



2024 State Wage Case

Chamber of Commerce and Industry WA

15 May 2024

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Industrial Relations Act 1979

In the Western Australian Industrial Relations Commission

Application No. 1 of 2024

2024 STATE WAGE ORDER

On the Commission's own motion

SUBMISSION BY THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

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Date of Filing: 15 May 2024

1. Introduction

1. The Chamber of Commerce and Industry of WA (CCIWA) welcomes the opportunity to make the following submission to the State Wage Case (SWC) on behalf of Western Australian employers.
2. CCIWA is a member-based organisation with around 7,500 members, spanning every sector of the economy, every size of business, and every region across our state. We are committed to developing public policy options that make WA the best place to live and do business.
3. Just as we identified in the 2023 State Wage Case, many Western Australians - business owners and households alike - continue to face challenging financial pressures.
4. Inflation remains stubbornly high, outside the RBA's target range of between 2 and 3 per cent. While this has eroded the real wages of many Australians, price pressures have eased over 2023.
5. After reaching its peak of 7.8 per cent nationally in December 2022, the latest Consumer Price Index (CPI) data shows that the national rate of inflation has softened to 3.6 per cent over the year to March 2024.¹ This has seen interest rates being placed on hold since the last increase in November 2023, with the next review set to take place on 18 June 2024.
6. Perth is still positioned as one of the most affordable places to live, experiencing the second lowest rate of inflation of all States at 3.4 per cent over the same period.² At the same time, the Wage Price Index (WPI) growth over the same period has continued to accelerate, and is now sitting at 4.2 per cent in Western Australia, resulting in real wage growth of 0.8 per cent for the year to March 2024.³
7. While encouragingly Western Australians are starting to see the benefit of lower inflation and real wage growth, concerns of economic uncertainty and instability, driven largely by global factors, still loom large.
8. The SWC comes at a time when many Western Australian businesses continue to face pressure in managing their budgets and workforces. A myriad of rising cost pressures stemming from high interest rates, higher input prices, labour shortages, and supply chain pressures all continue to negatively impact the financial viability of Western Australian businesses.
9. The most recent Producer Price Index (PPI) figures shows annual growth of 4.3 per cent to March 2024, with the ABS noting the increase stems from labour shortages, as well as higher input prices associated with increased importation costs and higher crude oil prices. These factors all continue to push up the cost of doing business for Western Australian businesses.⁴

¹ ABS (2024), [Consumer Price Index, Australia March 2024](#)

² Ibid

³ ABS (2024), [Wage Price Index, Australia March 2024](#)

⁴ ABS (2024), [Producer Price Indexes, Australia March 2024](#)

10. While WA's overall economic performance remains solid, the long-term viability of some businesses in WA appears increasingly uncertain. This is evidenced by the 84 businesses being placed into administration in WA in February 2024, the greatest number since 2018. Concerningly, the 12 months to April 2024 saw a 28.9 per cent increase in businesses entering administration compared to the previous year, a trend that is also expected to continue over the coming year.⁵
11. As noted in the Minister's submission to the 2023 State Wage Case, the sectors most commonly represented in the WA Industrial Relations system include: accommodation and food services, health care and social assistance, and retail trade.⁶ In WA, insolvency rates have increased by 34 per cent, 300 per cent, and 32 per cent respectively across these three industries.⁷
12. In addition, the Australia Financial Security Authority's quarterly personal insolvency data, where a business is involved, has also reaffirmed this upward trend. From January 2022 to January 2023, there has been a 10.3 per cent increase in personal insolvencies in WA.⁸
13. As noted in the May 2024 Monetary Policy Decision, the Reserve Bank of Australia (RBA) continues to display caution regarding Australia's economic outlook. There are several concerning economic factors in play, including ongoing uncertainty surrounding the Chinese property market, geopolitical instability, low productivity and further inflationary pressure in some other countries, notably the United States.
14. These, along with other factors, threaten Australia's economic outlook.⁹ They too create uncertainty and instability for Western Australian businesses and the State's economy more broadly.
15. Low productivity is also a significant risk for Western Australia, and Australia's inflation outlook. As noted by the RBA, large nominal rises without a rise in productivity will contribute to continued inflationary pressures.¹⁰
16. Over the year to December 2023, Australia's productivity declined 0.4 per cent to sit back at 2019 levels, and while the past two quarters have shown improvement, there are concerns low productivity will persist.¹¹
17. In recognition of the unpredictability of the economic outlook, we encourage the Western Australian Industrial Relations Commission (hereafter, the Commission) to take a cautious approach in reviewing the State Minimum Wage (SMW) and award rates of pay, by taking into consideration:

⁵ ASIC (2024), *ASIC Insolvency Statistics – Chart 1.3 April 2024*

⁶ 2023 WAIRC 00330 [32-33]

⁷ ASIC (2023), *ASIC Insolvency Statistics – Series 3.1.1 2022-2023* and ASIC (2023), *ASIC Insolvency Statistics – Series 3.1.1 2021-2022*

⁸ ASFA (2024), *Quarterly Personal Insolvency Statistics Table 1*.

⁹ RBA (2024), *Statement by the Reserve Bank Board: Monetary Policy Decision March 2024*

¹⁰ RBA (2023), *Recent trends in Australian productivity, September 2023*

¹¹ RBA (2024), *Statement by the Reserve Bank Board: Monetary Policy Decision March 2024*

