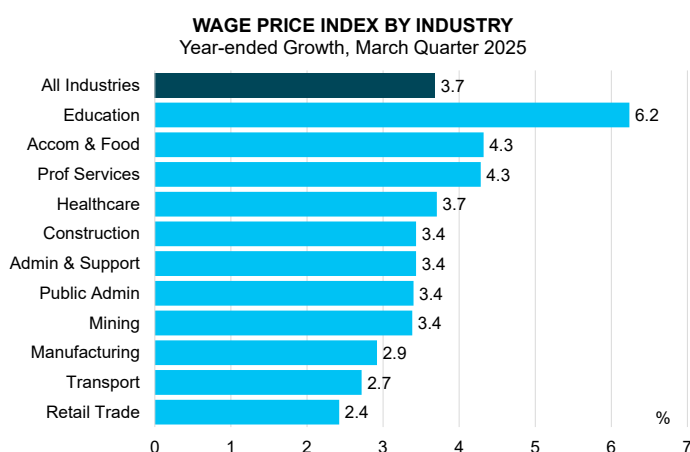
Table 2: Annual growth in CPI and WPI – Western Australia¹⁹

| | Mar 2022 | Jun 2022 | Sep 2022 | Dec 2022 | Mar 2023 | Jun 2023 | Sep 2023 | Dec 2023 | Mar 2024 | Jun 2024 | Sep 2024 | Dec 2024 | Mar 2025 |
|-----|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| CPI | 6.2 | 7.2 | 8.5 | 8.6 | 5.9 | 5.0 | 4.8 | 3.9 | 4.2 | 4.7 | 4.1 | 3.5 | 3.4 |
| WPI | 2.2 | 2.7 | 3.3 | 3.6 | 4.1 | 4.2 | 4.6 | 4.7 | 4.2 | 4.2 | 3.5 | 3.3 | 3.7 |

- 32 It was also contended by the CCIWA that wages growth figures, such as the WPI, do not capture other forms of remuneration, such as bonuses, sign-on and retention payments etc, used in a tight labour market to attract and retain employees. Whilst this is no doubt so in areas of peak demand, as was observed by the Commission in the *2022 State Wage Case* [2022] WAIRC 00273; (2022)

102 WAIG 431, and again in the *2024 State Wage Case*, we have some doubts as to whether these incentive payments would be a common feature of pay for award reliant employees in the State industrial relations system. This was a point noted by the Minister in her reply submissions. In relation to superannuation contributions, and the increase of 0.5% which is to take effect from 1 July 2025, also raised by the CCIWA, as the Commission has said on prior occasions, such an increase will have a moderating influence on the outcome of SWO proceedings, as it will on this occasion.

- 33 Wages growth by industry sector was also the subject of evidence from Mr Christmas and the following chart shows wages growth exceeding 3.5% by industry. Those noted in particular include education, accommodation and food services, professional services, and health care and social assistance (see p 38 of the Presentation):

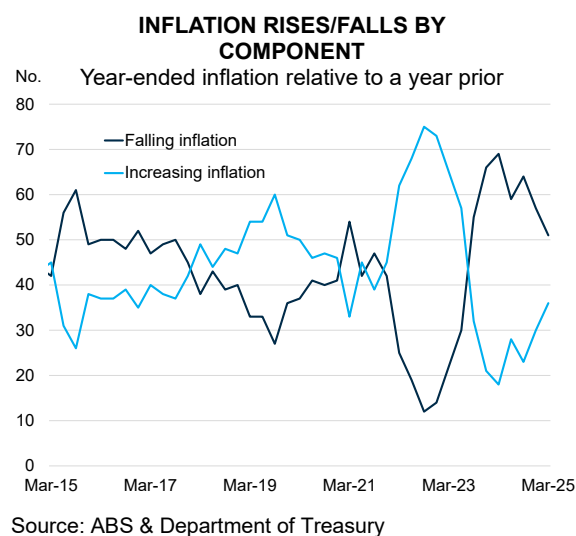
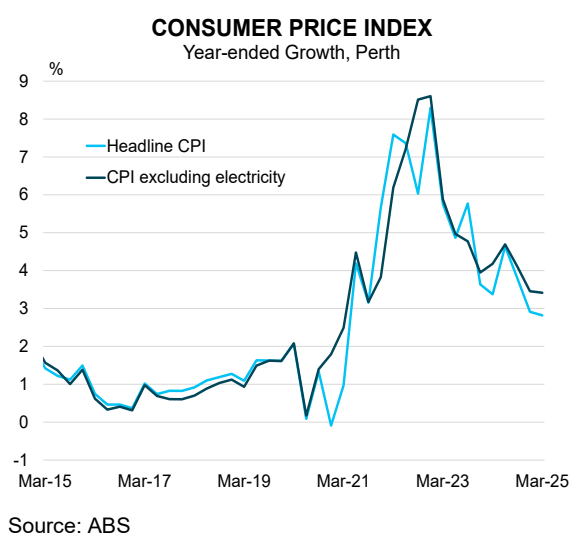


Source: ABS

- 34 Consistent with this trend, UnionsWA referred to wages and salaries growth as reflected in the Australian Bureau of Statistics aggregate salaries and wages from the Single Touch Payroll data. This demonstrates that Western Australia, as at December 2024, had the largest increase in wages and salaries of all States and Territories. Additionally, the Single Touch Payroll data provides some indication of changes in payroll jobs for the same period, which reflects that Western Australia had the second largest increase in the number of payroll jobs, with Queensland being the largest.
- 35 Business confidence, as reflected in the CCIWA *March 2025 Business Confidence Survey*, has improved by 2.5% from this time last year, and the CCIWA notes it has reached its highest level overall since December 2021. However, it has yet to return to pre-pandemic levels, being 4.7% lower. Volatility caused by the United States tariff and trade disputes, is weighing on the outlook and the CCIWA contended this is consistent with the recent *NAB Monthly Business Survey – April 2015*. This sees confidence slipping into the

negative. Significant increases in business operating costs, along with labour shortages, are translating into outlooks, both short term and longer term, as being either about the same or weaker, across both metropolitan and regional areas.

- 36 For the purposes of a measure of inflation in the State economy, the Commission has accepted, and continues to do so, that the CPI, less the electricity sub-component, which removes volatility caused by recent State Government household electricity credits, is the preferred measure. On this basis, inflation has been moderating from its peak of 8.6% in the December quarter of 2022. Growth in inflation to March 2025, in year-end terms, is 3.4% (excluding the electricity sub-component). This is down from 4.7% (excluding the electricity sub-component) for 2023-24. The forecast is for the CPI (excluding the electricity sub-component) to reduce to 2.75% for 2024-25 and 2025-26, and to moderate further to 2.5% for the next two years, as population growth and housing costs ease.
- 37 Price pressures on employees and on small businesses were referred to by the Minister in her submissions, which has placed pressure on both households and on business margins. Both UnionsWA and the WACOSS emphasised the impact of the rising cost of living on the low paid. These impacts will be dealt with in more detail below when considering the factors of fairness, living standards and the needs of the low paid. The fall in both headline and underlying rates of inflation, and the spread of components in the 'CPI basket', were referred to by Mr Christmas in his evidence. He noted that of the 87 components, more than 50 of them have reduced rates of inflation. Of those which remain elevated, new housing in particular, remains high, but is easing. Both the CPI rates and the reduction in components of the CPI are set out in the following chart at p 42 of the Presentation:



