



2024 State Wage Case

Chamber of Commerce and Industry WA
Submission in Reply

20 May 2024

Table of contents

Introduction.....	3
Minister’s submission	4
UnionsWA’s submission	9
WACOSS’ submission	11
WALGA’s submission	13

In the Western Australian Industrial Relations Commission

Application No. 1 of 2024

2024 STATE WAGE ORDER

On the Commission's own motion

SUBMISSION IN REPLY

BY

THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

Filed on behalf of the Chamber of Commerce and Industry of Western Australia by:

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Introduction

1. The Chamber of Commerce and Industry of Western Australia (CCIWA) provides the following submission in reply to the 2024 State Wage Case (SWC) submissions filed by:
 - 1.1. The Minister for Industrial Relations (Minister);
 - 1.2. UnionsWA;
 - 1.3. WA Council of Social Service (WACOSS); and
 - 1.4. WA Local Government Association (WALGA).
2. CCIWA submits that:
 - 2.1. The changes proposed through the re-alignment of classification rates C14 to C13 in the Metals Award, and the subsequent proposal to pass, in full, the Fair Work Commission's (FWC) 2024-25 Annual Wage Review, neither considers the pressures facing Western Australian small businesses nor gives regard to the undue impacts further stoking inflation will have.
 - 2.2. The 7.359 per cent increase proposed by UnionsWA, which is a minimum \$63.54 per week increase, would place further undue stress on businesses, particularly small and medium enterprises (SMEs), that are already facing soaring costs. It will risk their viability, as well as have a significant impact on inflation.
 - 2.3. Similarly, the 7.359 per cent increase proposed by WACOSS is unsustainable, and like the UnionsWA proposal, would add significant pressures for small businesses who can least afford these increases.
 - 2.4. Despite being a significant concern for the RBA, the UnionsWA and WACOSS's position does not take into consideration the inflationary pressures rising wages above productivity may cause.
 - 2.5. In particular, this relates to the limited ability of small and family businesses to absorb further costs, which means the costs are either passed onto the consumer in the form of higher prices for products or services, and/or job losses or reduced hours.
 - 2.6. The submissions made by UnionsWA and WACOSS are focused on cost-of-living pressures, but fail to acknowledge the \$762 million in support announced by the WA State Government, and the approximately \$1.14 billion (student debt, indexation, energy relief and commonwealth rent assistance) over the forward estimates announced by the Federal Government to address these financial pressures; and¹

¹ The calculation for this came by dividing the total amount of support committed by the Federal Government by Western Australia's share of population of Australia.

- 2.7. Given cost-of-living measures were the centrepiece of both State and Federal Budgets, then the Commission in Court (hereafter, the Commission) should consider the targeted cost-of-living measures to support low-income households when making its determination.

Minister's submission

3. The Minister's submission has not nominated a specific quantum increase, but instead encourages the Commission to award a 2.3 per cent increase, reflecting the re-alignment of C14 to C13 wage rate, and then the percentage increase as determined by the Fair Work Commission's Annual Wage Review.
4. CCIWA suggests this position fails to adequately consider the impact this wage increase will likely have on inflation, and the circumstances that small businesses will likely face as a result of this change.
5. CCIWA contends that any proposal to align with the Annual Wage Review is fundamentally flawed, as it disregards key economic differences, such as the lower rate of CPI in Perth and the agency people have in Perth/Western Australia to seek alternative and higher paying positions. For this reason, we strongly encourage the Commission to avoid tying itself to this as a guiding principle.
6. **Table 1** provides a breakdown of the quantum of change resulting from various proposals presented to the Fair Work Commission's (FWC) 2023-2024 Annual Wage Review.

Table 1: Potential increases if Minister's position is adopted (percentage)²

Entity	Re-alignment C-14 to C-13 for SMW	Submitted claims to FWC	Total potential increase
AiGroup	2.3%	2.3%	4.66%
ACCI	2.3%	1.5%	3.84%
ACTU	2.3%	5.0%	7.42%
ACOSS	2.3%	11.83% ³	14.41%
ACCER	2.3%	4.5%	7.32%
Aus Government	2.3%	3.6%	5.99%
WA Government	2.3%	3.6%	5.99%

Source: FWC submissions to 2023-24 Annual Wage Review

² The base award used is *Metal Trades (general) Award*, where possible the figure provided has assumed to be exclusive of the superannuation rise unless stated otherwise.

³ ACOSS submission refers to a National minimum wage of 60 per cent the Median earnings. Data used for this point was ABS hourly median earnings and transformed to a percentage increase to the National Minimum wage rate of \$23.23 per hour.