- 17.1. The dominance of the resources sector in driving the State's economic growth is not reflected within other sectors of the economy.
 - 17.2. Businesses face significant challenges in doing business in WA, driven by labour shortages and the rising costs of doing business, which has ameliorated business profits and created financial instability.
 - 17.3. The rising levels of insolvencies among Western Australian businesses most commonly represented in the WA Industrial Relations system.
 - 17.4. Productivity among Australian workplaces continues to lag below the long-run average, which risks further inflationary pressure when there's significant wage growth without commensurate productivity increases.
 - 17.5. Superannuation changes that will increase contributions by another 0.5 per cent, taking it to a high of 11.5 per cent.
 - 17.6. WA's rapid decline in the rate of inflation, reducing the need to build in unsustainable levels of wage growth, and risking further inflationary pressure.
 - 17.7. Any changes to State awards, which may have had an impact on the capacity of businesses to pay further increases in the State Minimum Wage.
 - 17.8. The Federal Government's income taxation changes, which are targeted to low and middle-income brackets.
 - 17.9. The Federal Government's cost-of-living measures announced in the 2024/25 Budget, including: \$300 in a household electricity credit, freezing of CPI indexation on PBS medicines, an increase to rental assistance and changes to the threshold for the Low-income Medicare levy.
 - 17.10. The State Government's cost-of-living measures announced in the 2024/25 State Budget, estimated to be \$762 million, including: \$400 to \$1,086 in a household electricity credit, and a 2 per cent reduction in household fees and charges, estimated to be worth \$124. This is in addition to the WA Student Assistant Payment for school-aged children.
 - 17.11. The role of the federal tax and transfer system in supporting lower wage earners.
18. In light of the above, we submit that this year's increase should:
- 18.1. be targeted towards meeting the needs of the low paid through a flat dollar increase.
 - 18.2. promote a fair system of wages and conditions of employment by not disadvantaging small and family-run business operators with an unsustainable and substantial rise in the minimum wage that is aligned with the rate of inflation.
 - 18.3. ensure that any increase does not contribute to increasing inflationary pressures in the Western Australian economy.

2. Economic Considerations

International Economic Outlook

19. The global economy has proven to be more resilient than anticipated over the past 12 months in the face of numerous headwinds, including cost pressures, high interest rates and geopolitical uncertainty. Despite these factors, global inflation has continued to decline, and the global economy grew 3.1 per cent over 2023.¹²
20. The International Monetary Fund (IMF) expects the global economy will continue to grow, with economic growth forecast at 3.1 per cent in 2024, and 3.2 per cent in 2025. This is, however, below the historical long-run average, as tight monetary policy, a withdrawal of fiscal support, and low underlying productivity growth globally are expected to stymie future economic growth.¹³
21. Despite these factors, the IMF forecasts global inflation will continue to ease over the coming year. In most economies with an inflation target, these countries are expected to reach their targets (or the target range midpoint) by 2025.¹⁴
22. Of most relevance to Western Australia is China's economic outlook. The IMF has forecast China's economy to grow 4.6 per cent in 2024 and 4.1 per cent in 2025. This would be China's slowest rate of growth since 1990 (excluding the pandemic).¹⁵
23. The World Bank and OECD suggest caution is needed, as China's economic outlook is subject to considerable risks, including weakness in domestic consumption, a continued downturn in the property market and structural constraints, including high debt levels, slowing productivity and a declining population.^{16,17}
24. The health of China's economy, in particular, its property sector, has a direct impact on Western Australia's economy. This is because China is a major export market for Western Australia, particularly iron ore. In 2023, China accounted for 55 per cent of Western Australia's total exports¹⁸, and 85 per cent of its iron ore exports¹⁹.
25. China's real estate sector comprises around 20 per cent of its economic output²⁰ and accounts for approximately one third of its total steel (derived from iron ore) demand²¹.

¹² IMF (2024), *World Economic Outlook Update: Moderating inflation and steady growth open path to soft landing, January 2024*

¹³ Ibid

¹⁴ Ibid

¹⁵ Ibid

¹⁶ World Bank (2023), *Which way Forward? Navigating China's Post-Pandemic Growth Path, December 2023*

¹⁷ OECD (2024), *OECD Economic Outlook, Interim Report February 2024*

¹⁸ WA Government (2023), *WA Trade Profile – October 2023*

¹⁹ WA Government (2024), *WA Iron Ore Profile – March 2024*

²⁰ IMF (2024), *China's Real Estate Sector: Managing the Medium-Term Slowdown, February 2024*

²¹ S&P Global (2021), *Analysis: China's property steel demand, February 2021*

26. Recent data has shown real estate investment in China continues to contract, falling 13.4 per cent over the year to February 2024. Residential construction starts have also fallen, down 24.2 per cent over the year to February 2024, with total floor space under construction at its lowest levels since late 2005.²²
27. The uncertainty surrounding China's property market, combined with falling steel demand and rising iron ore inventories at Chinese ports, has translated in a reduction in the iron ore price, which has seen a 30 per cent fall since the start of 2024.²³
28. Outside of China, there is also considerable geopolitical uncertainty, highlighted by the conflicts in the Middle East and Ukraine. These conflicts have the potential to disrupt supply chains, as well as increase commodity and food prices, placing upward pressure on inflation and stagnate economic growth.
29. Analysis by the Federal Reserve Bank of St. Louis shows that after the attacks on shipping lanes in the Red Sea, late in 2023, costs for global freight rates more than doubled.²⁴ At the same time, the price of oil has continued to rise to its highest value in six months in part due to escalating geopolitical tensions, with brent crude oil prices now above \$US90/bbl.²⁵
30. If realised, these higher costs are set to be passed down the supply chain, with many Western Australian businesses facing the risk of higher input costs as a result.

