

## UnionsWA Response to Question on Notice

6 June 2025

During the second hearing for the 2025 State Wage Case, the Commission in Court Session requested views from the parties, noting the matters it must consider under s 50A(3)(b) of the *Industrial Relations Act 1979 (WA)*, on how to assess the effect its decision may have on the level of productivity in the Western Australian economy.

Internationally, there have been a number of empirical studies into the relationship between minimum wages and labour productivity, as canvassed in a recent publication by the International Labour Organization. These studies suggest that wage increases may boost worker motivation, reduce turnover, and encourage skill development, resulting in higher levels of productivity.<sup>1</sup>

Studies into the introduction of the National Minimum Wage in the United Kingdom have found that the response of companies to an increase in labour costs was an increase in labour productivity. It is interesting to note that the labour productivity increases found in these companies was not the result of a reduction in workforce or due to capital-labour substitution, but was instead the result of increases in the efficiency of production, consistent with organisational change, training and decreased employee turnover.<sup>2</sup> A study into the impact that its introduction had in the residential care home sector, found that it increased motivation and lead to a reduction in the level of worker supervision required.<sup>3</sup>

These empirical studies have principally focused on the productivity of individual firms. In the current context of inflation and the labour market, however, they are suggestive of what the enterprise level impacts on productivity may be.

UnionsWA notes the comments by the Expert Panel in the 2025 Annual Wage Review where they stated:

*No causal relationship is identifiable between the outcome of this Review and the future productivity performance of the national economy.*<sup>4</sup>



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<sup>1</sup> International Labour Organization, *Economic factors for wage setting* (Report, 2025) 23-26.

<sup>2</sup> Rebecca Riley and Chiara Rosazza Bondibene, 'Raising the standard: Minimum wages and firm productivity' (2017) 44 *Labour Economics* 27, 43.

<sup>3</sup> Andreas Georgiadis, 'Efficiency Wages and the Economic Effects of the Minimum Wage: Evidence from a Low-Wage Labour Market' 75(6) *Oxford Bulletin of Economics and Statistics* 962.

<sup>4</sup> *Annual Wage Review 2025* [2025] FWCFB 3500, 42.

We do not diverge from that view. Considering that the State Wage Order will cover a smaller number of workers, UnionsWA contends that this is also the case for the State Wage Case and productivity in the Western Australian economy.

On this basis, we submit that the likely effect on the aggregate level of productivity in Western Australia resulting from this year's decision would be neutral, with at most the potential for some positive impacts at the enterprise level.