7. As set out in **Table 2**, in dollar terms, this would equate to a rise of up to \$124.39 per week, which is greater than CPI and would significantly undermine the operating budgets of many small and family businesses.

Table 2: Potential increases if Minister’s position is adopted (Weekly Dollar)⁴

Entity	Re-alignment C-14 to C-13 for SMW	Submitted claims to FWC	Total potential increase
AiGroup	\$19.90	\$20.32	\$40.22
ACCI	\$19.90	\$13.25	\$33.15
ACTU	\$19.90	\$44.17	\$64.07
ACOSS	\$19.90	\$104.49	\$124.39
ACCER	\$19.90	\$43.28	\$63.18
Aus Government	\$19.90	\$31.80	\$51.70
WA Government	\$19.90	\$31.80	\$51.70

Source: FWC submissions to 2023-24 Annual Wage Review

8. For example, a business with 10 workers, earning the State Minimum Wage, would need an additional \$17,238 to \$64,682 per annum, if this is occurred.
9. This exercise is not to suggest that the FWC will accept any of these claims, however, it does demonstrate what could potentially happen should the Commission accept the Minister’s proposal to align with the National decision.
10. CCIWA suggests that if alignment with the Annual Wage Review was to become common practice, then it would limit the consideration of local factors that are explicitly required under the Act.⁵
11. Given the WA Government’s continued position is to maintain its separation from the National industrial relations system, then WA’s local factors must be considered in this context.

WA economy

12. The Minister has recognised that while WA’s economy has performed well over the past year, growth is expected to moderate in the coming years, as discretionary spending continues to contract due to rising interest rates and elevated price levels.
13. In considering the strength of the WA economy, it is important to identify what is driving this outcome. As identified in CCIWA’s initial submission, and reaffirmed by

⁴ Ibid

⁵ 2018 WAIRC 00363 [230-235]

the Minister's submission, the mining sector accounts for nearly 50 per cent of our Gross Value Added (or Gross State Product including taxes and subsidies). This means that the WA economy continues to be overly reliant on a single industry sector for our economic prosperity.^{6 7}

14. As noted in Attachment A of the Minister's submission, one of the three domestic risks considered is the volatility of this sector, and the subsequent concession that this volatility has delayed investment projects.⁸
15. It is also evident that economic growth and prosperity is not shared equally across all industry sectors, as evidenced by the insolvency figures provided in CCIWA's initial submission. This has shown a near 30 per cent rise in businesses in WA that are likely captured in the State industrial relations system becoming insolvent.⁹
16. This suggests that the outlook for some sectors of the economy is not as strong as the headline figures suggest.
17. The Minister also notes one of the other key drivers of WA's economic growth has been strong household consumption, which is expected to ease further as the full effect of higher interest rates flows through the economy.

Inflation

18. The Minister's submission discusses the inflationary pressures present in the WA economy and continues to acknowledge the challenge with controlling inflationary pressures.¹⁰
19. A key omission in the Minister's submission, however, is the RBA's concerns of wage growth well above productivity, which will likely be exacerbated if the Minister's position is adopted.
20. As indicated in CCIWA's initial submission, large and unsustainable wage increases, without any commensurate increase in productivity, will likely result in higher inflation sustaining for longer, as indicated by the RBA.¹¹ The RBA has in its most recent data raised its forecast for inflation and continues to hold concerns with the inflationary aspect of wages growth in a low productivity environment.¹²
21. In the Minister's submission, it forecasts CPI growth will slow, as a result of, among other factors, slower wages growth. If this position holds true, then it would

⁶ CCIWA Submission, para 38-42

⁷ Minister's Submission: Attachment A, Economic Outlook, para 8.2 Domestic Risks

⁸ Ibid.

⁹ CCIWA submission, para 10-14

¹⁰ Minister's Submission, para 91

¹¹ CCIWA Submission, para 35-43

¹² RBA (2024), *Statement of Monetary Policy, May 2024*

correspondingly suggest that higher wages growth would have a corresponding increase on inflation.¹³

22. We agree with the Minister's assessment that high levels of inflation, for a sustained period, has been challenging for low-income earners; a difficulty that has been recognised by the State and Federal Governments, which have since announced a suite of measures to address cost-of-living pressures.
23. CCIWA contends that the Commission should consider the inflationary impact its decision may have when making its determination, as it is well understood that large, sustained rises in inflation are regressive and have a disproportionate impact on the lower paid.
24. The Commission should also strongly consider the targeted support measures taken by the State and Federal Governments to address the cost-of-living pressures identified in paragraphs 87 to 94 of CCIWA's initial submission. As these are targeted measures, they will directly benefit low-income households, and will improve their ability to meet their needs, without adding further unnecessary inflationary pressure.

