



2026 State Wage Case

Chamber of Commerce and Industry WA

May 2026

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Industrial Relations Act 1979

In the Western Australian Industrial Relations Commission

Application No. 1 of 2026

2026 STATE WAGE ORDER

On the Commission's own motion

SUBMISSION BY THE CHAMBER OF COMMERCE AND INDUSTRY OF WESTERN AUSTRALIA

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1. Introduction

1. The Chamber of Commerce and Industry of Western Australia (**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 representing businesses spanning every sector of the economy, every size of business, and every region across our State. We are committed to developing positions on public policy that make WA the best place to live and do business, for the benefit of the entire WA community.
3. Western Australians - employers and households alike - continue to face challenging financial pressures.
4. We currently are witnessing a period of significant volatility for the global economy. Smaller employers, which are more likely to be captured by the State Industrial Relations System, face significant cost pressures, in particular.
5. Employers have faced sustained above-target inflation since 2021 which, in combination with other economic headwinds, has led to a significant decrease in the viability of small businesses across the nation.
6. While inflation continues to impact households, Government support has assisted in minimising that impact. Recent Government support is also continuing to flow through both State and Federal Budgets. It is expected that, over 2026 and into 2027, headline inflation and trimmed mean inflation is expected to remain above the RBA's target of between 2% and 3%.
7. The latest Consumer Price Index (**CPI**) data shows that the national rate of inflation has risen to 4.6% over the year to March 2026.¹ Taking in for the first time the impact of the Middle East conflict, which shows fuel costs rose in the March quarter by 32%, increasing the transport component of CPI to 9.2% in the March month alone.
8. Perth inflation has risen over the year to March to a rate of 4.6%,² driven largely by an increase in the Transport and Housing component of CPI. At the same time, growth in the Wage Price Index (**WPI**) for the March 2026 quarter reduced to 3.6% in Western Australia.³ This has resulted in a marginal real wage reduction of 1.0% over the year to March 2026.⁴
9. The SWC comes at a time when Western Australia's domestic economy continues to show some solid fundamentals, but there is significant uncertainty into the future. Elevated costs, increased regulatory burden, labour shortages and international trade tensions are significant threats to the viability of Western Australian businesses.

¹ ABS (2026), *Consumer Price Index, Australia March 2026*

² Ibid

³ ABS (2026), *Wage Price Index, Australia March 2026*

⁴ CCIWA Analysis on WA CPI and WPI.

10. The most recent Producer Price Index (**PPI**) figures show an annual growth of 3.0% to March 2026.⁵ This is driven heavily by growth in the Services and Construction industry. The PPI continues to grow at a strong rate and has not dipped below 3% annually since September 2021. Prior to the COVID-19 pandemic, it averaged just 1.5% from December 2013 to December 2019.⁶
11. These factors all continue to push up the cost of doing business for Western Australian businesses.
12. While WA's overall economic performance remains solid, this is not spread evenly across our economy. Insolvencies are high, with 666 WA businesses placed into administration for the first time in the current financial year to 26 April 2026.⁷
13. While this reflects a decrease of 11% since April 2025, it has increased 15% since April 2024.⁸ This is a trend that is expected to continue over the year as pressure on operating margins continues to build.
14. The sectors most represented in the WA Industrial Relations System include accommodation and food services, construction, health care and social assistance, and retail trade.⁹ Across these four sectors in WA, insolvency rates have increased by 103%, 3%, 54%, and 46%, respectively, between the 2023-2024 and the 2024-2025 financial years.¹⁰ These four sectors make up nearly half of all insolvencies over the 2024-25 financial year.
15. As noted in the May 2026 Monetary Policy Decision, the Reserve Bank of Australia (**RBA**) continues to display caution regarding Australia's economic outlook. There are several concerning economic factors at play, most notably, the significant uncertainty of a sustained conflict in the Middle East, and the impact that high global energy prices may have on both Australia's economy and those of our trading partners.¹¹ These, along with other factors, constrain a positive economic outlook.¹²
16. The effects of higher inflation and supply constraints within the Australian economy was already present prior to the conflict within the Middle East.¹³ This resulted in increased inflation expectations, and an increase in the cash rate in May 2026.¹⁴

⁵ ABS (2026), *Producer Price Indexes, Australia March 2026*

⁶ CCIWA Analysis of *Producer Price Index data from December 2013 to December 2019*.

⁷ ASIC (2026), *ASIC Insolvency Statistics – Table 1.3 March 2026*

⁸ Ibid – Chart 1.3

⁹ 2023 WAIRC 00330 [32-33]

¹⁰ ASIC (2024) *ASIC Insolvency Statistics – Series 3.1.1 2023-2024*, and ASIC (2023), *ASIC Insolvency Statistics – Series 3.1.1 2022-2023*

¹¹ RBA (2026), *Statement by the Monetary Policy Board: Monetary Policy Decision, March 2026*

¹² Ibid.

¹³ Bloomberg (2026), *Australian Inflation was elevated even before Iran Oil Shock*

¹⁴ RBA (2026), *Statement by the Monetary Policy Board: Monetary Policy Decision, May 2026*

17. Low productivity is a significant risk for the inflation outlook. As stated by the RBA, large nominal increases in wages without a commensurate rise in productivity contributes to inflationary pressures.¹⁵
18. Over the year to December 2025, Australia's productivity increased by 1.0%, reverting back to 2023-24 levels.¹⁶
19. However, this is still below the long-term average growth and is below the 10-year average of 1.6%, from 2005 to 2015.¹⁷
20. The RBA estimates that to June 2028, labour productivity will continue to be below this long-run average.¹⁸
21. In recognition of the significant uncertainty relating to the economic outlook, we encourage the Western Australian Industrial Relations Commission (**Commission**) to take a cautious approach in reviewing the State Minimum Wage (**SMW**) and award rates of pay, by taking into consideration the following key factors:
 - 21.1. Businesses continue to face significant challenges, driven by labour shortages and higher cost pressures, which has reduced the ability for businesses to stay afloat in WA.
 - 21.2. Productivity in Australian workplaces continues to lag below the long-run average. We risk further inflationary pressure when there is significant wage growth without commensurate increases in productivity.
 - 21.3. The rising levels of insolvencies among Western Australian businesses, which are commonly represented in the WA Industrial Relations system.
 - 21.4. WA's issue with stubborn inflation, increasing the risks associated with unsustainable wage growth and further inflationary pressure.
 - 21.5. Ensuring that we do not create a benchmark of higher inflation and wage expectations.
 - 21.6. The Federal Government's reduction in income taxation, which is targeted to low and middle-income brackets, returning more income to workers already.
 - 21.7. The role of the federal tax and transfer system in supporting lower wage earners.
22. Considering the above, CCIWA proposes a 3.25% increase to the SMW. This will:
 - 22.1. promote a fair system of wages and conditions of employment by not disadvantaging small and family-run business operators with an unsustainable rise in the SMW; and