- 38 Mr Christmas observed that the forecast fall in inflation for this State, is broadly consistent with the Commonwealth Budget and RBA trimmed mean projections for inflation for 2024-25 and the out years.
- 39 In response to the easing in inflation, the RBA has cut the cash rate by 0.25% at its February and May 2025 Board meetings, reflecting confidence that the rate of inflation will sustainably remain within the RBA's target range, although achieved somewhat earlier than expected. Whilst sounding a note of caution in relation to the impact of higher tariffs imposed by the United States, in its *Statement on Monetary Policy – May 2025*, the RBA said by way of overview:

In Australia, inflationary pressures have continued to ease, and both headline and underlying inflation are within the 2-3 percent range. The unemployment rate has remained steady and employment growth has remained firm, but the pickup in household consumption seems to be a bit softer than previously expected. The global economic outlook has worsened following the introduction of higher tariffs by the United States and a significant increase in uncertainty related to trade policy. This is expected to weigh on Australia's domestic activity and inflation in the forecast period, slowing the pickup in GDP growth a little while inflation returns sustainably to around the midpoint of the target.

The Monetary Policy Board judged that the risks to inflation had become more balanced but that the outlook is uncertain and depends heavily on unpredictable developments in global trade policy. Against this backdrop, the Board decided to lower the cash rate target by 25 basis points to 3.85 percent.

- 40 In terms of the national economic outlook, to the extent relevant, in the Commonwealth Budget 2025-26, growth as measured by Gross Domestic Product, grew by 2.3% over the calendar year 2023 and by 1.4% over 2023-24. Forecast growth for 2024-25 is 1.5% and 2.25% for 2025-26. As to the labour market and inflation, in the *Economic and Conditions Outlook* it is stated at p 8:

The national labour market is expected 'to remain robust over the period ahead', and although employment growth is expected to moderate, the unemployment rate is forecast to peak at a historically low level of 4.25%. Although nominal wage growth has eased, and is forecast to increase by 3.0% in 2024-25, it is projected to pick up progressively to 3.75% over the forecast period and so 'to remain above pre-pandemic rates'. Consumer price inflation is projected to decline to 2.5% in 2024-25, and to remain within the Reserve Bank of Australia's (RBA) 2-3% target range over the forecast period.

The Commonwealth Budget highlights that the strong labour market conditions and moderating inflation have led to five consecutive quarters of annual real wage growth. Annual real wages are forecast to grow by 0.5% in 2024-25, with positive real wage growth forecast in each year of the Budget period.

- 41 The CCIWA made particular reference to productivity in its submission. In reliance on both Productivity Commission research and RBA *Statements of Monetary Policy*, the CCIWA contended that consistently weak productivity performance in the Australian economy is a risk to the inflation outlook, as

recognised by the RBA in its *Statement of Monetary Policy February 2025 – 3.3 The Domestic Outlook*. The CCIWA contended that unit labour costs, as a function of labour productivity, is a critical factor for firms' pricing decisions, and in turn, inflation.

- 42 CCIWA emphasised the importance of productivity growth in improving standards of living, and it being necessary to sustain real wages growth to avoid fuelling inflation. On the basis of Australian National Accounts data, CCIWA referred to increases in unit labour costs of 4.7% over the year to December 2024, as a result of increases in nominal wages growth and subdued productivity growth. It was contended by the CCIWA in its initial and reply submissions, that productivity growth remains weak, and for the year to December 2024, it has fallen by 1.1% returning to 2018-19 levels. According to the RBA *Statement of Monetary Policy May 2025 – 3.5 Detailed Forecast Information*, as noted by the CCIWA in its reply submissions, labour productivity will not reach its long run average of 1.2%, but is forecast to remain below it, at 1.0% by December 2026. The CCIWA emphasised that this is of sufficient concern to the RBA, that it is identified as one of three key risks to the Australian economic outlook.
- 43 It was also noted in the CCIWA submission that the Fair Work Commission, in the *Annual Wage Review 2022-23* [2023] FWCFB 3500 and the *Annual Wage Review 2023-24* [2024] FWCFB 3500, recognised the desirability of minimum award wages maintaining their real value, consistent with the trend rate of growth in productivity, and the moderating impact of low productivity growth on increases in minimum wages, significantly above the rate of CPI. This was said by the Fair Work Commission, but we should add that in the *Annual Wage Review 2023-24* decision at [154]-[155], it qualified this principle, as being subject to the particular circumstances of each annual review proceeding. In that decision of the Fair Work Commission, of particular importance was the cost of living pressures experienced by low paid modern award reliant employees, as was also a significant factor in the Commission's *2024 State Wage Case* decision.
- 44 UnionsWA took issue with the CCIWA's contentions in its submissions in relation to productivity. It submitted that long run productivity, leaving aside the 'COVID-19 productivity bubble' over 2020-22, sits just above the pre-pandemic trend average. Reference was made to the RBA *Statement on Monetary Policy – February 2025*, to the effect that labour productivity is expected to reach its long run average rate over the next two years, with a rebound in multi-factor productivity. We note the above however, at [42]. The RBA observed at p 55 of its *Statement*:

Labour productivity growth is assumed to pick up gradually over the next two years but to be weaker than previously anticipated; there is significant uncertainty around the longer term outlook.

The strength in non-market sector employment growth has had a small drag on measured aggregate productivity growth in recent years, given sectoral differences in measured productivity. This effect is likely to continue. However, the health care industry is also drawing labour predominantly from lower productivity jobs in the market sector, which is likely to be muting the overall drag on aggregate productivity (see Box C: Health Care Employment and its Impact on Broader Labour Market Conditions). Productivity growth is expected to pick up to reach its long-term (excluding the pandemic) average rate. The forecasts assume multifactor productivity (MFP) growth will rebound over the next couple of years, which would be consistent with increased rates of technology adoption, improved reallocation of labour between low- and high-productivity firms, improved labour quality and improved quality of job matching. However, there are risks to the outlook for productivity that could have implications for growth and inflation outcomes (see Key risk #3, below).

- 45 The RBA identified the issue of weak productivity growth as one of three risk factors over the forecast period. As to this, the RBA went on to say:

Key risk #3 – Weak productivity growth could be more persistent than expected.

Our forecasts for output and hours worked currently imply that labour productivity growth returns to longer run average annual rates of around 1 per cent by the end of the forecast period, driven by strong growth in MFP. This is higher than rates observed over the five years leading up to the pandemic, a time in which labour productivity and MFP grew by around 0.5 per cent per year. If this does not eventuate, the supply capacity of the economy will grow more slowly over the forecast period than currently expected.

The implications for inflation are somewhat uncertain and depend crucially on how the economy adjusts to this lower rate of productivity growth. If the growth of aggregate demand and of wages adjust quickly to this slower growth in the supply side of the economy, there will be limited inflationary effects and the implications for monetary policy will therefore also be limited. However, if demand and wages adjust slowly, there may be additional inflationary pressure.