National Economic Outlook

31. The Australian economy has softened over the past year, growing only 0.2 per cent over the December quarter to bring annual growth to 1.5 per cent over 2023. This is down from 2.4 per cent the year prior, as higher interest rates and sustained inflationary pressures have dampened economic activity.²⁶
32. This has largely been driven by a slowdown in household consumption, which grew only 0.1 per cent over the December quarter. This is on the back of a pullback in discretionary spending, which fell 0.9 per cent over the corresponding quarter.²⁷
33. Economic activity is expected to remain subdued in 2024 and 2025 as these factors continue to weigh heavily on growth. The RBA recently forecast Australia's economy to grow 1.6 per cent in 2024 and 2.3 per cent in 2025, below trend growth of 2.5 per cent.²⁸ The IMF is forecasting even lower growth, at 1.4 per cent in 2024 and 2.1 per cent in 2025.²⁹

²² NAB (2024), *China's economy at a glance, March 2024*

²³ Trading Economics (2024), *Iron Ore - Price - Chart - Historical Data - News (tradingeconomics.com)*

²⁴ Federal Reserve Bank of St Louis (2024), *Shipping Disruptions in the Red Sea: Ripples across the Globe February 2024*

²⁵ Trading Economics (2024), *Brent crude oil - Price - Chart - Historical Data - News (tradingeconomics.com)*

²⁶ ABS (2024), *Australian National Accounts: National Income, Expenditure and Products December 2023*

²⁷ Ibid

²⁸ RBA (2024), *Statement of Monetary Policy, May 2024*

²⁹ IMF (2024), *World Economic Outlook Update: Moderating inflation and steady growth open path to soft landing, January 2024*

34. The national inflation rate has continued to subside, with CPI growth now at 3.6 per cent over the year to March 2024. This is down significantly from the 7.8 per cent recorded in December 2022, but still above the RBA's target band of 2 to 3 per cent.³⁰ The new monthly CPI indicator has also eased, growing 3.5 per cent over the year to March, down from 6.8 per cent the year prior.³¹
35. Inflation is expected to continue easing over the coming years, but at a slower rate than what has been experienced so far. The RBA is forecasting inflation to ease to 3.8 per cent by June 2024 and 3.2 per cent by June 2025, returning to the target band by December 2025.³² However, Commonwealth Treasury is more optimistic, forecasting inflation to return to target by June 2025.³³
36. While inflation is expected to moderate further, there is also the risk that it remains higher for longer on the back of persistent services inflation, much of which is being driven by the fast-paced growth in unit labour costs due to weak productivity.
37. Unit labour costs reflect the costs that businesses face in producing a unit of 'output'. It is a function of two things: the cost of labour, and labour productivity. If labour productivity increase, unit labour costs decline. Unit labour costs are a critical measure, affecting firms' pricing decisions and the overall rate of inflation.³⁴ Unit labour costs have risen 6.9 per cent over the year to December 2023, significantly higher than the pre-pandemic decade average of 1.8 per cent, resulting from higher nominal wages growth and subdued productivity.³⁵
38. Productivity growth, which is measured as GDP per hours worked, remains weak, despite improving slightly over the past six months. Over the year to December 2023 however, productivity declined 0.4 per cent to sit back at 2019 levels.³⁶
39. Productivity growth is important as it enables rising living standards and is needed for real wages growth to be consistent with stable inflation over the medium term.³⁷ If wages increase faster than the rate of productivity growth, this puts upward pressure on inflation – ultimately, increases in wages are not sustainable without long-term gains in productivity growth.
40. While the Federal Government assumes that productivity growth will improve and return to its long-run average of 1.2 per cent, the RBA is more cautious.³⁸ In the minutes of the March Monetary Policy Board meeting, while members acknowledged the slight improvement in

³⁰ ABS (2024), *Consumer Price Index, Australia March 2024*

³¹ ABS (2024), *Monthly Consumer Price Index Indicator, March 2024*

³² RBA (2024), *Statement of Monetary Policy, May 2024*

³³ The Commonwealth of Australia (2024), *Budget Paper No.1, Budget 2024-25*

³⁴ RBA (2023), *Recent trends in Australian productivity, September 2023*

³⁵ ABS (2024), *Australian National Accounts: National Income, Expenditure and Products December 2023*

³⁶ Ibid

³⁷ RBA (2023), *Recent trends in Australian productivity, September 2023*

³⁸ The Commonwealth of Australia (2024), *Budget Paper No.1, Budget 2024-25*

productivity, they too suggested “it was still uncertain whether this trend would be sustained”.³⁹

41. And while part of the current low productivity growth reflects the impacts of the pandemic, the RBA also noted that “it was also possible that the structural factors adversely affecting productivity growth in the years prior to the pandemic would persist”.⁴⁰
42. When assessing risks to the inflation outlook, the RBA also identified low levels of productivity growth as one of the three key risks to inflation remaining higher for longer.⁴¹
43. Given this uncertainty, it is imperative that the Commission considers, to a significant extent, the impact of a significant rise in the minimum and award rates of pay would have on inflation, without a commensurate increase in productivity.

State Economic Outlook

44. Western Australia’s economy has continued to perform strongly over the past year, growing 5.5 per cent over 2023. The key factors underpinning this strong performance to date include:
 - 44.1. **Solid household consumption:** Despite slowing, household consumption has remained solid, growing 1.7 per cent over 2023. Supported by strong population growth, rising incomes, sustained employment growth and rising house prices, household consumption was revised upwards in the State’s 2023-24 Government Mid-year Financial Projects Statement.⁴²
 - 44.2. **Rising business investment:** Business investment has risen over the year, growing 14.9 per cent in 2023 on the back of increased investment in large-scale investment projects including Woodside’s Scarborough and Pluto 2 Extension and Perdaman’s Urea Project. Spending on these, and other, major resource and infrastructure projects is expected to continue over coming years, while baseline investment should remain solid as the iron ore majors operate close to capacity, supporting further growth in business investment over the forward estimates.⁴³
 - 44.3. **Government investment:** The State Government’s Asset Investment Program has seen a surge in public investment activity, rising 23.9 per cent over 2023. Strong growth is expected to continue over coming years as the program continues to be rolled out.⁴⁴
45. Despite the expansion of the State’s economy over the past three years, mounting global and domestic headwinds are expected to see WA’s domestic economic growth moderate to 3.25

³⁹ RBA (2024), *Minutes of the Monetary Policy Meeting of the Reserve Bank Board, March 2024*

⁴⁰ Ibid

⁴¹ Ibid

⁴² WA Treasury (2023), *Government Mid-year Financial Projections Statement 2023-24*

⁴³ WA Treasury (2024), *WA State Budget, Budget Paper 3, 2024-25*

⁴⁴ Ibid

per cent in the coming financial year. Gross State Product, including the external sector, is forecast to be even weaker, growing only 2.0 per cent over 2024-25.⁴⁵