¹⁵ RBA (2023), *Recent trends in Australian productivity, September 2023*

¹⁶ Productivity Commission (2026) *Quarterly Productivity Bulletin March 2026*.

¹⁷ Ibid.

¹⁸ RBA (2026), *Statement on Monetary Policy, May 2026 – 3.6 Detailed Baseline Forecast*.

- 22.2. ensure that any increase does not exacerbate inflationary pressures in the Western Australian economy.

2. Economic Considerations

International Economic Outlook

23. The global economy faces numerous headwinds, including cost pressures, high interest rates and geopolitical uncertainty. The global economy grew 3.3% over 2025.¹⁹
24. The Organisation for Economic Co-operation and Development (**OECD**) expected, pre-crisis, that the global economy would continue growing over the coming years, albeit at lower rates. The global economy is forecast to grow 2.9% in 2026 and 3.0% in 2027.²⁰ While still positive, this is below the long run average, as global economic fragmentation and low underlying productivity growth globally are expected to weigh on future economic growth.²¹
25. Inflationary pressures continue to linger in many economies. The OECD projected pre-crisis inflation to be higher than previously expected over the year, although still moderating as economic growth softens. Global headline inflation is expected to fall from 4.0% in 2026 to 2.7% in 2027. This is 1.2 and 0.2 percentage points higher than previously expected respectively.²²
26. This is all uncertain, however, due to the ever-evolving nature of the current Middle East conflict. Australia, and indeed Western Australia, are not immune to the impacts. Beyond the immediate price shock and fuel insecurity concerns, there is significant indirect exposure as our trading partners potentially reduce their demand for our exports, in efforts to curb their own fuel use in the short/medium term.
27. In addition to the Middle East conflict, the United States (**US**) has continued to reintroduce new tariffs after the Supreme Court ruled the previous tariff regime unconstitutional. This continues to weigh on global growth.²³
28. China, which remains WA's largest and most important trading partner faces significant economic change. In the RBA's February 2026 *Statement of Monetary Policy*, one of the key risks identified was the change in China's economic profile.²⁴ It is noted that the Chinese Government intends to focus on increasing the share of China's domestic consumption, which may see a reduction in demand for our resources. Vanguard, for example, has forecast China's 2026

¹⁹ OECD (2026), *OECD Economic Outlook, Interim Report March 2026*, March 2026

²⁰ Ibid

²¹ Ibid

²² Ibid

²³ Reuters (2026), *A year after 'Liberation Day', Trump sets new drug tariffs, adjusts metals duties*, CNBC (2026), *Trump announces new 10% global tariff after raging over Supreme Court loss*.

²⁴ RBA (2026), *Statement of Monetary Policy, February 2026 – 3.3 The domestic outlook*

economic growth at 4.5%.²⁵ This is the lowest level set by China since 1991, which averaged around 9% per year since 1990.²⁶

29. This is particularly relevant to Western Australia, as approximately half (51%) of our exports are sent to China every year. Any slowdown in China is likely to be felt most in Western Australia, as weaker economic growth results in weaker demand.
30. There is, at this point, a downside risk for the Australian economy, due to our trade-oriented economy, particularly if global markets continue to remain volatile. This is especially the case if China fails to mitigate the impacts of the Middle East conflict or the US tariff regime on their economy.
31. In addition, China has other significant structural issues threatening its economic outlook, including the persistent downturn in their property market, high levels of debt and an ageing population.²⁷
32. In particular, the weakness in China's property market is a key risk for Western Australia's economy. China's real estate sector represents around 20% of its economic output and accounts for approximately one third of its total steel (derived from iron ore) demand.^{28,29} China accounts for approximately 85% of WA's iron ore exports, which in turn comprises approximately 50% of WA's total exports.^{30,31}
33. Recent data has shown real estate investment in China continues to contract, falling 11.1% over the year to March 2026.³² Floor space under construction has also fallen 9.1% over the same period, continuing the drop in real estate investment since 2021.
34. The Middle East conflict presents a significant risk to China, as they import approximately half of their oil imports from the Middle East.³³ Alongside this, the significant uncertainty surrounding the impact of tariffs on China's export sector, combined with the persistent weakness in its property sector, means caution should be taken when assessing China's economic outlook.
35. Given Western Australia's reliance on China's demand for its exports, the health of China's economy should be considered a key risk to the outlook for Western Australia.

²⁵ Vanguard (2026), *Our economic outlook for China* | Vanguard

²⁶ Center for Strategic & International Studies (2026), *Unpacking China's GDP*.

²⁷ World Bank (2025), *Advancing Reforms, Enhancing Prospects*, December 2025

²⁸ IMF (2024), *China's Real Estate Sector: Managing the Medium-Term Slowdown, February 2024*

²⁹ S&P Global (2021), *Analysis: China's property steel demand, February 2021*

³⁰ WA Government (2025), *WA Trade Profile – October 2025*

³¹ WA Government (2026), *WA Iron Ore Profile – February 2026*

³² Reuters (2026), *China's new home prices extend drop in February as recovery remains elusive* | Reuters

³³ Reuters (2026), *Asia's Oil and LNG Dependence on the Middle East*.