Trends in wages

25. The growth in WPI, as indicated in the Minister's submission, shows there has been real wages growth in Western Australia over the past year.¹⁴
26. It is important to note that those who are reliant on the State Minimum Wage have also had a real wage increase over the year to March 2024, as indicated in CCIWA's initial submission at paragraph 77.
27. However, real wage growth without a corresponding increase in productivity can drive inflation, as outlined in CCIWA's initial submission in paragraphs 34 and 43 and substantiated by the RBA¹⁵. Given this, the Commission should consider the impact a substantial rise may have on inflation, especially considering the low levels of productivity in the current environment.

Gender pay gap

28. The Minister has identified that based on average weekly ordinary time earnings, the gender pay gap decreased by 0.6 percentage points in the 12 months to November 2023.¹⁶
29. The submission also notes that WA has the highest gender pay gap compared to the other states.¹⁷

¹³ Minister's Submission, para 91

¹⁴ Ibid, para 94.

¹⁵ RBA (2022), [Wage-price Dynamics in a High-inflation Environment](#)

¹⁶ Ibid, para 101.

¹⁷ Ibid, para 102.

30. WA's high gender pay gap remains an ongoing matter of concern for the WA business community. However, the reasons for the gap are complex and multi-faceted and require a considered approach to identify and address the multiple causes. This is not achievable through these proceedings.
31. CCIWA, therefore, suggest the Commission's previously held position that there are limits to the extent that increases in the SMW can have a material impact on the gender pay gap continues to hold.¹⁸

Operating conditions for Western Australian businesses

32. CCIWA's initial submission highlights the difficult operating conditions that WA businesses currently face, which is further reflected in the increase in insolvencies across the State over the last 12 months.
33. As noted in paragraphs 53-61 of CCIWA's initial submission, the declining profitability and increasing number of insolvencies signify that many WA businesses, particularly SMEs, have very limited capacity to bear further costs.
34. Insolvency and bankruptcy data show a considerable rise in the number of business failures, which suggest the health of these sectors is not as positive as Gross Operating Surplus and Gross Mixed Income suggest.¹⁹ It should also be noted that this measure does not account for inflation and does not account for the change in the number of businesses over the period.
35. It is also important for the Commission to consider the impact of high interest rates, higher input prices and higher labour costs are all having on businesses likely to be captured in the state system.
36. The capacity of businesses to pass these costs on to customers is limited, as the ability of customers to spend on discretionary items, such as eating out at restaurants or buying a daily coffee from a cafe, is also being impacted.
37. In CCIWA's initial submission, the RBA's concerns around the profitability of smaller businesses due to these pressures was highlighted. CCIWA's own internal data also shows that nearly 15 per cent of businesses, especially those industries most likely to come under the State system, indicated their viability is at risk due to the increased cost of borrowing.²⁰
38. Any increase to the SMW and Award rates of pay should, therefore, be at a level that does not further risk the viability of businesses, and cause the resulting flow-on of job losses and/or reduced working hours.

¹⁸ 2017 WAIRC 00330 [259-262]

¹⁹ CCIWA Submission, para 11-13

²⁰ Ibid, para 56-61

Fairness

39. The Minister notes there are some groups of employees covered by the state system that are currently award free, including workers in occupations that would traditionally be considered award type work.
40. The WA Government has addressed this concern through the *Industrial Relations Legislation Amendment Bill 2021 (WA)*, which provides the Commission with the capacity to, of its own accord, expand the scope of private sector awards to cover parts of an industry not previously covered.
41. We believe that if the Minister does continue to hold concerns in relation to this matter, a more appropriate and long-term approach would be to provide additional funding to the Commission to undertake a comprehensive review of all awards, rationalising where appropriate, and making sure they are usable for employers and employees.
42. This measure is intended to address the concern raised by the Minister related to this aspect.
43. CCIWA does also acknowledge the reference to higher taxation made in the Minister's submission, however it should be noted that from 1 July 2024, income tax rates will lower as a result of the Federal Government's recent announcement, which will increase the take-home pay of the lower-paid.²¹
44. CCIWA also contends that as the Commission is currently going through a process to vary awards occurring in the state system, the Commission should consider these changes alongside any SWC determination.