46. The full impact of higher interest rates is starting to show. For example, the annual rate of household consumption in WA is now the lowest it has been since March 2021 and continues a downward trend. This is expected to continue to soften further over the next financial year as higher interest rates continue to work their way through the economy.⁴⁶ In addition, retail trade volumes have remained largely unchanged over the last 18 months, falling by 0.5 per cent annual to March.^{47,48}
47. While there is currently strong business investment coming from the resources sector, WA businesses continue to report tough operating conditions. In CCIWA's latest *Business Confidence Survey*⁴⁹, 72 per cent reported rising costs as a barrier to doing business over the next 12 months, while 69 per cent indicated labour shortages as a barrier.⁵⁰
48. Headline inflation in WA rose 3.4 per cent over the year to March 2024, down from 3.6 per cent the previous quarter.⁵¹ This has continued the downward trend experienced since peaking at 8.3 per cent in December 2022, albeit not smoothly due to the volatility from the household electricity credits provided by the State Government. Perth had the lowest quarterly movement of any capital city in the country at 0.6 per cent.
49. Inflation in WA is forecast to continue to decline, falling to 3.0 per cent in 2024/25 and 2.5 per cent in 2025/26 (excluding the electricity sub-index).⁵²
50. WA's economy also continues to be overly reliant on a single industry for our economic prosperity as shown in Figure 1, with the mining sector comprising 46 per cent of the State's economy.
51. This overreliance on the mining sector means that WA's economy often follows a 'boom or bust' cycle – when commodity demand is strong and prices are high, economic activity typically picks up, and vice versa. This is particularly the case for iron ore and LNG, which combined make up almost three quarters of WA's exports.
52. While commodity prices have been elevated over the last two years, the price of iron ore has fallen around 35 per cent since the start of 2024, while LNG prices have almost halved in the past six months.⁵³

⁴⁵ Ibid

⁴⁶ WA Treasury (2024), *WA State Budget, Budget Paper 3, 2024-25*

⁴⁷ ABS (2024), *Australian National Accounts: National Income, Expenditure and Products December 2023*

⁴⁸ ABS (2024), *Retail Trade, Australia March 2024*

⁴⁹ CCIWA's March Quarter Survey received 764 responses, 90% of which are SMEs. 46% are CCIWA members.

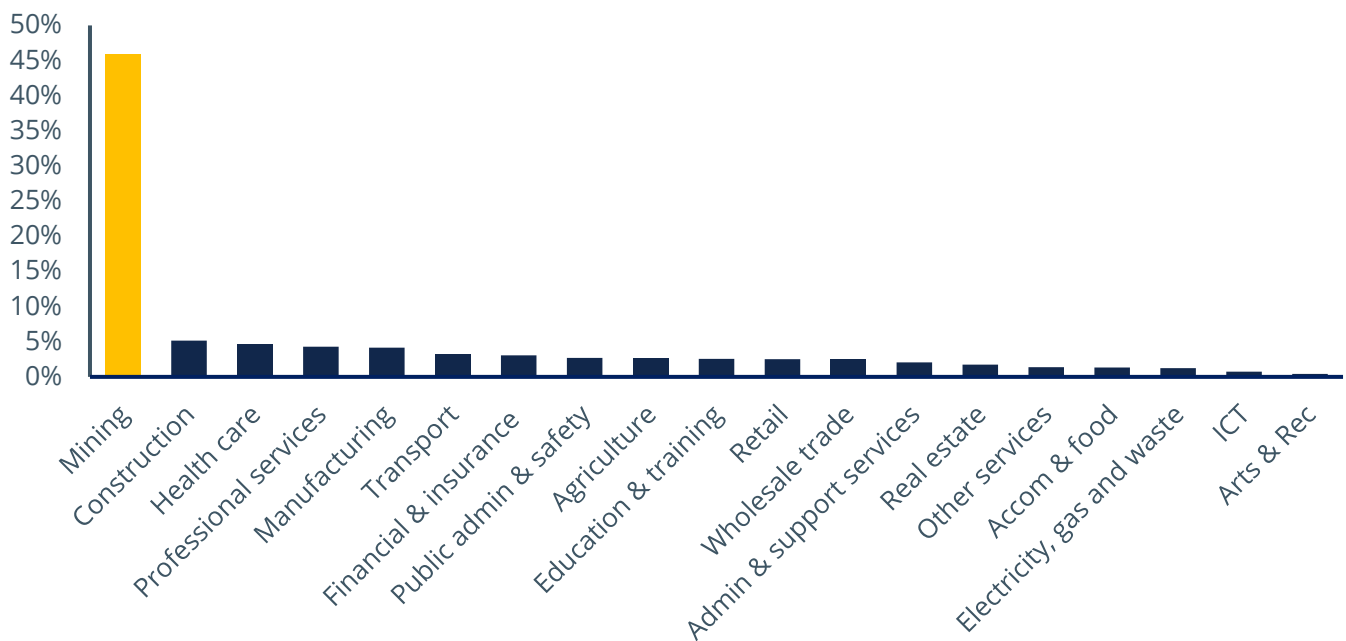
⁵⁰ CCIWA (2024), *Business Confidence Survey, March Quarter 2024*

⁵¹ ABS (2024), *Consumer Price Index, Australia, March 2024*

⁵² WA Treasury (2024), *WA State Budget, Budget Paper 3, 2024-25*

⁵³ Trading Economics (2024), *TRADING ECONOMICS*

Figure 1: Nominal gross value added Western Australia, proportion by sector, 2022-23⁵⁴



WA Business Confidence

53. WA business confidence continues to sit at significantly lower levels than three years ago. CCIWA’s latest *Business Confidence Survey* found short- and long-term business confidence has declined substantially from June 2021 and has improved only marginally over the last 12 months⁵⁵.
54. For the next 12 months, 29 per cent of businesses expect business conditions to deteriorate even further, while 45 per cent anticipate the current challenges will persist. Importantly, only 26 per cent of businesses expect business conditions will improve.⁵⁶
55. These concerns are reflected in businesses in both metropolitan and regional areas as shown in Table 1. Table 1 also suggests that business confidence is higher in those regions where the resources sector dominates. Other regions, which are not as reliant on the resources sector, are comparatively less optimistic about the next 12 months. This is underpinned by significant increases in operating costs and persistent labour shortages, which are also being exacerbated by a lack of housing.