National Economic Outlook

36. The Australian economy sped up over 2025, growing 2.6%, up from the 1.2% recorded in 2024. This is just below the long run average of 2.7%.³⁴
37. Public spending has been the primary driver of growth, with public consumption rising 3.1% and public investment dropping -0.9% over 2025. In contrast, household consumption rose only 2.4% and business investment fell 0.1%, both of which have weighed on growth.³⁵ This is not a sustainable formula for growth.
38. Economic activity is expected to decrease in 2026, and further in 2027, as inflationary pressures continue and interest rates increase further, as is widely expected, following the RBA's decision to raise interest rates in May.
39. The RBA has forecast Australia's Gross Domestic Product (**GDP**) to grow 1.8% in 2026 and 1.6% in 2027.³⁶ Alternatively, the OECD has forecast higher growth of 2.3% in 2026 and 2.3% in 2027, albeit this was prior to the Middle East conflict.³⁷ The International Monetary Fund (**IMF**) also estimate's Australia's GDP to be 2.0% in 2026 and 1.7% in 2027.³⁸
40. As a result of weaker demand pressures, the national inflation rate continued to ease and sat within the RBA's target band, with trimmed mean CPI growth reading 2.7% over the year to June 2025. However, the economy continued to see an increase in inflationary pressures again from the September 2025 quarter.
41. Trimmed mean inflation, which is the RBA's primary inflation measure, is now once again outside of the RBA's target band at 3.3% over the year to March 2026.³⁹ This has also remained static when compared to December 2024.⁴⁰
42. The RBA forecasts trimmed mean inflation to return to the target band by December 2027, with a reading of 2.6%. It is then expected to remain at this level over the forecast period.
43. Notably, while within the target band, it still sits above the 2.5% mid-point of the band, which is what the RBA targets. This shows that there is significant likelihood of inflation remaining higher for longer.
44. In particular, the RBA has suggested that an increase in inflationary pressures, particularly persistent services inflation, has driven the continued squeeze of capacity in the economy. While this is expected to ease over time, there are concerns that the economy remains overheated in many sectors.⁴¹

³⁴ ABS (2026), *Australian National Accounts: National Income, Expenditure and Products December 2025*

³⁵ Ibid

³⁶ RBA (2026), *Statement of Monetary Policy – February 2026*.

³⁷ OECD (2026), *OECD Economic Survey: Australia*.

³⁸ IMF (2026), *World Economic Outlook: Global Economy in the Shadow of War*. Annex table 1.1.2.

³⁹ Otherwise referred to as core inflation, given it is calculated using only the middle 70% of the distribution of price changes.

⁴⁰ Ibid

⁴¹ RBA (2026), *Statement of Monetary Policy, May 2026 – 3.4 Baseline domestic outlook*

45. Unit labour costs reflect the costs that businesses face in producing a unit of 'output'. If labour productivity increases, unit labour costs decline. Unit labour costs are a critical measure - they affect a business' pricing decisions and, therefore, the overall rate of inflation.⁴²
46. Over the year to December 2025, unit labour costs fell slightly by 0.1%, driven by slightly lower nominal wages growth combined with slightly more productivity.⁴³
47. Productivity growth, measured as GDP per hours worked, remains weak, but has increased. Over the year to December 2025, productivity increased 1.0% to bring Australia's productivity levels to 2022-23 levels.⁴⁴
48. Productivity growth is critically important as it underpins rising living standards. It is also needed to ensure that real wages growth remains consistent with stable inflation over the medium term.⁴⁵ 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.
49. Despite recent claims to the contrary, research by the Productivity Commission demonstrates that there is a strong causal relationship between labour productivity and real wages growth.⁴⁶
50. While the Federal Government assumes that productivity growth will improve and return to its long-run average of 1.2%, the RBA is more cautious.⁴⁷ In the February outlook of Monetary policy, the RBA does not expect a return to the long run average in their forecasts.⁴⁸
51. Figure 1 captures Australia's productivity issue, with productivity growth remaining low. It is imperative that the Commission considers the impact a significant rise in the minimum and award rates of pay, without a commensurate increase in productivity, would have on inflation beyond the short-term.
52. This is the same position held by the Full Bench of the Fair Work Commission in both their 2023 *Annual Wage Review Decision (AWR)* and their 2024 *AWR Decisions*. In 2023, when providing an increase which did not maintain the real value of modern award minimum wages, the Full Bench said:

*"In the medium to long term, it is desirable that modern award minimum wages maintain their real value and increase in line with the trend rate of national productivity growth. A return to that path is likely to be possible in future Reviews when there is a reversion **to a lower inflationary environment and trend productivity growth.**"⁴⁹ (Emphasis Added)*

⁴² RBA (2023), *Recent trends in Australian productivity, September 2023*

⁴³ ABS (2026), *Australian National Accounts: National Income, Expenditure and Products December 2025*

⁴⁴ Productivity Commission (2026), *PC productivity insights: Quarterly bulletin – March 2026*

⁴⁵ RBA (2023), *Recent trends in Australian productivity, September 2023*

⁴⁶ Productivity Commission (2023), *Productivity growth and wages – a forensic look, September 2023*