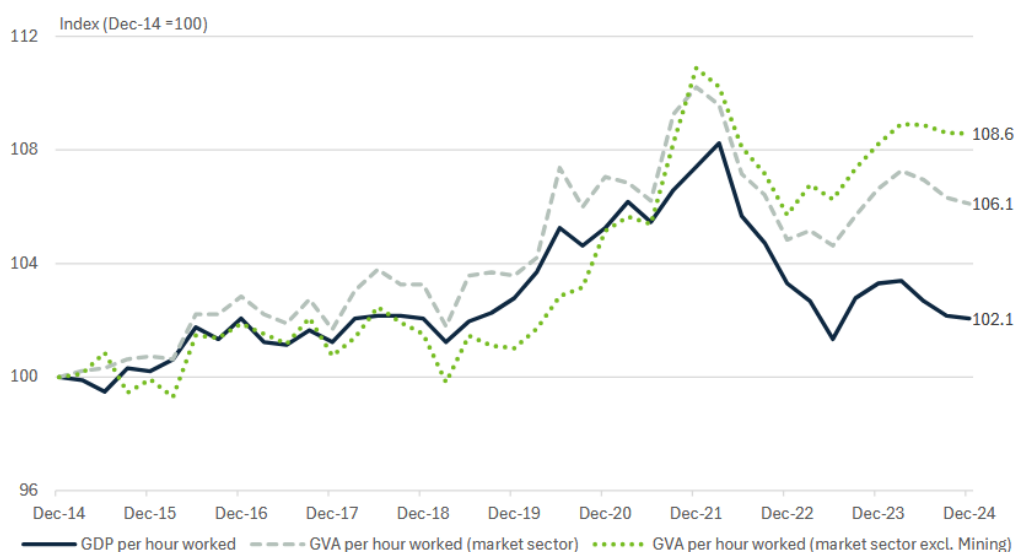
Noting the challenges around predicting trend productivity growth, we are examining international and domestic evidence to consider whether the weak productivity outcomes are more structural and/or persistent than assumed.

- 46 In relation to the above, UnionsWA submitted that consistent with the RBA analysis, the rising share of non-market employment, has led to challenges in productivity measurement and the possible underestimation of productivity growth in the non-market sector. Further, in referring to other research, difficulties arising in measuring outputs to meaningfully assess productivity performance in areas such as health care, may overstate the supposed drag on productivity performance by this sector. In relation to this, UnionsWA contended, citing research by the Productivity Commission, that parts of the health care sector have experienced robust productivity growth in recent years

(see Productivity Commission *Advances in measuring Healthcare productivity* – Research Paper April 2024). In addition to these matters, UnionsWA also noted that it has been recognised that the mining industry in particular, has experienced negative productivity growth in recent years, placing a further drag on aggregate productivity performance (see Westpac IQ *Australian National Accounts* Report 30 October 2024).

- 47 In this regard, UnionsWA in its reply submissions, referred to a Fair Work Commission *Statistical Report – Annual Wage Review 2024-25* (Report, 24 April 2025), which tracked productivity indexes over a 10 year period from December 2014 to December 2024, as follows:

Chart 2.1: Measures of productivity, indexes—Dec-14 = 100



- 48 It was contended that the trajectory of productivity growth is very different when mining is removed from the market sector index. Given this sector is not directly impacted by the SWO, UnionsWA submitted that productivity performance should not be a moderating factor in the Commission's consideration of the SMW and minimum award wages. Allied to this, on the basis of an uptick in business investment in Western Australia, which grew by 12.7% in 2023-24, including non-mining capital investment growth of 15.9% in the December quarter 2024, UnionsWA contended that there is a basis to be optimistic in relation to the productivity outlook.
- 49 These issues were taken up in part by Mr Christmas in his presentation. He noted the measurement difficulties in using multi factor productivity, when trying to make short term estimates. This results from variations in capacity utilisation, re-allocation of capital and labour, economies of scale and measurement error. Given these limitations, Mr Christmas noted that multi factor productivity is best used for long term trends of at least five years. Experimental estimates of both

multi factor productivity and labour productivity have been produced by the ABS at the State level, for the market sector, but not the total economy. Areas such as health, education and public administration are not included. Using this data set, for both 2023-24 and for the past five years, Mr Christmas presented the following table:

| Market Sector Productivity Growth State level experimental measures | | | | |
|--|-----------------------------|--------------|------------------------|--------------|
| | Multifactor Productivity | | Labour Productivity | |
| | Past | | Past | |
| | 2023-24 % | 5-years % | 2023-24 % | 5-years % |
| New South Wales | 1.6 | 0.6 | 3.3 | 1.1 |
| Victoria | 0.1 | 0.2 | 1.1 | 0.9 |
| Queensland | 0.1 | 0.6 | -1.0 | 0.1 |
| South Australia | 0.3 | 1.4 | 1.2 | 1.5 |
| Western Australia | -2.3 | 0.0 | -0.5 | -0.3 |
| Tasmania | 2.8 | 0.5 | 6.3 | 0.5 |
| Northern Territory | 6.4 | 2.1 | 10.3 | 3.1 |
| Australian Capital Territory | 4.4 | 1.7 | 6.6 | 2.0 |
| Australia | 0.1 | 0.5 | 1.1 | 0.7 |

Source: ABS

- 50 Whilst at first blush these figures suggest that at the State level, which is the requirement specified in s 50A(3)(b) of the *Act*, productivity growth for Western Australia has been lower than that nationally, using both measures of multi factor productivity and labour productivity, Mr Christmas also referred to an important qualification to these productivity measures. The qualification is that for the mining industry nationally, as noted in the research referred to by UnionsWA, multi factor productivity has declined by 1.9% over the last five years. Given this sector represents about 50% of the Western Australian economy, removing it from the multi factor productivity measure of 0% for Western Australia for the last five years, a relevant consideration for the industry sectors in the State industrial relations system, would lead to a positive growth result. The quantum of that growth figure is however unknown.
- 51 The assessment of productivity contributions to the performance of the State economy is complex and difficult. This is particularly so as the majority of the data is reported on a national basis. Continued robust business investment in the non-mining sectors in the State economy is a positive factor. Given the material provided by Mr Christmas, that the market sector in the State economy, excluding mining, has had positive productivity growth over recent years, and the RBA assessment that trend productivity is expected to pick up over the next two years, there is some scope to be less pessimistic in relation to the State's productivity performance, than suggested by the CCIWA. However, as recognised by the RBA, there are risks to the outlook, and uncertainty remains.

- 52 The Commission invited further written submissions from the parties in relation to the terms of s 50A(3)(b) of the *Act*, in relation to the obligation on the Commission to have regard to the likely effect of its decision on productivity in Western Australia. Both the Minister and UnionsWA made further submissions. Section 50A(3)(b) does not expressly require the Commission to consider current trends in productivity. However, to the extent that current productivity trends play a part in the state of the economy of Western Australia, productivity trends will be relevant. Further, as the Minister submitted, it would be all but impossible to consider the effect of the decision on the economy, without also considering current productivity trends.
- 53 Referring to the International Labour Organization's 2025 Report *Economic factors for wage setting* and other publications, UnionsWA submitted that empirical studies support the conclusion that wage increases may lead to higher levels of productivity by boosting employee motivation, reducing turnover and encouraging skills development and organisational change. At the same time, UnionsWA submitted that the effect of this year's SWO on Western Australia's aggregate productivity would be neutral, with either unidentifiable or slightly positive effects at the enterprise level.
- 54 The Minister noted that measuring the impact of the SWO on productivity is inherently difficult. The Minister submitted that theoretically a 'significantly large' increase in wages could lift productivity, while a 'low' increase could reduce productivity by encouraging more employment with the same overall output. As with UnionsWA, the Minister submitted that a sustainable increase in wages is unlikely to have any significant impact on productivity levels in Western Australia, given the limited impact the SWO has on aggregate wages growth in the State.