⁵⁴ ABS (2023), *Australian National Accounts: State Accounts*

⁵⁵ CCIWA (2024) *CCIWA Business Confidence Survey: March Quarter 2024*

⁵⁶ Ibid

Table 1: WA regional business confidence, March 2024⁵⁷

Confidence by Region (WA)	Short-Term Conditions (3-Months)			Longer-Term Conditions (12-Months)		
	Stronger	About the same	Weaker	Stronger	About the same	Weaker
Peel	36%	28%	36%	19%	43%	39%
South West	34%	36%	30%	29%	30%	41%
Great Southern	26%	45%	29%	16%	45%	39%
Wheatbelt	34%	39%	27%	24%	37%	39%
Goldfields-Esperance	45%	45%	10%	15%	55%	30%
Mid-West/Gascoyne	30%	49%	21%	26%	49%	26%
Pilbara	38%	38%	25%	42%	33%	25%
Kimberley	44%	48%	8%	27%	46%	27%
WA Regions	34%	42%	24%	24%	41%	35%
Perth	41%	39%	20%	27%	48%	25%

The rising cost of doing business

56. Consistent with last year, rising cost pressures remain the most prevalent issue facing the WA business community.⁵⁸ Increased wages, high interest rates and inflationary pressures are major drivers of this pressure.
57. These rising cost pressures are evident in the March 2024 PPI figures as well, which shows the prices faced by producers rose 4.3 per cent over the year. This is higher than the rate of inflation nationally and higher than inflation for Perth.⁵⁹ The cost of inputs such as fuel, rent, materials, freight, energy and labour are all contributing to rising operating costs, with businesses acutely feeling the impacts on their profit margins.
58. Elevated interest rates also continue to weigh heavily on businesses. Just as higher interest rates increase mortgage repayments for households, they too impact the borrowing costs for businesses. CCIWA's *December 2023 Business Confidence Survey* found that 11 per cent of WA

⁵⁷ CCIWA Regional Pulse, March Quarter, 2024

⁵⁸ CCIWA (2024), CCIWA Business Confidence Survey: March Quarter 2024

⁵⁹ ABS (2024), *Producer Price Indexes Australia March 2024*

businesses had turnover that equalled their interest repayments, while a further 4 per cent indicated their interest repayments exceeded their turnover. This means 15 per cent of WA businesses are at risk of closing due to the increased cost of borrowing.⁶⁰

59. As indicated by the RBA in its March 2024 Financial Stability Review, “the impact of higher interest rates tends to be larger for smaller businesses”. These are also the businesses that are more likely to be captured under the State industrial relations system.⁶¹
60. These factors continue to weigh heavily on business profitability. CCIWA’s *March 2024 Business Confidence Survey* found 49 per cent of WA businesses experienced a decline in profit margins over the quarter, while 36 per cent saw no change. Only 15 per cent of businesses indicated their profits increased⁶². As seen in Table 2, award-reliant industries such as retail trade, food and accommodation services, and health care and social assistance were industries that saw an even smaller proportion of businesses reporting an increase in their profit margins.
61. These findings were consistent across Australia, as the RBA noted in its Financial Stability Review that “there is an increasing share of firms experiencing challenging conditions. This is particularly the case in discretionary sectors as households have pulled back on consumption, which has led to more significant declines in profitability in the retail and hospitality industries”.⁶³

⁶⁰ CCIWA (2023), *CCIWA Business Confidence Survey: December Quarter 2023*

⁶¹ RBA (2024), *Financial Stability Review, March 2024*

⁶² CCIWA (2024), *CCIWA Business Confidence Survey: March Quarter 2024*

⁶³ RBA (2024), *Financial Stability Review, March 2024*

Table 2: Business profit margins, March Quarter 2024⁶⁴

	Decrease	No Change	Increase
Agriculture, Forestry & Fishing	79%	17%	4%
Resources	52%	29%	19%
Manufacturing	43%	43%	14%
Utilities Services	43%	43%	14%
Construction	40%	38%	22%
Retail Trade	63%	32%	5%
Food & Accommodation Services	76%	15%	9%
Transport, Postal & Warehousing	50%	29%	21%
Information Media & Telecommunications	33%	67%	0%
Real Estate Services	68%	21%	11%
Professional, Scientific & Technical Services	32%	41%	27%
Education & Training	46%	46%	8%
Health Care & Social Assistance	47%	47%	6%
Arts & Recreation Services	40%	47%	13%
Total	49%	36%	15%

Labour shortages

62. The availability of skilled labour remains one of the biggest issues facing the WA business community, with 69 per cent of businesses identifying this as a barrier to growing their business over the coming year.⁶⁵ While this is the lowest proportion recorded since September 2021, it is still more than double the next most prevalent barrier reported.
63. This continues to flow through in the form of higher labour costs, with 76 per cent of businesses reporting an increase in labour costs over the March 2024 quarter⁶⁶. As seen in Table 3, this expectation applies across almost every industry sector.
64. The combination of the above factors shows that businesses across industries are faced with difficult operating conditions. Labour shortages, high interest rates, and rising operating costs have and continue to place considerable strain on businesses. As a result, this has been reflected in a rising number of insolvencies this year.