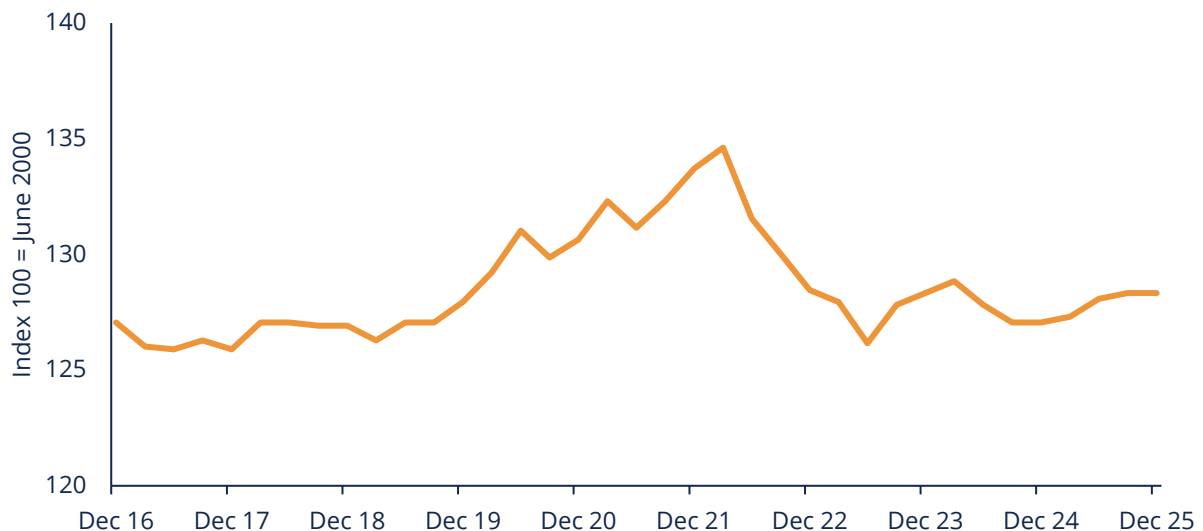
⁴⁷ The Commonwealth of Australia (2025), *Budget Paper No.1, Budget 2025-26*

⁴⁸ RBA (2026), *Statement of Monetary Policy, February 2026 – 3.5 Detailed Forecast Information*

⁴⁹ *AWR 2023 Decision* [2023] FWCFB 3500 at [10]

53. With trimmed mean inflation trending away from the target band, there are still concerns that productivity will remain flat. These are the same conditions that were present in the 2023 AWR decision, and CCIWA continues to hold the position that the Commission should consider productivity as a moderating factor to any increase for the 2026 SMW.⁵⁰

Figure 1: National Labour Productivity December 2016 to December 2025⁵¹



State Economic Outlook

54. Western Australia's economy has continued to perform strongly over the past year, growing 3.3% in 2025.⁵² The key factors underpinning this growth include:
- 54.1. **Solid dwelling investment:** dwelling investment continues to be substantially higher, growing at 8.0% in annual average terms over 2025. This has primarily been supported by increased vacant land sales, dwelling completions being the highest level since 2018, and dwellings under construction having increased by 25,500 in the 2025 December quarter.⁵³
 - 54.2. **Surging government spending:** Government consumption has also risen significantly, up 3.25% over 2025-26. This is on top of a 5.7% increase in 2024-25. Government investment went from a growth rate of 10.2%, as seen in 2024-25, to a contraction of 8.0% in 2025-26.⁵⁴ It is expected to increase by 2.0% in 2026-27.
55. Both global and domestic headwinds are expected to impact domestic growth in the coming years. WA Treasury forecasts growth in State Final Demand to moderate to 2.25% over FY27.⁵⁵

⁵⁰ AWR 2024 Decision [2024] FWCFB 3500 at [154]

⁵¹ ABS (2026), *Australian National Accounts: National Income, Expenditure and Products December 2025*

⁵² WA Treasury (2026), *2026-27 WA State Budget, Budget Paper No. 3 – Economic outlook*

⁵³ Ibid

⁵⁴ Ibid

⁵⁵ Ibid

56. Gross State Product (**GSP**) was marginally under State Final Demand in 2025-26, growing at 3.25%. This difference is due to the external sector, with net exports growing by 3.0%. Net exports are expected to grow 2.5% over the current financial year.⁵⁶
57. As a small open economy, international trade plays a significant role in WA's ability to grow its economy – indeed, net exports represent 43% of WA's GSP.⁵⁷ WA is the most export-oriented economy in the nation, and as such, the impact of global headwinds, especially for our major trading partners, creates risks for our economy.
58. While household consumption picked up over 2025 as high inflation and interest rates started to dissipate but, with the current conflict in the Middle East, it is uncertain that this will continue. WA Treasury is expecting household consumption to grow 2.75% in 2026-27, up from 2.6% in 2024-25 as a combination of lower interest rates, higher wages and house prices, and robust population growth support greater spending.⁵⁸
59. Headline inflation in Perth was 4.6% over the year to May 2026, which is an increase from the 2.0% recorded 12 months prior.⁵⁹ This increase can be significantly contributed to the increase in transport, and housing expenses, which grew at 10.4% and 6.7% respectively.
60. Perth's headline inflation figures were higher due to the withdrawal of the household electricity credits in September 2025.
61. Inflation in Perth is forecast to reach 5.5% in 2025-26, and will not reach the RBA's target band until 2027-28. WA Treasury is expecting inflation (excluding the electricity sub-index) to fall to 3.75% in 2026-27 and reduce to 2.75% for 2027-28.
62. WA's economy continues to rely on a single industry for a large part of our economic prosperity. As seen in Figure 2, the mining sector comprises 40% of Gross Value Added (**GVA**) to the State's economy. The construction sector, the next highest sector, sits at just 6.4%. This reliance on the mining sector means that WA's economy often closely follows commodity cycles, particularly those of iron ore and Liquefied Natural Gas, which combined account for approximately 75% of WA's exports.