Re-alignment of Classifications

45. As noted in the Minister's submission, Western Australia's award system is unlike the National system, where certain transitional rates can be below the National Minimum Wage.²²
46. Therefore, CCIWA holds the view that the proposed re-alignment to C-13 is unnecessary, as many awards treat C-14 as a permanent classification, which is different to the National system.²³
47. The reasoning provided by the Minister that the State Minimum Wage should not be below the NMW on fairness grounds would not enable an "equal weighting of all factors" as required under Section 50A(3) of the Act.²⁴

UnionsWA submission

48. UnionsWA is seeking a substantial and unsustainable 7.359 per cent increase to the SMW and award rates of pay. This equates to a \$63.54 per week increase to the

²¹Minister's submission, para 84

²²Ibid, para 34-41

²³ Ibid, attachment D, Rates of pay in State awards

²⁴ See 2018 WAIRC 00363, *2018 State Wage Case*. [230-234]

SMW through to a \$83.52 per week increase to the C5 classification under the *Metal Trades General Award*.²⁵

49. Similar to paragraph 8 of this reply submission, a business with 10 staff on UnionsWA's proposed State Minimum Wage, would have to find \$33,040 a year just for the increase.
50. CCIWA holds the view that this position does not adequately consider the challenging economic and inflationary conditions present, and in particular the impact this unsustainable wage increase would have on small businesses.
51. Moreover, this position does not give due consideration for the potential it results in higher prices of goods and services, and potential loss of jobs and/or reduced hours.

State of the economy

52. UnionsWA contends that a substantial increase to the minimum rate of pay is required given the performance of the WA economy, WPI, and headline CPI for Perth.
53. For the reasons specified in CCIWA's initial submission, this position fails to take into consideration the following:
 - 53.1. The composition of the economy, and that much of the State's strong economic performance has been largely underpinned by the strength of the mining sector. This does not reflect the difficult operating conditions that businesses, especially small and family businesses in non-mining industries are facing, which is reflected in a growing number of insolvencies.
 - 53.2. Perth has recorded the lowest quarterly CPI growth of all states in March 2024 at 0.6 per cent, and an annual rate of 3.4 per cent.
 - 53.3. The concerns the RBA holds about substantial wages growth leading to stubbornly high inflation due to lagging productivity; and
 - 53.4. The measures taken by the WA and Federal Governments to address cost-of-living pressures.

Needs of the low paid

54. In considering the needs of the lower paid, UnionsWA focuses on individual components of CPI, which the Commission has previously rejected.²⁶ We suggest the Commission should maintain this position, thereby, rejecting any cherry-picking of CPI data when analysing the impact of inflation.
55. UnionsWA also refers to lower paid workers usually being 'price takers' where non-tradable goods such as rent are concerned, highlighting the issue of rental

²⁵ UnionsWA submission, para 2.1.

²⁶ 2021 WAIRC 00173, 2021 *State Wage Case*. [67]

affordability for workers across Western Australia.²⁷ Issues such as housing affordability are complex, and cannot be resolved through the SWC decision.

56. We note that both State and Federal Budgets have incorporated significant provisions aimed at providing a targeted response to address cost-of-living pressures, which are outlined in paragraphs 87 to 95 of CCIWA's initial submission.
57. Some of these measures have been targeted to directly address housing and rental concerns, including an additional increase to the Commonwealth Rent Assistance.²⁸
58. CCIWA notes that the UnionsWA submission does not give any regard to the considerable cost pressures that face WA businesses, particularly SMEs and their limited ability to bear additional costs, which was noted by the RBA in the Statement of Monetary Policy from May.
59. The UnionsWA submission does not also take into consideration the RBA's concerns around wages growth exceeding productivity. As raised earlier in this submission, it is well understood the disproportionate impact of high and sustained inflation has on those who are low paid, and their living standards.

Equal remuneration

60. CCIWA refers to the comments made in paragraphs 28 to 31 of this reply submission.

Re-alignment of Classifications

61. CCIWA refers to the comments made in paragraphs 45 to 47 of this reply submission.

Wage Principle 7

62. CCIWA refers to the comments made in paragraphs 96 to 103 of the initial submission.

Percentage increase

63. UnionsWA is seeking a percentage increase on the basis that it helps to preserve award relativities.
64. CCIWA holds the view that a flat dollar increase would deliver a proportionately greater benefit to lower paid workers while at the same time helping to minimise any potential inflationary pressures or business insolvencies that may occur with any large percentage increase.

WACOSS' submission

65. As in previous years, WACOSS' claim of a 7.359 per cent increase to the SMW and award rates of pay reflects the quantum sought by UnionsWA.

²⁷ UnionsWA Submission, para 4.4.

²⁸ CCIWA Submission, para 89.