⁶⁴ CCIWA Business Confidence Survey: March Quarter 2024

⁶⁵ Ibid

⁶⁶ Ibid

Table 3: Labour costs per person, March Quarter 2024⁶⁷

	Decrease	No Change	Increase
Agriculture, Forestry & Fishing	0%	12%	88%
Resources	0%	19%	81%
Manufacturing	0%	25%	75%
Utilities Services	4%	24%	72%
Construction	1%	18%	81%
Retail Trade	1%	22%	77%
Food & Accommodation Services	3%	15%	82%
Transport, Postal & Warehousing	0%	14%	86%
Information Media & Telecommunications	0%	44%	56%
Real Estate Services	5%	16%	79%
Professional, Scientific & Technical Services	3%	18%	79%
Education & Training	0%	32%	68%
Health Care & Social Assistance	0%	18%	82%
Arts & Recreation Services	0%	44%	56%
Total	2%	22%	76%

65. Recent data released by the Australian Securities & Investments Commission identified that 578 WA businesses had entered external administration for the first time over the year to April 2024. This is an increase of 28.9 per cent over the same period the year prior, while the 86 businesses that became insolvent in February 2024 was the greatest number in a single month since 2019⁶⁸.
66. The increase in insolvencies across WA over the last 12 months also includes award reliant industries. For example, the arts and hospitality sector has had a 30 per cent increase in insolvencies recorded from this time last year, while the retail trade sector has seen a 32 per cent jump over the same period.⁶⁹ This suggests the capacity of employers to bear even higher costs is already at a critical point and adding any significant further costs would place additional undue strain and risk their viability.

3. Labour Market Considerations

67. The current labour shortages that are being experienced by businesses in WA is significant, as an analysis of current labour force, and the labour market indicate that the State is near or at full utilisation of the workforce. Set out below is a breakdown of the WA labour market, which suggests that any significant increase in the State Minimum Wage and awards rates of pay,

⁶⁷ CCIWA Business Confidence Survey: March Quarter 2024

⁶⁸ ASIC (2024), *Australian insolvency statistics, April 2024*

⁶⁹ Ibid

would neither address employer's issues associated with the labour shortages, nor encourage new employment.

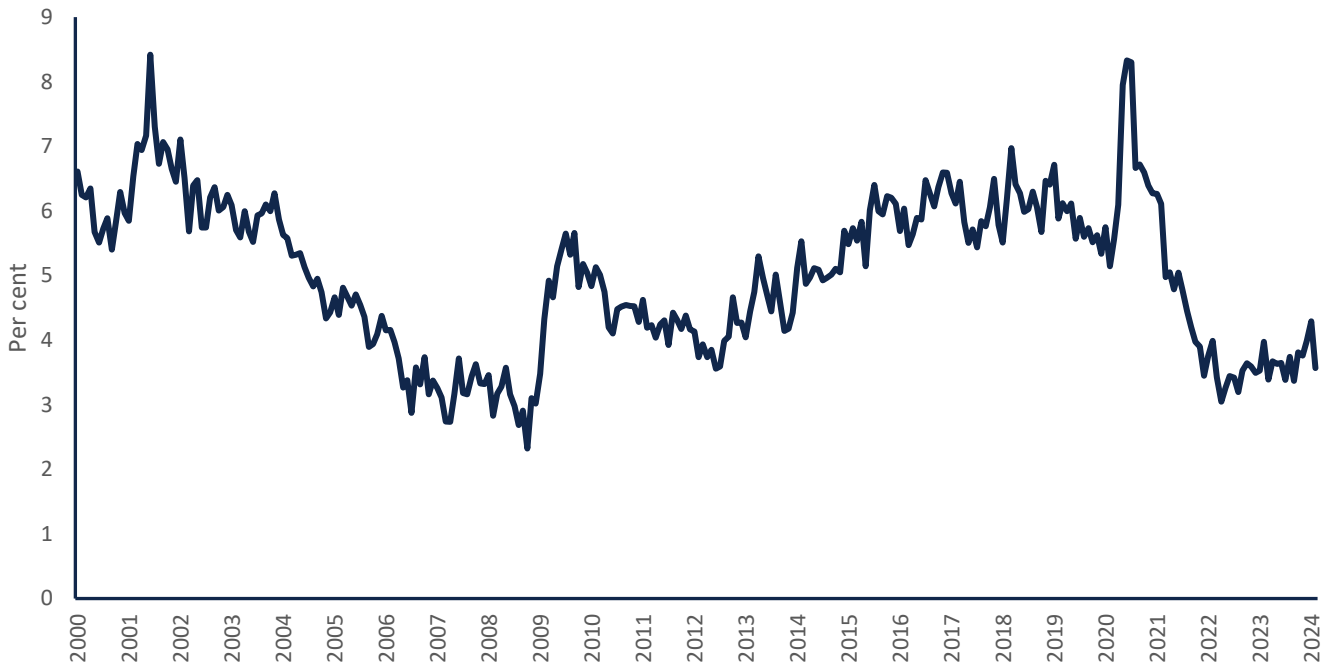
Labour Force

68. While easing slightly over the past year, WA's labour market remains tight. As seen in Figure 2, WA's unemployment rate currently sits at 3.4 per cent and has remained well below the decade average of 5.3 per cent over the past year.⁷⁰
69. At the same time, the number of people employed in WA has grown to a record high. The number of people in employment grew 4.1 per cent in annual average terms over the year to March 2024, following 4.0 per cent growth the year prior. In turn, the participation rate sits at 69.0 per cent, the highest of all States in the country and near record participation.⁷¹
70. The composition of these new workers has shifted compared with the previous year. Over the 12 months to March 2023, employment shifted away from part time work, towards full time work – the number of full-time workers increased by 75,500 while the number of part time workers fell by 29,290.
71. However, over the past year (to March 2024), the majority of new employees were part time. While there are 14,500 more full-time employees compared with the year before, there are 48,800 more part time employees.