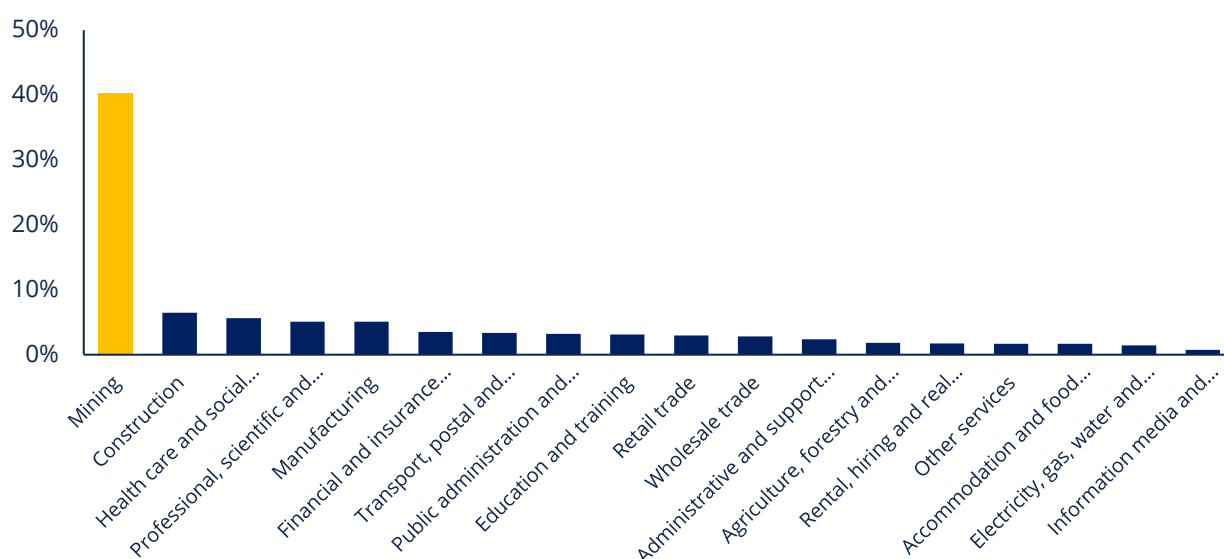
⁵⁶ Ibid

⁵⁷ WA Government (2025), *WA Trade Profile October 2025*

⁵⁸ WA Treasury (2026), *2026-27 WA State Budget, Budget Paper No. 3 – Economic outlook*

⁵⁹ ABS (2026), *Consumer Price Index, Australia, February 2026*

Figure 2: Gross Value Add Western Australia, proportion by sector, 2024-25 ⁶⁰



The confidence of the WA business community

63. Business confidence remains stuck below pre-COVID-19 levels. Since 2006, CCIWA has asked WA businesses about their expectations for economic conditions over the next 12 months, which is then converted into a long-standing index. In CCIWA's *March 2026 Business Confidence Survey*, business confidence declined 14% to now sit at the same levels as December 2021.⁶¹ The last time confidence was this low, outside of the COVID-19 Pandemic, was in September 2017. This is reaffirmed by Roy Morgan's Business Confidence survey, which saw a 16.7% decrease over the year.⁶²
64. It is worth noting that both surveys were conducted prior to the conflict in the Middle East, and respondents' overwhelming concerns were higher interest rates and increased inflation. More contemporaneous surveys, such as CCIWA's *Snap Survey on the Gulf Crisis* saw nearly half of WA's businesses impacted by fuel shortages.⁶³ Fuel costs, and freight and logistics costs saw a 92% and 84% increase for WA businesses, respectively.⁶⁴
65. In addition, the snap survey highlighted that 54% of businesses were absorbing the costs through lower margins, and nearly 48% were passing on the costs to customers.⁶⁵
66. The NAB Monthly business survey for March 2026 is one of the first standing surveys conducted post the outbreak of the Middle East conflict and indicates that WA's business confidence fell

⁶⁰ ABS (2025), *Australian National Accounts: State Accounts, 2024-25 financial year*

⁶¹ CCIWA (2026), *CCIWA Business Confidence Survey: March Quarter 2026*. 385 total number of responses, with 41% being businesses with less than 10 employees.

⁶² Roy Morgan (2026), [Roy Morgan Business Confidence- Australia](#)

⁶³ CCIWA (2026), *CCIWA Snap Survey on the Gulf Crisis March 2026*. 452 respondents participated in this survey.

⁶⁴ Ibid

⁶⁵ Ibid

substantially in the month of March.⁶⁶ This is a drop that is analogous to the onset of COVID-19 and the Global Financial Crisis.⁶⁷

67. The NAB survey indicated that, across the country, costs and prices have risen 3.0% in one quarter, with final product prices increasing 1.1%, and retail prices falling by 0.5%.⁶⁸
68. Some of the businesses that responded to CCIWA's *Snap Survey on the Gulf Crisis* said the following:
- 68.1. From a small country employer: *"Freight costs have increased by 50%. Most of our goods are freighted from Perth so this is adding pressure on the cost of goods we have already quoted on. We travel throughout the south west to quote as well as install our products, again rising fuel costs add to our costs. We can pass this onto our customers but already we are seeing a drop in our conversion rates due to us raising our prices but also in customers not prioritising buying from us as they are struggling to pay for necessities."*
- 68.2. From a family-owned mechanic workshop: *"Between the cost of living going up again, rates increasing & now the cost of fuel going through the roof, our small mechanical repair business faces the very real prospect of going under."*
- 68.3. From a small childcare centre based in metropolitan Perth: *"as a childcare centre, our families are starting to reduce days due to increase in costs, fuel is limited and prices are on the rise."*