66. In justifying its position, WACOSS is primarily focused on the challenges facing low-income households in terms of housing and electricity costs as well as food insecurity and financial security.
67. Issues such as housing affordability, poverty, and food security are complex, and cannot be resolved exclusively through the SWC decision.

Inflation and wages

68. In WACOSS' submission, the argument is raised that corporate profits are driving inflation, and that minimum wages do not have any effect on inflation.²⁹
69. From the outset, it is important to highlight that the report that is relied upon by WACOSS has also been countered by Commonwealth Department of Treasury documents which have been released publicly through the *Freedom of Information Act 1982* (Cth) and commented on by economists (including from the Grattan Institute, University of Melbourne and University of New South Wales) and media outlets.^{30 31}
70. CCIWA contends the Commission should reject this position about corporate profits driving inflation and wages not having an inflationary impact.
71. This position is in direct conflict with the concerns held by RBA that high wages growth, combined with lagging productivity, is a factor in driving sustained inflationary pressures, as outlined in its Statement of Monetary Policy May 2024 report and also reflected in CCIWA's initial submission.³²
72. In the 2023 May Statement of Monetary Policy, the RBA rejected the notion of domestic profit margins being a "*significant independent cause of the increase in aggregate CPI inflation*".³³
73. It also fails to consider the impact that these wage case decisions, both State and Federally, play in acting as a yardstick for other enterprise agreements across the private and public sector.
74. WACOSS' submission also refers to Perth CPI holding back those who are low paid and uses this to justify the 7.359 per cent increase to the SMW. As identified in the UnionsWA submission, WACOSS is also, cherry-picking 'the CPI data'.³⁴
75. As noted at paragraph 54 of this reply submission, the Commission should continue to reject the 'cherry-picking of CPI in WACOSS' submission at point 4, as each of these all contribute together to a holistic picture of a basket of goods the average consumer would purchase.

²⁹ WACOSS submission, point 3.4

³⁰ Commonwealth Department of the Treasury (2023), *Ministerial Submission MS23-000531 FOR INFORMATION – Profits, input costs and inflation* released under FOI.

³¹ See commentary: AFR (2023), *Economists hit out at 'silly' claims of a profit-price spiral*, AFR (2022), *Inflation not driven by corporate profiteering: Treasury* and AFR (2022), *Record mining profits skewing wages data: RBA*

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

³³ RBA (2023), *Statement of Monetary Policy May 2023*,

³⁴ Ibid

76. As noted by the RBA, and reflected in CCIWA's initial submission, the way to ensure the living standards of those who are low-paid are not eroded is to lower inflation from its current levels. Inflation is regressive, and higher than target inflation for longer will erode the benefit of large wage increases for those who are lower paid.³⁵
77. The Commission should also strongly consider the targeted support measures taken by the State and Federal Governments to address the cost-of-living pressures identified in paragraphs 87 to 94 of CCIWA's initial submission. As many of these are targeted measures, they will directly benefit low-income households, and will improve their ability to meet their needs, without adding further unnecessary inflationary pressures through a substantial rise in the SWC.

Gender pay gap

78. CCIWA refers mainly to the comments made in paragraphs 28 to 31 of this reply submission.
79. WACOSS also expresses concern about the impact of employees in the social and community services sector being largely reliant on award increases given employment in the industry is dominated by females.
80. Increases through the SWC are not an effective mechanism to address this concern. Consequently, other mechanisms need to be considered to address this issue, including a review of the State Government's current methodology for determining funding arrangements within the sector, which was a policy recommended in CCIWA's 2024/25 Pre-Budget Submission.

WALGA's submission

81. Following recent legislative changes, WA local governments and regional councils are now affected by the State Wage Order.
82. WALGA's submission reflects similar positions presented in its State Wage Case submission and notes the constrained capacity of local governments to bear even greater costs in what is a high-cost operating environment. Consequently, local governments must weigh up any increase in costs with an increase in rates charged, or commensurate reduction in services.³⁶
83. This is reflective of the situation of many WA businesses, particularly SMEs, which are unable to bear the burden of higher costs and will be forced to pass these costs on to the customer in the form of higher prices for products and services, and/or a manage a reduction in jobs and hours.
84. As such, the SWC outcome should seek not to disadvantage small business operators and smaller local governments with an unsustainable and substantial rise to the SWC.

³⁵ CCIWA submission, para 36-39

³⁶ WALGA submission, para 32.

85. CCIWA agrees that the impact of the superannuation increase should also be considered when setting the SMW and award wages.³⁷

³⁷ Ibid, para 17.