⁷⁰ ABS (2024), [Labour Force, Australia March 2024](#)

⁷¹ Ibid

Figure 2: Western Australia Unemployment Rate⁷²



72. Despite the surging number of workers, the underemployment rate continues to remain relatively low, sitting at 5.4 per cent in March 2024. This is now the lowest underemployment rate in the State since November 2010, and remains below the decade average of 8.1 per cent.⁷³
73. This is also reflected in the number of job vacancies in the State. As seen in Figure 3, while the number of job vacancies has fallen almost 10 per cent over the last year, it remains around double the pre-Covid average.⁷⁴
74. Due to the economic outlook, WA Treasury anticipates unemployment to rise slightly in the coming year, from 3.75 per cent in 2023-24 to 4.0 per cent in 2024-25. Despite the increase, labour market conditions are expected to remain tight, with the unemployment rate to remain well below the decade average.⁷⁵

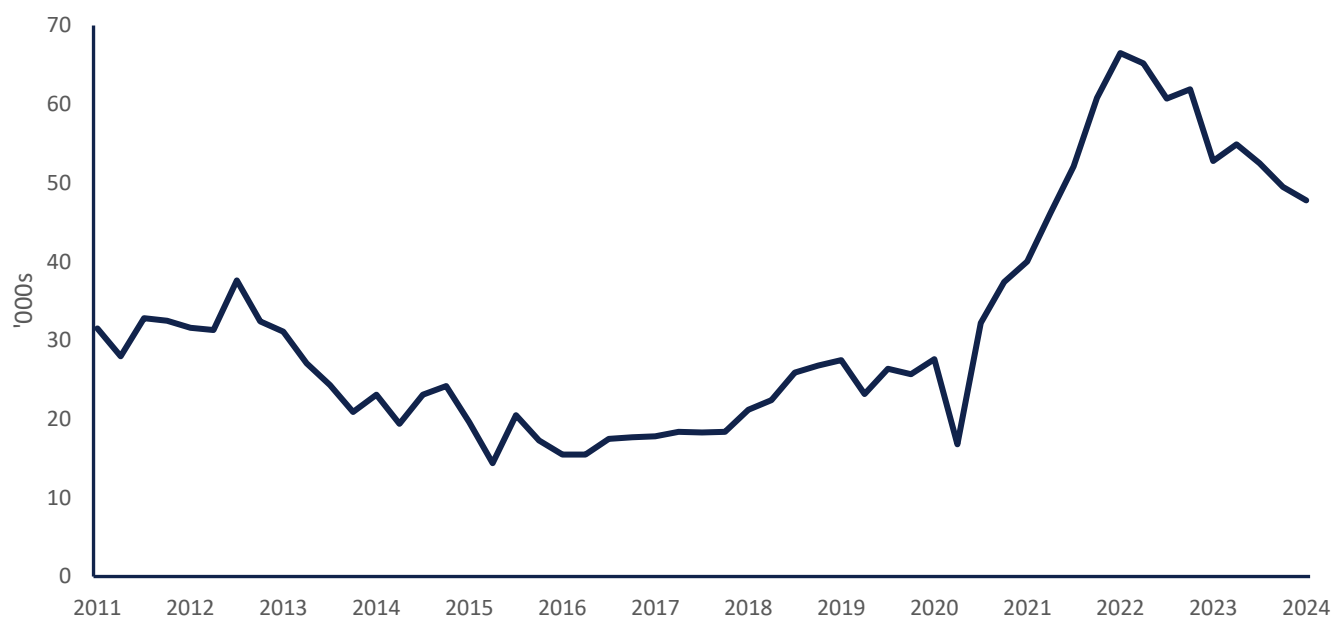
⁷² ABS (2024), *Labour Force, Australia March 2024*

⁷³ Ibid

⁷⁴ ABS (2024), *Job vacancies, Australia February 2024*

⁷⁵ WA Treasury (2024), *WA State Budget, Budget Paper 3, 2024-25*

Figure 3: Western Australia Job Vacancies⁷⁶



Wage Growth

75. Based on the Wage Price Index (WPI), wages in WA grew by 4.2 per cent over the year to March 2024, compared to the national growth of 4.1 per cent. This is the third highest rate of wage growth of all States, behind only Queensland and Tasmania.⁷⁷
76. As indicated in paragraphs 35 to 43 of this submission, the RBA continues to remain concerned that current levels of wage growth without the necessary productivity improvements could keep inflation higher for longer.
77. State Minimum Wage and Award wage earners received a real wage increase of 1.9 per cent over 2023-24, with the wage increase of 5.3 per cent being greater than the rate of inflation of 3.4 per cent.
78. It is also important to note the WPI underestimates the real growth in wages, as it does not account for the use of allowances and bonuses to increase overall remuneration. The use of performance bonuses, site allowances, and sign on bonuses are some of the measures increasingly being used to attract and retain workers in a tight labour market without significantly increasing the base rate of pay, all of which are additional costs for businesses.
- Impact of Superannuation Increases**
79. Superannuation also forms an important part of an employee's overall remuneration. It is a key element of an employee's safety net that needs to be considered when reviewing the State Minimum Wage (SMW) and Award rates of pay generally.

⁷⁶ ABS (2024), *Job vacancies, Australia February 2024*

⁷⁷ ABS (2024) *Wage Price Index, Australia March 2024*.

80. Effective from 1 July 2024, statutory superannuation contributions will increase from its current rate of 11 to 11.5 per cent. For employers covered by the State system, this will result in an additional:
- 80.1. \$224.48 per annum (\$4.32 per week) for a full-time employee on the SMW;
 - 80.2. \$254.23 per annum (\$4.89 per week) for a full-time employee on the equivalent to the C10 rate under the *Metal Trades (General) Award*; and
 - 80.3. \$295.10 per annum (\$5.68 per week) for a full-time employee on the equivalent to the C5 rate under the *Metal Trades (General) Award*.⁷⁸
81. It should also be noted that superannuation contributions are calculated on shift penalties, loadings and most allowances (other than expense allowances).⁷⁹ Consequently, the increase for most Award-based employees will be higher, particularly for employees covered by retail and hospitality Awards where ordinary hours are frequently performed at times when penalty rates apply.
82. It is recognised by the Commission that statutory superannuation is a direct cost to employers, and forms part of the total cost of employment.⁸⁰
83. We submit that the Commission should continue to adopt its previously held view that “*such increases should have a moderating influence on an increase in the SMW*”⁸¹ by taking into consideration the full increase in superannuation when considering its SWC decision.