The rising cost of doing business

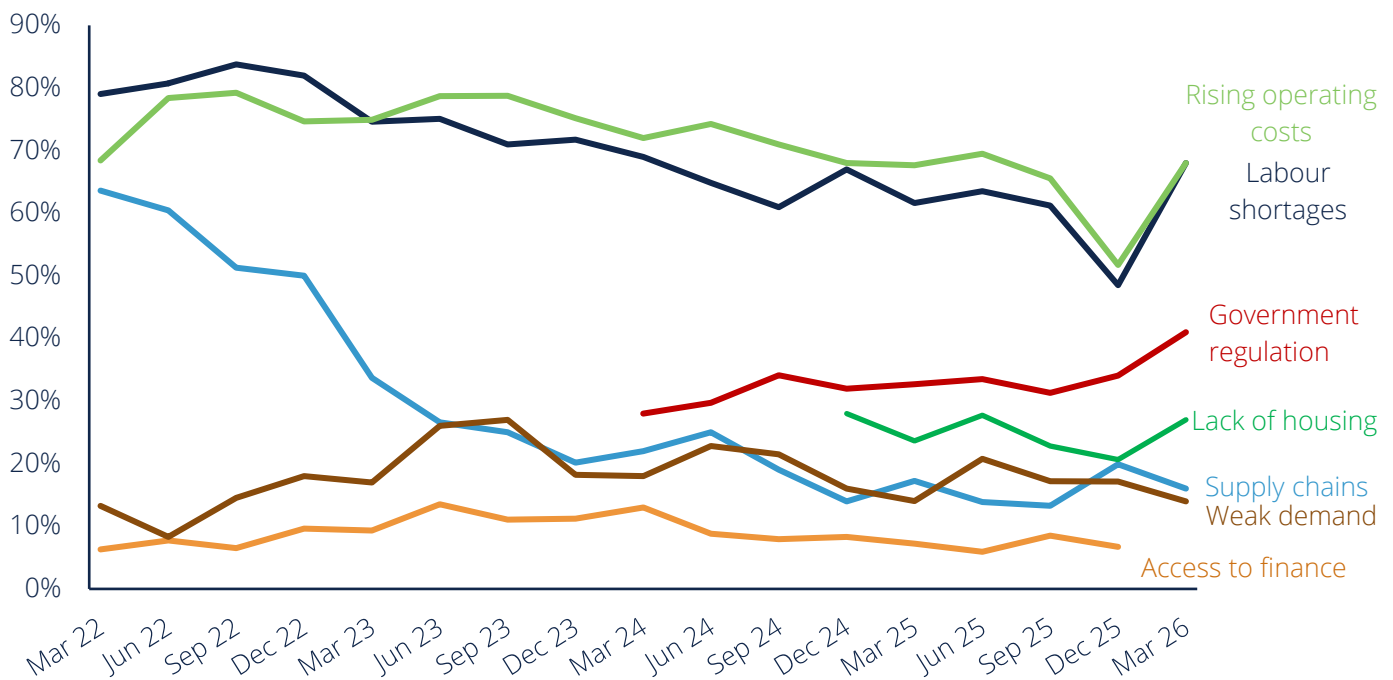
69. As shown in Figure 3, WA businesses continue to highlight rising operating costs and labour shortages as the largest barrier to business growth. Increased wages, skyrocketing insurance, higher supplier costs and taxes are the primary drivers of these higher cost pressures. The top four barriers have consistently remained the same since December 2024: rising operating costs, labour shortages, government regulation and lack of housing.

⁶⁶ NAB (2026), *Monthly Business Survey March 2026 – Chart 25*.

⁶⁷ Ibid.

⁶⁸ Ibid, Table 1.

Figure 3: Barriers to Business Growth



70. For small businesses in WA, rising operating costs, and labour shortages were the two biggest barriers to growth at 64% and 63% respectively.
71. These rising cost pressures are also evident when analysing the PPI. Over the year to March 2026, producer prices nationally increased by 3.0%.⁶⁹ The cost of inputs such as rent, materials, freight, energy and labour are all contributing to rising operating costs, with businesses reporting that they are acutely feeling the impacts on their profit margins.
72. In areas where the WA Industrial Relations system is most likely to cover, there was the following increases over 12 months: Accommodation and Food Services by 4.0%, and Building Construction rose 4.2%.⁷⁰
73. Interest rates also continue to weigh heavily on WA businesses. Just as higher interest rates increase mortgage repayments for households, they also impact borrowing costs for businesses. As indicated by the RBA in its September 2024 Financial Stability Review (**FSR**), “the impact of higher interest rates tends to be larger for smaller businesses”.⁷¹ These are also the businesses that are more likely to be captured under the State Industrial Relations System.

⁶⁹ ABS (2026), *Producer Price Indexes Australia March 2026*

⁷⁰ ABS (2026), *Producer Price Indexes Australia March 2026*

⁷¹ RBA (2024), *Financial Stability Review, September 2024*

74. The RBA's March 2026 FSR highlighted that *"Company insolvency rates remain elevated in some industries, particularly hospitality and construction... [this] reflects ongoing wage and input costs pressures, as well as thin margins for some construction companies."*⁷²
75. The March 2026 FSR acknowledges that while most small and medium firms' operating profit margins are around levels recorded over the decade prior to the pandemic, the data predates the Middle East conflict. They note that conditions continue to remain weak in the Retail and Hospitality sectors.

Labour shortages

76. The availability of skilled labour remains one of the biggest issues facing the WA business community, with 68% of businesses identifying this as a barrier to growth over the coming year.⁷³
77. This continues to flow through in the form of higher labour costs, with 82% of businesses reporting an increase in labour costs over the March 2026 quarter.⁷⁴ As seen in Table 1, this applies across almost every sector.
78. 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, there is a rising number of insolvencies this year.

Table 1: Labour costs per person, March Quarter 2026⁷⁵

Industry	Decrease	No change	Increase
Agriculture, Forestry & Fishing	0%	18%	82%
Resources	0%	23%	77%
Manufacturing	0%	12%	84%
Utilities Services	0%	50%	50%
Construction	0%	9%	88%
Retail Trade	0%	24%	76%
Accommodation Services	0%	0%	100%
Transport, Postal & Warehousing	0%	0%	100%
Real Estate Services	0%	17%	83%
Professional, Scientific & Technical Services	0%	22%	78%
Education & Training	0%	13%	87%
Events Services	0%	0%	100%
Health Care & Social Assistance	5%	26%	68%

⁷² RBA (2026), *Financial Stability Review, March 2026*

⁷³ CCIWA (2026), *CCIWA Business Confidence Survey: March Quarter 2026*

⁷⁴ Ibid

⁷⁵ CCIWA (2025), *CCIWA Business Confidence Survey: March Quarter 2026*

79. This suggests the capacity of employers to bear higher costs is already at a critical point and adding any significant further costs would place additional undue strain and risk business viability.
80. As mentioned at paragraph 14, recent data released by the Australian Securities and Investments Commission (**ASIC**) identified an increase in the sectors most likely to be covered by the State Industrial Relations System.

3. Labour Market Considerations

81. The current labour shortages that are being experienced by WA businesses are significant. As an analysis of current labour force and the labour market indicates, the State is near or at full utilisation of the workforce.
82. The following section analyses the WA labour market, suggesting that any significant increase in the SMW and awards' rates of pay would neither address employers' current issues with labour shortages nor encourage new employment.