Fairness, living standards and the needs of the low paid (ss 50A(3)(a)(i) – (iv))

- 55 In the **2022 State Wage Case**, the Commission observed at [56]-[57] as follows:

- [56] In assessing what are fair wage standards in the context of living standards generally, and the requirement to consider contributing to improvements in living standards, for the purposes of both s 50A(3)(a)(iii) and (iv), this invites consideration of changes in the cost of living to date and how any increase in the SMW may improve living standards for the future: **2021 State Wage Case** at [61]. There has been a particular focus in this year's proceedings on the cost of living in the context of meeting the needs of the low paid under s 50A(3)(a)(ii).
- [57] It was accepted in last year's **State Wage Case** that the meaning of 'meeting the needs of the low paid' broadly corresponded to the similar criterion in s 284(1)(c) of the *Fair Work Act 2009* (Cth). This involves enabling low paid employees to purchase the essentials to have a decent standard of living, so they can participate in

the community: at [70] to [71]. None of the submissions made this year took any issue with this approach.

56 We affirm those views for the purposes of these proceedings.

57 As in recent SWO proceedings in the *2023 State Wage Case* [2023] WAIRC 00330; (2023) 103 WAIG 733 and the *2024 State Wage Case*, the cost of living and the impact of increases in living costs on those paid the SMW and award reliant employees, was placed in sharp focus on this occasion also.

58 We accept, as the Minister submitted, that award reliant employees are paid substantially less than those employees paid under other arrangements, such as collective agreements and individual arrangements, a point also made by UnionsWA in its submissions. We accept also, and no party asserted to the contrary, that low paid award reliant employees depend on increases arising from SWO cases to assist in meeting their living costs.

59 In its submissions, the WACOSS focussed on the impact of the rising cost of living on the low paid. At p 5 of its written submissions, the WACOSS said:

High inflation post-COVID has hit low-income households more harshly, rapidly deteriorated their financial security and exacerbated inequality. While inflation has eased in the last 12 months, the cost of many essential items remains high and continues to increase significantly.

It has been well established in previous State Wage Cases and broad economic analyses, that the cost of essential goods and services increased substantially between 2021 and 2024, outpacing wage growth. Australia's Consumer Price Index (CPI) has increased by 23.2 per cent since the beginning of the COVID-19 pandemic. Between 2021 and 2023, insurance prices rose 22.6 per cent. Between 2020 and 2024, rents in Greater Perth increased by almost 80 per cent. Over the last five years, grocery prices rose by 24 per cent, increasing at more than double the wage growth rate in early 2023. Between June 2021 and September 2023, real wages growth was negative. This means while the Wage Price Index (WPI) and CPI are now more closely aligned, wages have much catching up to do to restore their previous purchasing power. This is reflected in recent analysis conducted by Bankwest Curtin Economic Centre which projects that "*making up this lost purchasing power will require wages to grow at a rate at least 1 percentage point above prices consistently until at least September 2027*".

60 Housing costs was a particular focus of the WACOSS submissions, also emphasised by UnionsWA. As the largest expense for a low income household, with the steep rise in rental costs in Perth, most rental properties are now out of the reach for this cohort of employees. For a single person on the SMW, only 0.3% of listed rental properties available in mid-March 2025 were affordable. For a couple with children, both on the SMW, only 4% of properties were affordable. With rents in Perth having increased by 6.3% over the last year based on the CoreLogic *Quarterly Rental Review*, and with a median weekly rental now

at \$710 per week, UnionsWA noted that Perth is now the second most expensive city in which to rent, apart from Sydney. Both UnionsWA and the WACOSS referred to last year's increase in the SMW and minimum award wages, as having now been eroded by the subsequent increase in living costs.

- 61 According to the *WACOSS 2024 Cost of Living Report*, which models the financial circumstances of a low income family of a couple and two children, whose income is typically derived from wages and government support payments such as Family Tax Benefit payments, for the first time in 2024, their expenses exceeded their income by \$60.77 per week. The WACOSS submission also noted increasing access to emergency financial relief and food charities by employees on incomes of between \$40,000 and \$60,000 per annum, which includes employees on the SMW and those paid the C10 classification minimum award rate of pay.
- 62 In support of its position in relation to an increase in the SMW, the WACOSS placed considerable emphasis on the lived experience of employees on low wages. In conjunction with Murdoch University, the WACOSS research project *Living Realities: Understanding Life on Low Income in WA*, depicts the life experience of eight people on low incomes, in various living situations. Three of the eight were referred to in the WACOSS submissions, they being 'Heather', 'Anita' and 'Andy' (not their real names). The three are different ages and genders, two are parents, one is a homeowner and two are renters. All three individuals are on low incomes and receive income support. Two of the individuals are paid about the rate of the SMW, and the third is paid a combination of a casual employed rate, and student support payments.
- 63 We have considered carefully the content of these case studies. They have been impactful and are of assistance in gaining an insight into the challenges facing low income employees, and the consequences for individuals in different living circumstances. The WACOSS emphasised some of these consequences, especially for women and younger people, of employment in low paid occupations. This includes financial insecurity, negative health impacts of being deprived of basic needs essential for good health, and social exclusion. In relation to social exclusion, we refer to what was said by the Commission in Court Session in the *2022 State Wage Case*, cited above at [55].
- 64 As in the *2024 State Wage Case*, both the Minister and UnionsWA placed significant emphasis on escalating food prices and the impact, along with housing and other essentials, on the after tax incomes of low income households. The *ABS Selected Cost of Living Indexes*, measure the change in price for goods and services for various household types. They reflect purchasing power over time. The Employee Living Cost Index is the most relevant for present purposes. For this group, the LCI rose by 3.4% over the year to March 2025 and by 1.1% in the

March quarter 2025. The LCIs set out at figure 13 in the Minister's submissions on p 23 are as follows:

Figure 13: Selected Living Cost Indexes by household type and CPI, Australia, March 2025



- 65 The Minister noted that the 3.4% increase to the March quarter 2025 for employee households reflected in the Employee LCI was considerably less than the 6.5% increase over the period to the March quarter 2024, as noted at [59] of the decision of the Commission in the *2024 State Wage Case*. Whilst the Minister also observed that the increase in the LCI is greater than the headline rate of CPI growth for Perth to the March quarter 2025 of 2.8%, it is to be noted however, that it is the same as the 3.4% increase in the CPI for this period, excluding the electricity sub-component.
- 66 It is to be accepted, as was submitted by UnionsWA in its submissions, that in terms of consumption as a share of income, the low paid spend disproportionately larger amounts of income on housing and food than higher income households. It logically follows, as submitted by UnionsWA, that substantial increases in rent occurring in Perth over recent years, will have the effect of constraining available income for other categories of expenses, as a result of meeting housing cost needs.
- 67 Whilst accepting that the LCIs are a useful measure of changes in costs of goods and services over time, in relation to different household types, as noted above, the Commission maintains the view, as urged by the CCIWA in its reply submissions, that the CPI remains its preferred measure of overall changes in the cost of living.
- 68 An issue of focus by UnionsWA in its submissions in this year's proceedings, was the relative decline in real wages over the period since 2021, and its impact on the low paid and their capacity to meet increases in living costs. It was

contended that having regard to the decisions of the Commission in the *2021 State Wage Case* [2021] WAIRC 00173; (2021) 101 WAIG 459, through to the *2024 State Wage Case*, and deflating the increases awarded in those decisions by the CPI for Perth, shows a decline of 3.2% from a peak in June 2020. Using the CPI excluding the sub-index, a decline of 4.92% is apparent. Adopting an alternative method of deflating a SWO increase from the date of its effect on 1 July each year, has led to a real wage decline of 4.65% and 4.95% respectively.