Impact of Variation of State Awards

84. With the Commission in the process of reviewing awards, such as the *Shop and Warehouse (Wholesale and Retail Establishments) State Award 1977* and updating the location allowances for all awards, it is also important to take into consideration award changes that have resulted in increases in allowances and/or award rates when deciding to set the State Minimum Wage.
85. Allowances are taken into consideration by employers when determining employment levels and working hours. The increase also has a direct benefit to employees and represents an improvement in the overall wages and conditions of employment. Any increase to the State Minimum Wage should be moderated because of these award variations to allowances make part of the total employment cost.
86. Therefore, we suggest that in instances where variations have resulted in, or are expected to result in, an increase in employee allowances, these variations should be factored into the decision-making process as required by Section 50A(d) of the *Industrial Relations Act 1979* (WA).

⁷⁸ Based on 2023 rates.

⁷⁹ ATO (2009) *Superannuation Guarantee Ruling – SGR 2009/2*

⁸⁰ 2021 WAIRC 00173 [96]

⁸¹ Ibid

4. Living Standards and Needs of the Low Paid

87. The Commission has previously recognised that “the SMW alone cannot address all the needs of the low paid” and as such tax and transfer payments have a significant role in providing targeted relief to the low paid.
88. It is therefore appropriate for the Commission to consider relevant provisions of the State and Federal Government Budgets aimed at alleviating pressures experienced by the low paid, particularly cost of living.
89. The Federal Government handed down its Budget on 14 May 2024 for the 2024/25 Budget, which included the following cost-of-living measures:⁸²
- 89.1. \$300 in energy bill relief for all Australian households.
- 89.2. Increasing Commonwealth Rent Assistance by an additional 10 per cent, which will go to those currently receiving rental assistance.
- 89.3. One year freeze to all Pharmaceutical Benefits Scheme’s indexation, and a five-year freeze for pensioners and other concession card holders.
- 89.4. Increase of the Medicare levy low-income threshold to \$26,000 for singles, \$43,846 for families, \$41,089 for single seniors/pensioners, \$57,198 for family seniors/pensioners, and the family income thresholds will now also increase by \$4,027 for each dependent child, up from \$3,760.
90. A key policy announcement the Commission should take into consideration is the Federal Government’s income tax rate changes as reflected in the *Treasury Laws Amendment (Cost of Living Tax Cuts) Bill 2024*. From 1 July 2024, these changes will see the lowest tax bracket reduce to 16 per cent from 19 per cent, which will increase the take home pay of those on low- and middle-income levels.
91. In addition, twice a year, indexation occurs for a range of social security benefits, such as rental assistance, and jobseeker payments. In the most recent increase, the base rate of Jobseeker/Austudy and Youth Allowance saw an additional \$13.50 per week. This is on top of recent base payment changes by the Federal Government outlined in the 2023-24 Federal Budget, which increased the base of Jobseeker, Austudy and Youth Allowance by \$40 per fortnight.^{83,84}
92. These factors should be considered by the Commission. According to a recent Australian Institute of Health and Welfare (AIHW) report, it was estimated that just under one quarter of

⁸² Commonwealth Department of Treasury & Department of Finance, *2024-25 Budget Paper Number 2*, (2024)

⁸³ Commonwealth Department of Treasury & Department of Finance, *2023-24 Budget Paper Number 2 Measure: Increase to Working Age Payments*, (2023), [199]

⁸⁴ Commonwealth Department of Social Services, *Indexation Rates March 2024*, (2024)

recipients of Federal Government income support declared earnings from employment.⁸⁵ While the AIHW report does not provide a break-down across States or Territories, it could be assumed that a sizable percentage of workers who would be impacted by the SWC decision, would also be receiving other government benefits.

93. The WA State Budget was handed down on 9 May 2024, and included a suite of cost-of-living measures, including:
- 93.1. \$400 household electricity credit for 1.1 million households in WA, with an additional \$334 for those with eligible concessions, which will capture about 330,000 households in WA.⁸⁶
 - 93.2. Public transport has been made free for school aged students, saving \$560 per year for families.⁸⁷
 - 93.3. A 2 per cent reduction in household fees and charges that are collected by the State, estimated to be \$124.⁸⁸
94. We also note that by having a financially strong and stable State Budget, the WA State Government retains the capacity to respond to future cost-of-living pressures, better than other States and Territories, with other targeted measures.
95. As is the case with the WA State Government, the Federal Government is also in a financial position to provide future support if cost-of-living pressures continue to persist.

5. State Wage Case Principles

96. CCIWA does not oppose in principle the changes brought forward to Wage principle 7 by Unions WA.
97. We support the principle of equal remuneration for work of equal and comparable value as a guiding principle to ensure the value of work is considered free of gender biases.
98. However, we hold some practical concerns about their application.
99. In particular, we hold a view that special consideration should be given to full or partial government-funded arrangements, particularly in the health and community service sectors.
100. It would not be an acceptable outcome should an equal remuneration order result in unsustainable wage increases that would see a reduction in services and/or substantially higher costs for those accessing these services within the community.

⁸⁵ Australian Institute of Health and Welfare (2023) *Unemployment payments*, AIHW,

⁸⁶ WA Treasury (2024), *WA State Budget, Budget Paper 3, 2024-25*

⁸⁷ Ibid

⁸⁸ Ibid

101. To protect the viability of these employers and the services they provide to vulnerable people within the community, we suggest an amendment to the proposal brought forward by UnionsWA is necessary.

102. Below sets out a suggestion for the Commission to consider:

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

103. We believe this will ensure that a balance is struck between ensuring the Commission has a wide remit to consider equal remuneration for work of equal and comparable value, and balancing unintended consequences when dealing with sectors wholly or partially reliant on government funding arrangements.