Labour Force

83. While easing marginally over the past year, WA's labour market remains tight. As seen in Figure 4, WA's unemployment rate currently sits at 4.2% for March 2026 and has remained well below the decade average of 5.2% over the past year.⁷⁶ This is also lower than the national unemployment rate.
84. The number of people employed in WA has grown to a record high. The number of people in employment grew just under 1% in annual average terms over the year to February 2026.
85. WA's participation rate sits at 68.6%, just below the average over the year, and just under a percentage off the record high. WA's participation rate is significantly higher than any other state, with Victoria next highest at 67.6%⁷⁷.
86. In addition, the underemployment rate continues to sit at a very low level, reading 5.4% in March 2026. This is still well below the decade average of 8.0%.⁷⁸
87. The combination of the unemployment and underemployment rates is commonly used to assess the underutilisation rate. WA's underutilisation rate sits at 9.6% as of March 2026 – this is 3.1% lower than the 10-year average.⁷⁹

⁷⁶ ABS (2026), *Labour Force, Australia March 2026*

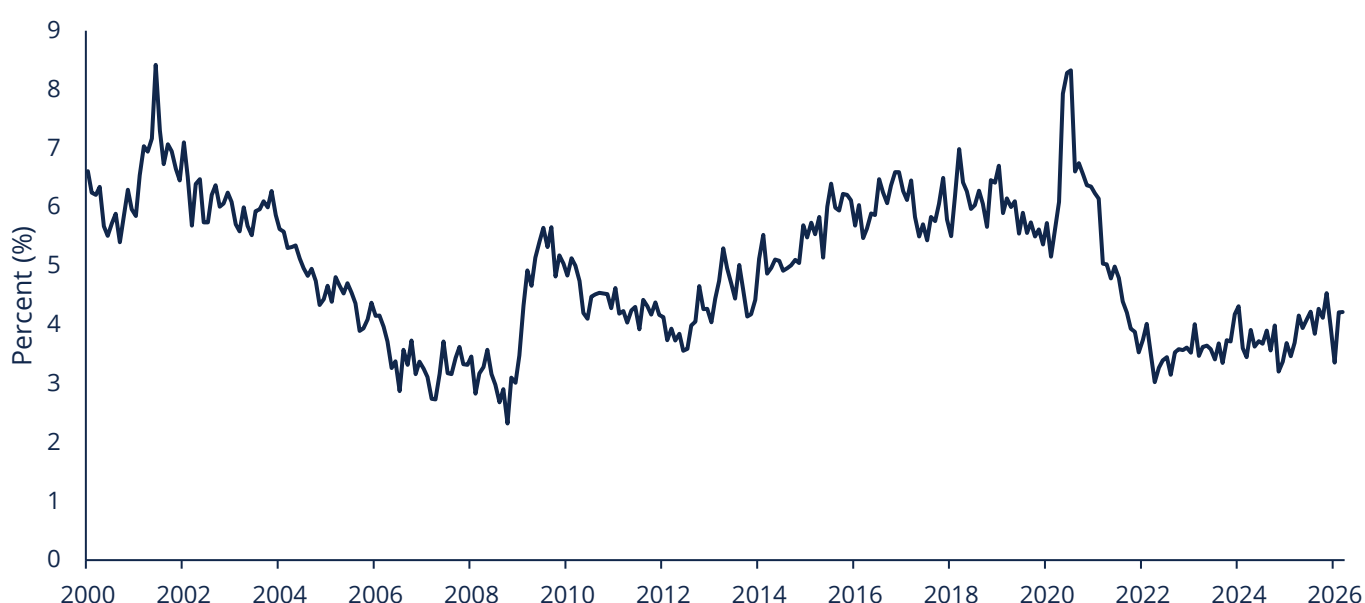
⁷⁷ Ibid

⁷⁸ ABS (2026), *Labour Force, Australia March 2026*

⁷⁹ ABS (2026), *Labour Force, Australia March 2026*

88. This is also reflected in the number of job vacancies in the State. As seen in Figure 5, the number of job vacancies has risen 4.5% over the year to February 2026. The number of vacancies also remains around 56% above pre-Covid levels.⁸⁰
89. WA Treasury anticipates WA's labour market will ease slightly in the coming year. The unemployment rate is forecast to remain around this level with an average of 4.25% in 2025-26 and an average of 4.25% in 2026-27, while employment growth is expected to rise to 1.75% from 1.5%. Despite this, labour market conditions are expected to remain robust, with the unemployment rate to remain well below the decade average.⁸¹

Figure 4: Western Australia Unemployment Rate⁸²



⁸⁰ ABS (2025), *Job vacancies, Australia February 2025*

⁸¹ WA Treasury (2026), *2026-27 WA State Budget, Budget Paper No. 3 – Economic outlook*