- 69 In relation to the SMW, UnionsWA contended that there has been modest growth over recent years but when the sub-index is excluded, there has been a fall of 2.14% from a peak in June 2020. Adopting the alternative method of deflating the SMW from 1 July each year, it was contended that over the period 2021-2024, the SMW has declined by 1.66% and 1.96%, when excluding the sub-index. The overarching submission of UnionsWA was that notwithstanding a real increase in award wages in 2023, and real increases in the SMW in 2023 and 2024, overall, SMW and award reliant minimum wage earners have experienced a real wage decline (see pp 20-22 UnionsWA submissions).
- 70 The CCIWA emphasised in its submissions, that compared to wage earners generally in the State, with wages growth measured against the WPI, those paid the SMW have received substantial wage increases, which means that the SMW has largely kept pace with inflation to 2024, as opposed to the WPI over the same period (see Figure 6 CCIWA submissions p 18). Using the WA Treasury forecast for 2024-25, the CCIWA contends that in this year's State Wage Case, wages growth would be positive for the SMW, with a small decline for wage earners generally. However, the CCIWA methodology, as noted by UnionsWA in its reply submissions, appears to have deflated the SMW by the year on year CPI growth figure over the ensuing year, presumably to reflect cost increases over the year that the increase in the SMW is in effect. Whereas the UnionsWA methodology, as noted in its reply submissions, in effect, reflects a 'catch up' of price increases, at the time the SWO takes effect.
- 71 UnionsWA acknowledged that the CCIWA approach is also valid. However, UnionsWA contended that if the base year of 2020-21 rather than 2021-22 is used, then given the very high inflation rate for the ensuing year, the CCIWA approach results in real growth of only 0.89% in the SMW over this total period. Another factor to note is that those employees paid the SMW, received the significant benefit of the re-alignment of the C14 to the C13 classification rate as the benchmark for the SMW, resulting from the *2024 State Wage Case*. We would also add that whilst there has been some real increase in the SMW, relatively few employees are paid at that rate. Of more practical significance, are those who are paid minimum award rates of pay in award reliant industries.

- 72 Regardless of the methodology used, it is the case that with the significant increases in inflation over 2022-2024, minimum award wages have not risen in real terms over the period 2021-2024. This is acknowledged by the Minister in her reply submissions, and its impact on low income households is noted. This has impacted negatively on the ability of minimum wage increases to meet the needs of the low paid. The Minister also noted that with inflation now tracking lower, the opportunity exists for an improvement in wages for minimum wage earners, as long as this occurs sustainably, without risk to the State economy and the labour market.
- 73 The Commission has observed on prior occasions in SWO proceedings, that the needs of the low paid cannot be totally met by increases in the SMW and minimum award wages, a point noted by the CCIWA in its submissions. They are however, an important means to assist in meeting the needs of the low paid and contributing to improving their living standards. Targeted relief through the tax and transfer payment system is also essential in providing support for low paid employees. In this context, the CCIWA emphasised both State and Commonwealth Government budget measures, designed to assist in easing cost of living pressures, especially for low income households.
- 74 At the Commonwealth level, the CCIWA referred to the recent 2025-26 Budget delivered on 25 March 2025, which included cost of living measures such as the \$150 energy bill supplement; changes to Medicare Low Income Thresholds to benefit lower income singles and families; reductions in the lowest income tax bracket from 1 July 2026 and 1 July 2027; and increases in other social security payments such as Rent Assistance, Job Seeker and Austudy payments. At the State Government level, the CCIWA also noted commitments to decrease public transport charges and increase payments to assist parents with children in public schools. It was also noted that the upcoming State Budget can be anticipated to provide further cost of living relief. UnionsWA contended that whilst there are also benefits to small businesses arising from the recent Commonwealth Budget, such as extending the instant asset write-off through to June 2026 and other measures, cost of living measures for households should not be taken into account by the Commission.
- 75 Undoubtedly, measures to ease the cost of living, especially for low income households, delivered by the Commonwealth and State Governments, will provide welcome relief. However, it would not be appropriate to moderate any increase in minimum wages, having regard to these considerations, a position also adopted by the Minister in reply. To do so would negate the intended effect of such measures. As the Commission said in both the *2023 State Wage Case* and the *2024 State Wage Case*, one off cost of living measures implemented by

Governments, whilst undoubtedly well received, are not a substitute for the continued beneficial effect of regular increases in minimum wages.

Protecting employees unable to reach an industrial agreement (s 50A(3)(a)(v))

- 76 As the Commission has observed over a number of years, industrial agreement making is almost non-existent in the industry sectors in the private sector State industrial relations system. There is a very high degree of award reliance in the industry sectors of accommodation and food services, and retail trade. Accordingly, as submitted by the Minister and UnionsWA, for those in the State system who are primarily award reliant, fair and sustainable wage increases will serve to protect this group of employees, given the absence of agreement making.

Encouraging ongoing skills development (s 50A(3)(a)(vi))

- 77 The Minister, as in prior State Wage Cases, has provided data from the Department of Training and Workforce Development, in relation to apprenticeships and traineeships in Western Australia to 2024. Both the Minister and UnionsWA noted a fall in apprenticeship commencements from 2023 to 2024, although by a marginal number. The peak number of commencements occurred in 2021 and 2022, with the introduction of Commonwealth wage subsidies, boosting numbers of apprenticeship commencements to an all-time high of 12,547. Whilst the number of apprenticeship commencements has eased to 10,927 for 2024, commencements still remain at a considerably higher level than the average rate of commencements over the period 2014-2020 of 7,437.
- 78 As for traineeships, along with apprenticeships, while the number of commencements rose steeply in the 2021 to 2022 period, there has been a sharp fall in numbers of commencements to 10,814 in 2024, from 19,264 in 2022.
- 79 Whilst the total numbers of apprentices in training increased somewhat from 2023 to 2024, reflecting an ongoing trend of increases in apprenticeships in Western Australia, the total number of trainees in training fell over 2023 to 2024. As a global figure, the total number of persons in training (both apprenticeships and trainees) reduced from 40,952 to 38,952 between 2023 and 2024.
- 80 UnionsWA contended that the fall in the total number of those in training, and in particular the falling overall entry rate into apprenticeships and traineeships, in total, most likely reflects cost of living pressures as a barrier to entry, acknowledged by the Minister in her reply submissions. It was submitted that increases to minimum wages, flowing on to apprentices and trainees, is therefore essential to encourage ongoing skills development.
- 81 Apprenticeship numbers remain at a considerably higher level than in the years prior to the pandemic. There is nothing to suggest that regular increases in

minimum wages for apprentices have acted as a disincentive to apprenticeship commencements. Whilst the fall in traineeship commencements is notable, if, as UnionsWA contended, the falloff reflects increases in the cost of living over recent years, regular increases in minimum wages in a high cost of living environment, could only assist trainees in meeting their living expenses, and hence, their retention in the training system.

