Further to our meeting with the Fair Pay Commissioner Ian Harper in Perth on 11 December 2008 we make the following submissions in support of a real and fair wage increase for workers relying on the minimum wage increase.

Central to the 2009 deliberations of the Fair Pay Commission (the Commission) will be the dramatic changes in the world economic climate. Six months ago Australia could boast 31 consecutive quarters of GDP growth, now most forecasts the Australian economy to fall into recession this year\(^1\).

In Western Australia, Government predictions are that the state’s economic activity in 2008-09 will remain strong, and the full effects of the global economic

\(^1\) Access Economics Business Outlook December 2008
downturn are not likely to be felt until later in 2009-10\(^2\). While the effects of the downturn on world markets and in particular key trading partners are still being played out, there are several commentators who say that Australia, and in particular Western Australia, will feel the pinch for a much shorter period of time than other economies.\(^3\)

In this state the costs of living are still significant (4.9% in Perth in the September 2008 quarter - an eight year high) and the wages index still much higher than other states (5.7% where the national figure is 4.2%\(^4\)).

On the employment front, while there has been an increase in the number of people unemployed (4.2% compared to 5.2% nationally), state employment is coming off record levels: WA unemployment reached a 34-year low last October.

We believe a fair increase to those receiving minimum wages and award rates should take into account the persistently high cost of living, as well as the call from leading economic commentators (including the Federal Government) for increased consumer spending to stimulate the economy.

We reiterate our call in previous submissions that the Commission has a critical responsibility to provide a safety net for workers less able to access wage increases through collective and common law individual bargaining.

For these reasons we endorse the submission made by the ACTU including the claim for an increase of $21 per week to the statutory minimum rates of pay and to all award classifications.

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\(^{2}\) WA Dept of Treasury & Finance, *Western Australian Economic Summary 2008 No 3.* released 3 Feb 2009 p2

\(^{3}\) Peter Kenyon, Professor of Economic Policy, Curtin University quoted on *ABC News Online* 19 Jan, 2009

\(^{4}\) ABS cat no 6345.0 *Labour Price Index Dec Quarter 2008*
UnionsWA does not intend to make detailed submissions to the Commission, and so this paper should be read in conjunction with the ACTU submission.

**Effect of a minimum wage increase on employment levels**

We do not intend to go over the much-examined question of whether an increase in minimum wages affects employment levels. The concern is whether a confident prediction of the effect of a wage rise on employment levels can be made in the face of divided academic opinion on the matter. We caution against approaching the matter with pre-conceived opinions, as described in WA economist David Plowman's discussion, where he quotes a UK academic:

"...almost anything could happen to employment following a moderate increase in the minimum wage. In other words, the data are not decisive, and strong prior beliefs are needed in order to reach a conclusion."  

We referred to Professor Plowman’s conclusions in previous submissions on the Minimum Wage review, namely that in his study of WA data the minimum wage has had little effect on employment in general, but may have had some impact on part-time employment in some sectors.

**Gender pay gap**

The Commission’s own requested research looking at gender pay differentials in low paid employment concludes that "minimum wages may have long-lasting effects on gender based pay equality in the Australian labour market", and that

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6 D Plowman, *opcit*

the data shows "minimum wage decisions play a dual role: increasing wage equity and encouraging labour force participation, particularly among low wage employees".

That report concludes that in the absence of minimum wage adjustments, it is likely that Australia's gender pay gap would have been up to 2.7% greater.

This is an important consideration when nationally, Australia's pay gap has persistently remained around 16% for over 20 years, and in WA the gap has actually widened in the same period to 27.4%.

Numerous inquiries and reports have been commissioned to uncover the causes of the inequity of men and women's pay in Australia (NSW 1998; Queensland 2001 and 2007; WA 2004; Victoria 2005), including the current House of Representatives' Inquiry into Pay Equity and Female Workforce Participation which is yet to hand down its report.

All analysis of this issue concludes the causes of pay inequity are complex and will require action on a number of fronts. Any opportunity to make direct inroads to the pay gap should be taken. That the awarding of a fair and reasonable pay rise for those on minimum rates would also serve to increase women's participation in the workforce are both compelling reasons in support of the union claim.

Conclusion
UnionsWA submits that the Commission should ensure that it awards a minimum wage that not only meets the financial needs of low paid workers but is also consistent with stimulus fiscal policy. We submit that despite the turbulent economic climate, the WA economy is well-placed to withstand maintaining the real value of minimum and award rates of pay.