⁸² ABS (2026), *Labour Force, Australia February 2026*

Figure 5: Western Australia Job Vacancies⁸³



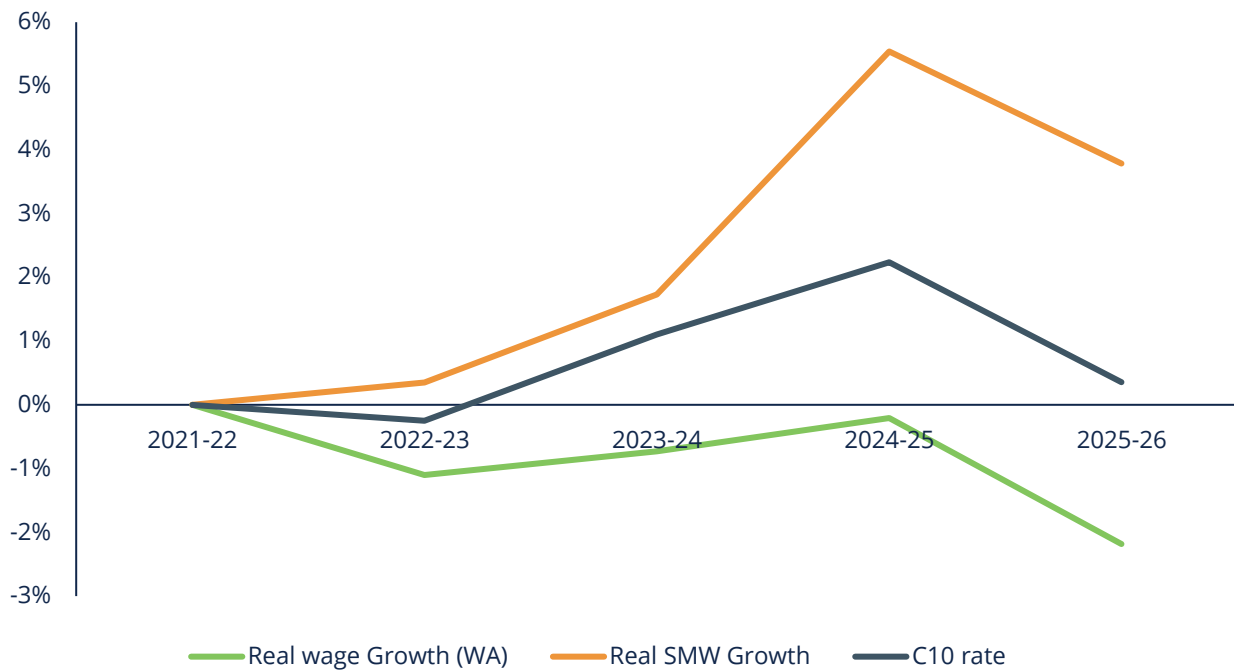
Wage Growth

90. Based on the Wage Price Index (**WPI**), wages in WA grew 3.6% over the year to March 2026, compared to the national growth of 3.3%. This is the highest rate of wage growth of all States.⁸⁴
91. As shown in Figure 6, cumulative real wages growth has fallen due to the significant impact of inflation. While inflation is continuing to be more persistent within the economy, real wages growth continues to be less likely according to the RBA.
92. However, this is not the case for those who are receiving either the SMW or the C10 rate of the *Metals Award*.
93. The WPI underestimates the real growth in wages, by not accounting for the use of allowances and bonuses to increase overall remuneration. The use of performance bonuses, site allowances, and sign on and retention bonuses continue to be used to attract and retain workers in a tight labour market without significantly increasing the base rate of pay. These are all additional costs for the employer.

⁸³ ABS (2026), *Job vacancies, Australia February 2026*

⁸⁴ ABS (2026) *Wage Price Index, Australia March 2026*

Figure 6: Cumulative Real Wage Growth of SMW and WA⁸⁵



4. Living Standards and Needs of the Low Paid

94. The needs of the low paid should be considered across the medium term, not at a single point in time. As indicated earlier at paragraphs 50 to 51, CCIWA holds the view that this is the appropriate manner to consider the economic implications of wage growth.
95. For the past four years, unlike the entire WA workforce, those on the SMW have seen their wage rates increase in real value. As seen in Figure 6, over the past four years, real wage growth for the SMW has grown 3.7% since 2021, while WA's population saw their real wages fall by 2.1%.
96. It is also important to note that 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 to play in providing targeted relief to the low paid.
97. According to a recent Australian Institute of Health and Welfare (**AIHW**) report, it was estimated that just under one quarter of recipients of Federal Government income support declared earnings from employment.⁸⁶ While the AIHW report does not provide a break-down across States and Territories, it could be assumed that a sizable percentage of workers who would be impacted by the SWC decision would also likely be in receipt of government benefits.

⁸⁵ CCIWA Analysis on WAIRC State Wage Case decisions, ABS Wage Price Index alongside CPI. For 2025-26 Financial year, WA Treasury's forecast for the 2025-26 financial year has been used for both WPI and CPI (excluding Electricity sub index)

⁸⁶ Australian Institute of Health and Welfare (2023) *Unemployment payments*, AIHW,

98. 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 increase of \$15.10 per week.⁸⁷
99. It is also 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 relief over the next two calendar years (2026 and 2027).
100. The Federal Government, with cooperation of the States and Territories, have reduced the fuel excise by 32 cents a litre, due to the conflict in the Middle East, which should approximately reduce the cost of a tank of fuel by \$15-20.00 per fill up.⁸⁸ For transport businesses, there has been a full suspension of the Freight User Charge, which is a reduction of \$64.80 per 200l tank for diesel.⁸⁹ These relief measures will take pressure off workers' current incomes and, thus, the current crisis does not justify an unprecedented increase in wage growth.
101. In the WA State Budget, there has been cost of living support in excess of \$1 billion for 2026-27.⁹⁰ This includes the following:
- 101.1. \$198 million for the Fuel Support Payment - providing \$100 to all Western Australians with a driver's licence to assist with higher fuel prices.
 - 101.2. \$89.5 million to deliver a third round of the WA Student Assistance Payment - \$150 for each primary and kindergarten student, and \$250 for each secondary school student.
 - 101.3. \$51 million for energy bill relief measures, including the Energy Assistance Payment, Dependent Child Rebate, Air Conditioning Allowance, and Energy Ahead program; and
 - 101.4. \$13.5 million to extend the WA Rent Relief Program.
102. We 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 more effectively than other States and Territories, with other targeted measures.
103. As is the case with the WA State Government, the Federal Government can provide future support if cost-of-living pressures continue to persist.
104. For these reasons, CCIWA submits that a 3.25% rise to the SMW will address the needs of the low paid, while balancing all other statutory considerations under the Act.

⁸⁷ Commonwealth Department of Social Services (2026), [Indexation Rates March 2026](#).

⁸⁸ Based upon the average fuel tank capacity 60-70 litres.

⁸⁹ Commonwealth Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts (2026), [Fuel excise Relief Measures from 1 April 2026](#).

⁹⁰ Roger Cook, Rita Saffioti, ['Budget delivers cost-of-living relief to Western Australian families'](#) (Media Release, 7 May 2025).