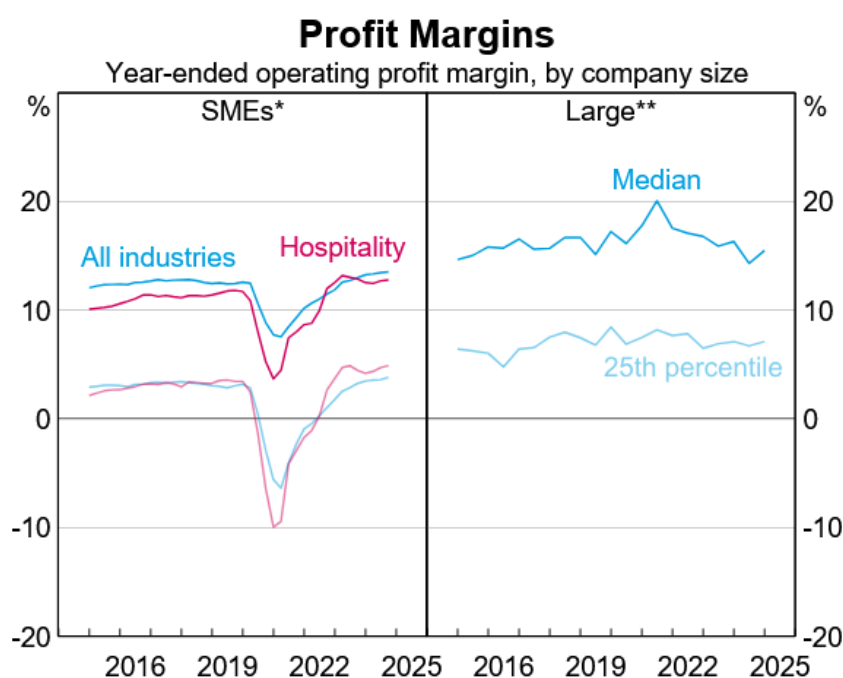
Providing equal remuneration (s 50A(3)(a)(vii))

- ⁸² The Commission is required, in making a SWO, to take into consideration the provision of equal remuneration. As noted by the Minister and the WACOSS, the gender pay gap in Western Australia has reduced from 21.7% to 20.2% in the year to November 2024. Average weekly ordinary time earnings for females grew at a faster rate than for males over this period. Whilst women in Western Australia earn the second highest average weekly earnings of all the States and Territories, as referred to by the Minister in her submissions, the reason for the large gender pay gap in Western Australia, is the relatively high AWOTE in this State, compared to others.
- ⁸³ This latter point, as the Commission has observed previously, is partly a result of the compositional effect of greater numbers of male employees in higher paying industries such as mining and construction, in particular. Conversely, greater numbers of women are employed in lower paid, award reliant industry sectors, such as social assistance, retail, health care and accommodation and food services. This was also identified by UnionsWA and the WACOSS in their submissions. The CCIWA acknowledged the gender pay gap as a matter of ongoing concern for the community in its reply submissions.
- ⁸⁴ Whilst the SWO proceedings of themselves are not able to address the underlying and complex reasons for the gender pay gap, the Commission continues to hold the view that sustainable increases in the SMW can contribute to reducing the gender pay gap. This appears to be confirmed by overseas research referred to by UnionsWA in its submissions.
- ⁸⁵ As a result of the *Industrial Relations Legislation Amendment Act 2024*, a new object has been inserted into the *Act* in s 6(ac), which is ‘to promote gender equality in the workplace through equal remuneration and eliminating gender-based under valuation of work’. Additionally, the Commission’s *Statement of Principles – July 2024* contains *Principle 8 – Equal Remuneration for Men and Women for Work of Equal or Comparable Value*. This principle enables an application to be made to the Commission to ‘implement equal remuneration for work of equal or comparable value’, and operates in conjunction with the capacity for a range of persons to bring an application under Part II Division 3B of the *Act*, for an equal remuneration order. It is only in proceedings of that kind,

that the complex issues of gender undervaluation of work can be properly considered, as in the recent decision of the Fair Work Commission in *Gender-based undervaluation – priority awards review* [2025] FWCFB 74.

Capacity of employers as a whole to bear cost increases in wages, salaries, allowances and other remuneration (s 50A(3)(d))

- 86 This factor is focussed on an assessment of the capacity of employers as a whole, to bear the costs of an increase in wages and conditions of employment. The circumstances of individual businesses cannot be considered. In the RBA *Financial Stability Review - April 2025 Report* at pp 26-27, the overall conclusion reached was that most businesses, including small businesses, remain profitable. There has been growth in overall small and medium size business profitability levels since the pandemic. This is despite ongoing cost pressures. The RBA noted however, that borrowing costs have reduced, as a result of the February and May 2025 reductions in the cash rate. Profitability has been achieved, although often by a decrease in operating costs. UnionsWA, in both its initial and reply submissions (at p 6 and p 9 respectively), referred to the following chart in relation to profit margins nationally, in the RBA *April 2025 Report* as follows:



- 87 As a proxy of business profitability for Western Australian industry sectors, the Commission regularly has regard to the ABS Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) as contained in the Minister's submission. It is accepted, consistent with the CCIWA submissions, that this also reflects the

dominance of the mining sector in the Western Australian economy. Table 5 in the Minister's submissions sets out the GOS plus GMI as follows at p 16:

Table 5: Gross Operating Surplus (GOS) and Gross Mixed Income (GMI) by industry, WA, current prices, 2023 and 2024²⁸

| Industry | GOS + GMI June 2023 (\$m) | GOS + GMI June 2024 (\$m) | Annual Increase (\$m) | Annual Increase (%) |
|---|---------------------------------|---------------------------------|-----------------------------|---------------------------|
| Agriculture, forestry and fishing | 8,101 | 5,632 | -2,469 | -30.5% |
| Mining | 181,379 | 172,044 | -9,335 | -5.1% |
| Manufacturing | 8,559 | 8,701 | 142 | 1.7% |
| Electricity, gas, water and waste services | 2,791 | 3,152 | 361 | 12.9% |
| Construction | 6,805 | 8,463 | 1,658 | 24.4% |
| Wholesale trade | 5,276 | 5,151 | -125 | -2.4% |
| Retail trade | 4,773 | 4,976 | 203 | 4.3% |
| Accommodation and food services | 2,344 | 2,165 | -179 | -7.6% |
| Transport, postal and warehousing | 6,305 | 6,326 | 21 | 0.3% |
| Information media and telecommunications | 1,884 | 2,011 | 127 | 6.7% |
| Financial and insurance services | 9,349 | 9,494 | 145 | 1.6% |
| Rental, hiring and real estate services | 3,583 | 3,696 | 113 | 3.2% |
| Professional, scientific and technical services | 4,325 | 4,348 | 23 | 0.5% |
| Administrative and support services | 857 | 687 | -170 | -19.8% |
| Public administration and safety | 2,269 | 2,605 | 336 | 14.8% |
| Education and training | 1,586 | 1,858 | 272 | 17.2% |
| Health care and social assistance | 2,820 | 3,165 | 345 | 12.2% |
| Arts and recreation services | 634 | 671 | 37 | 5.8% |
| Other services | 1,973 | 2,105 | 132 | 6.7% |
| Total all industries | 275,108 | 269,898 | -5,210 | -1.9% |

- 88 This data shows that for 2023-24, whilst overall GOS plus GMI decreased by 1.9%, 14 out of 19 industries were profitable. The retail trade sector increased by 4.3%, while accommodation and food services fell by 7.6%. Health care and social assistance were up by a strong 12.2%, as were the services sectors generally, except for administrative and support services. Whilst accommodation and food services shows some easing in GOS plus GMI, this comes off a very high base for the corresponding result for 2022 and 2023, which revealed annual growth of 24.9% (see *2024 State Wage Case* at [73]).
- 89 As noted earlier at [29], employment growth has been very strong in the accommodation and food services sector, through to February 2025. Additionally, wages growth in accommodation and food services to the March quarter 2025, was the second highest of any industry of 4.3%, as set out at [33] above. These figures suggest a strong demand for labour in the accommodation and food services sector through to the end of the first quarter 2025. It also suggests that the lag data for GOS plus GMI for this sector, up to June 2024, in light of such strong performance in employment and wages growth, may not reflect the current position. Furthermore, recent reductions in the cash rate, with further expected in coming months, will likely assist in boosting discretionary spending in the economy, with industries such as accommodation and food services and retail likely to obtain some benefit.
- 90 As previously noted, the CCIWA referred to business confidence having improved as at March 2025, although rising cost pressures are noted as an area of concern. Rising costs, as reflected in the Producer Price Index, to March 2025

increased by 3.7%, an amount in excess of the rate of inflation. Interest rates and labour cost increases cited by the CCIWA as pressing issues, are contributing to a high level of small business insolvencies, as referred to earlier in these reasons. As noted earlier too, the WALGA also referred to significant increases in costs facing the sector over recent years, as reflected in the Local Government Cost Index, which measures changes in prices for a basket of items most commonly used in Local Governments.

- 91 The LGCI rose sharply with increases in the CPI over 2021-24. Costs have recently eased with growth of 3.2% over the year to December 2024. With rates increases being the main source of revenue raising, the WALGA submitted Local Governments need to balance any rates increases, as opposed to a reduction in services provided. Smaller councils face different pressures, through declining populations, leading to operating deficits.
- 92 UnionsWA suggested that the capacity of Local Governments to increase rates put them in a strong position to manage any cost increases as a part of budget management. However, rates increases, like price increases by small businesses, impose additional costs on households, especially in periods of elevated cost of living generally, a point noted by the CCIWA in its reply submissions.
- 93 As a cost to businesses, the CCIWA referred to recent variations to State awards and to the increase in the casual loading to 25%, consistent with the *Minimum Conditions of Employment Act 1993* (WA) and other changes to allowances in some awards as part of the award review process. It was contended that these should also be taken into account in the Commission's consideration. To a similar effect, the WALGA contended that recent variations to Local Government awards to increase wages, along with the increased casual loading, are relevant considerations.
- 94 This was not the view of UnionsWA, which submitted in its reply submissions that in the General Order proceedings leading to the change in the casual loading, the Commission noted the administrative savings to employers of not having to navigate the payment of casual loadings to employees at different rates for award covered employees, and the higher 25% loading payable under the *MCE Act*. This will be of some benefit to employers. According to UnionsWA, nor should recent changes to Local Government awards to increase wages be taken into account, as they were by consent. It was also noted by UnionsWA, and acknowledged by the WALGA in its submissions, that most Local Governments are covered by an industrial agreement, whether by way of a New state instrument under the *Act*, or separately negotiated. This means that any increase in minimum wages will have a minimal impact overall.

- 95 The Minister also noted in reply that variations to allowances in awards, and the increase to the casual loading, given the reasons for these changes, should not moderate any increase in minimum wages.
- 96 The casual loading increase to 25%, reflects the long standing casual loading in national system modern awards, and the change aligns the State casual loading to that applying in the national system. State system employers have had the benefit of paying a lower rate than national system employers since 2010. Allowances have been updated in some State awards, in circumstances where they have not been adjusted for many years, to reflect the current value of the relevant allowance. We do not think these changes should be taken into account as moderating factors in relation to any increase in minimum wages.
- 97 As to costs, the recent reduction in the cash rate in February and May 2025, will assist small businesses in the State industrial relations system. Also, whilst the CCIWA pointed to insolvencies as an issue, UnionsWA noted in its initial and reply submissions, that the RBA *Financial Stability Review – April 2025 Report* at p 26, observed that while insolvencies have risen sharply, as a percentage of total businesses, it is in relative terms, still a small number overall. Additionally, the RBA noted that the level of business insolvencies remains below the pre-pandemic trend.
- 98 Relevant also, is the RBA comment in the *April 2025 Report*, that the increase in levels of insolvencies reflects not just challenging trading conditions for some businesses, but also the unwinding of ‘significant support measures introduced during the pandemic, including the Australian Taxation Office (ATO) resuming enforcement actions on unpaid taxes’ (p 26). Also noted by the RBA, is the ‘catchup effect’, from the very low insolvency rate during the pandemic, a matter taken up by UnionsWA in its submissions.
- 99 Whilst neither business types nor industry sectors are identified, UnionsWA also referred to data published by the ABS in its *Counts of Australian Businesses, including Entries and Exits – 27 August 2024*. This reveals that for 2023-24, net growth in the number of businesses in Western Australia, rose to 8,698, compared to 6,384 for the year prior. This reflects growth of 3.5%, placing Western Australia first amongst the States and Territories, along with the Australian Capital Territory.
- 100 In light of the above, the Western Australian specific insolvency data referred to by the CCIWA, is a relevant consideration.

Decision of other industrial courts and tribunals (s 50A(3)(f))

- 101 Decisions of other industrial courts and tribunals are to be taken into account by the Commission in making a SWO. On 3 June 2025, the Fair Work Commission

handed down its decision in the *Annual Wage Review 2024-25* [2025] FWCFB 3500. In its decision, the Fair Work Commission increased the NMW and all modern award rates of pay by 3.5% from 1 July 2025. Consistent with the Commission's approach in past years, the hearing resumed on 4 June 2025, to provide the parties with an opportunity to make submissions in relation to the Fair Work Commission's decision.

102 Whilst both the Minister and UnionsWA, as noted in their initial submissions, reaffirmed their positions that the Commission should award no less than the 3.5% increase determined by the Fair Work Commission, the Commission has previously said that it is obliged to have regard to specific factors relevant to Western Australia in s 50A of the *Act*, in setting the SMW and any increase in minimum award wages. The Fair Work Commission is required under the *FW Act* to have regard to the circumstances prevailing in the national economy, which involves consideration of disparate State and Territory economies, industry sectors and labour markets: *2018 State Wage Case* [2018] WAIRC 00363; (2018) 98 WAIG 263 at [230]-[232].

103 We reiterate what the Commission in Court Session said in the *2024 State Wage Case* at [124]:

Whilst the Minister urged the Commission to adopt the outcome of the Fair Work Commission's determination in its *2023 - 24 Annual Wage Review*, there is no presumption that this will be the case, given that the Commission is required to balance all of the criteria in s 50A(3) of the *Act*, in coming to a decision, which are State focussed. The Fair Work Commission decision is a relevant consideration under s 50A(3)(f), amongst a number of others. If the Parliament intended s 50A of the *Act* to require the Commission to adopt the national decision, unless there is good reason not to do so for example, it would have made this express in the legislation. There will be occasions, as in the past, where the circumstances prevailing in Western Australia warrant a larger increase than that awarded nationally, and vice versa.

104 The Minister submitted that the Fair Work Commission paid particular attention to the needs of the low paid, and that the real value of modern award wages, as reflected in the C10 classification level, had reduced by 4.5% in real terms since July 2021. The Minister contended that a similar situation has occurred in Western Australia, with a decline in real wages over the period 2021 to 2025. Given the decline in inflation, the Minister referred to the Fair Work Commission's observations that the *Annual Wage Review 2024-25* presented an opportunity to grant a real wage increase for the low paid, which may otherwise be lost, with the reduction in the value of minimum award wages becoming entrenched in the award system.

105 The Minister also referred to the Fair Work Commission's acknowledgment of low productivity growth as being a moderating factor in its decision. On the

basis of the decision of the Fair Work Commission to increase minimum rates by 3.5%, it was submitted that with the CPI for Perth at 3.4% (excluding the electricity sub-component), and with projected CPI of 2.75% for this financial year, an increase in the SMW and minimum award rates of 3.5% would be appropriate.

- 106 The CCIWA contended that the real impact of the Fair Work Commission decision was a 4% increase in the NMW and minimum award wages, when the 0.5% increase in superannuation contributions is included. The CCIWA also contended that contrary to the Fair Work Commission's conclusions, inflation remains a risk. As to business viability, the CCIWA noted the Fair Work Commission's observations in its decision that the accommodation and food services and retail sectors have experienced ongoing weakness at the national level.
- 107 The CCIWA also reiterated its concerns in relation to business insolvency levels in Western Australia. It was also contended by the CCIWA that the Fair Work Commission's conclusions as to the decline in real minimum award wages, does not reflect the position in Western Australia. Also of relevance, according to the CCIWA submissions, are the Fair Work Commission's conclusions in relation to declining productivity. In this respect, the CCIWA referred again to the RBA *Statement of Monetary Policy May 2025*, to the effect that labour productivity in the market sector has fallen to 2015 levels. It was contended that the Commission should take this into account in its decision, and a 2.5% increase to the SMW and minimum award rates remains appropriate.
- 108 A reduction in the real value of minimum award wages, resulting from the 'spike' in inflation, as found by the Fair Work Commission, equally applies to Western Australia, according to UnionsWA. Also, the decline in the relative living standards of the low paid, when compared to wage movements generally, as reflected in the WPI, is an important factor. This point, referred to in the Fair Work Commission's decision, is also relevant to Western Australia, with the WPI projected to be 3.75% for this financial year.
- 109 Given the 3.4% increase in the CPI for Perth (excluding the electricity sub-component) to the March quarter 2025, UnionsWA contended, as was the conclusion of the Fair Work Commission, that the Commission in Court Session should award a real increase in minimum rates of pay to restore their loss in value, which would have a minimal effect on the rate of inflation and the competitiveness of small businesses. In the circumstances prevailing in Western Australia, UnionsWA contended that the Fair Work Commission's increase of 3.5%, should be seen as a floor, and its claim of a 4.5% increase in the SMW and minimum award wages, would provide relief for low paid employees, so they are not left behind.

- 110 The WALGA contended that while it supports a balanced increase in the SMW and minimum award wages, in light of the Fair Work Commission decision, it reiterated its submission to the Commission that consideration be given to costs imposed on the Local Government sector, with its constrained ability to raise revenue.

Employees with a disability

- 111 Sections 50A(1)(a)(iii), (1A) and (1B) of the *Act*, require a rate to be set the same as that in s 285(2)(a) of the *FW Act*, for employees with a disability who have been assessed as having a reduced productive capacity under the SWS. Accordingly, the minute of proposed order arising from these proceedings will specify this rate, as will awards that prescribe a rate for an employee that contains a rate of pay specified for the purposes of the SWS.

Consideration

- 112 As in each SWO case, the terms of s 50A(3) of the *Act* require the Commission to balance a range of economic, social and equity factors. These factors, as the Commission has observed previously, are in some senses competing. In addition, the Commission has to exercise its jurisdiction in accordance with equity and good conscience, and have regard to the interests of those directly affected by its decision, and the interests of the community as a whole.
- 113 In this year's case, as for 2023 and 2024, the cost of living has been a significant factor. Whilst inflation is now moderating, SMW and minimum award wage earners have had reductions in their purchasing power as a result of the inflation 'spike' over the 2021-2024 period. Rises in prices for essentials of food and housing in particular, have placed low income households under financial pressure.
- 114 The State economy remains strong, as one of the best performing in the nation. The labour market is particularly robust, with very solid, although easing, wages growth in the community generally. As a result, household consumption and discretionary spending have also been elevated, as reflected in retail spending remaining very solid. Business investment also remains robust, along with housing investment. Despite these factors, low levels of productivity, especially in the market sector, remain of concern. So too, are risks to the outlook, resulting from trade tensions between the United States and other countries, especially China, being a major trading partner with Western Australia. This is reflected in some measures of business confidence.
- 115 In terms of major economic aggregates, the State economy is stronger than the national economy. Wages growth, as measured by the WPI, is forecast to be

higher for 2024-25, as is the projected CPI, although not greatly. The unemployment and employment rate projections for 2024-25 are also more favourable for Western Australia. The overall strength of the economy is an important factor, as the Commission has previously said that sustainable increases in minimum wages in a strong economy, are unlikely to have any adverse impacts on employment and inflation.

- 116 An important measure of living standards generally prevailing in the community, is the level of general wage movements.
- 117 The CCIWA's proposal for a 2.5% increase in the SMW and minimum award wages, would be a reduction in real wages for the low paid. In view of the impact of the high levels in inflation over the 2022-2024 period, such an outcome would not be consistent with meeting the needs of the low paid, and nor would it contribute to improving their living standards.
- 118 On the other hand, the proposal by UnionsWA for a \$41.34 per week increase in the SMW and a 4.5% increase in minimum award wages, and the WACOSS proposal for a 4.5% increase, would result in an increase significantly above projected inflation and wage movements in the community generally. This would impose a substantial cost on small businesses, when they too, are facing elevated cost pressures. This must be taken into account. Additionally, the increase in superannuation contributions of 0.5% from 1 July 2025, is a moderating consideration.
- 119 Having regard to all of the factors that the Commission must take into account under s 50A(3) of the *Act*, the Commission has determined that an increase in the SMW and minimum award rates of pay of 3.75% is appropriate. This will lift the SMW to \$953 per week. This will provide low wage earners in the State industrial relations system with a real wage increase, and is aligned with wage movements in the community generally.

Statement of principles

- 120 The parties did not raise any matters in relation to the Commission's *Statement of Principles – July 2024*.

Order to issue

- 121 A matter was raised by the Commission with the s 50 parties in relation to cl 8(b) of the current SWO. This deals with the adjustment of trainee rates of pay, following an increase in the SMW and minimum award rates of pay. Clause 8(b) presently provides that the highest rates of pay for each skill level are adjusted by an amount which is 80% of the arbitrated safety net adjustment. The Commission

informed the parties that this only occurs in the case of a flat dollar increase and in the case of a percentage increase, the full amount of the increase is applied.

- 122 The parties have conferred and agree that cl 8(b) should reflect the actual method applied by the Commission to the adjustment of these rates of pay. This change will be made to cl 8(b) in the SWO and the Commission is grateful for the parties' co-operation.
- 123 Minutes of proposed orders now issue. If any party wishes to raise a matter with the minutes, they are requested to do so in writing by 12 noon, Monday 16 June 2025, setting out the issues they wish to raise.