



Chamber of Commerce  
and Industry WA

Chamber of Commerce and Industry of Western Australia

# Submission to the Fair Work Commission Minimum Wage Panel

## Annual Minimum Wage Review 2017-18

12 March 2018

## Helping business work

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## Contents

1. Introduction and recommendation .....	4
2. About This Submission .....	5
3. The Annual Review .....	5
4. The Small Business Community .....	7
5. The Western Australian Economy .....	8
6. The Western Australian Labour Market .....	16
7. Summary and Concluding Comments .....	29

# 1. Introduction and recommendation

- 1 The Chamber of Commerce and Industry of Western Australia (CCIWA) is the leading business association in Western Australia and has been the voice of business for more than 125 years. CCIWA represents employer members from across all regions and industries in Western Australia, including local chambers of commerce, industry associations and employers, particularly small and medium enterprises, both in the private and government sectors. Within its membership, CCIWA represents over 7,500 small business members employing up to 30 employees.
- 2 The Australian economy is a composite of individual state and territory economies. While it is incumbent upon the Fair Work Commission (FWC) to consider the state of the national economy in the review of the national minimum wage, CCIWA would urge the FWC in its deliberations to consider the specific circumstances of Western Australia's economy.
- 3 The Western Australian economy has been experiencing an extremely challenging period since the end of the resources investment boom. While business and consumer confidence have improved in the latter part of 2017, Western Australia is only at, or near, the bottom of the economic downturn. While positive signs are emerging, confidence needs to be delivered upon and recovery guided carefully and not impeded or put at risk.
- 4 At this point of the economic cycle in Western Australia and in a highly competitive trading environment, businesses continue to face challenging business conditions with compressed margins and cost management pressures. Minimum wages are an important part of the parameters for doing business and employing in Australia, particularly so for smaller businesses and award reliant industries.
- 5 CCIWA supports responsible and sustainable wage growth through the national minimum wage and modern award minimum wages as a fundamental ingredient for growth and employment.
- 6 With four out of five jobs in Western Australia being created by the private sector, it is critical to ensure a job supporting and job creating business environment exists where Western Australian businesses can be successful, productive, competitive and sustainable regardless of their size.
- 7 It is only with a strong and viable business community that employment opportunities for Western Australians will be generated, creating prosperity for the greater community and improving the living standards for all Western Australians.

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## *Recommendation*

*CCIWA urges the Fair Work Commission's Expert Panel to consider the state of the Western Australian economy, both at present and over the coming forecast periods, and adopt a cautious approach as it deliberates to consider any adjustment to the National Minimum Wage and modern award wages.*

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## 2. About This Submission

- 8 CCIWA acknowledges the submission of the Australian Chamber of Commerce and Industry.
- 9 The Fair Work Commission (“FWC”) constitutes its Expert Panel (“Panel”) each financial year to conduct and complete an annual wage review for the national minimum wage and modern award minimum wages.
- 10 CCIWA provides this submission to the 2017-18 Annual Minimum Wage Review to inform the Panel of the circumstances of the Western Australian economy and labour market that, it is submitted, require special consideration by the Panel in its deliberations and caution in wage fixing.
- 11 CCIWA would urge the Panel to have regard to the shorter run market considerations where, in the case of Western Australia, point to concerns and weaknesses in the economy and labour market over the immediate and near term. Business are facing challenges trading conditions and there remains considerable spare capacity in the labour market in Western Australia.
- 12 The Western Australian economy is at or near the end of an economic downturn following the resources investment boom and is entering a period of economic transition.
- 13 The growth of the Western Australian economy will be gradual through this transition.

## 3. The Annual Review

- 14 The general objects of the Fair Work Act (“Act”) require attention to ensuring the operation of workplace relations regulation to promote productivity, sustainability and economic growth for national economic prosperity and social inclusion for all Australians.<sup>1</sup>
- 15 The minimum wages objective and the modern awards objective also require the Panel to take into account, among others, the “performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth”<sup>2</sup> as well as “promoting social inclusion through increased workforce participation”<sup>3</sup> and “the likely impact of exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy”<sup>4</sup>.
- 16 The modern awards objective also identifies the key elements of increased workforce participation, productivity and employment costs, and employment growth, performance and competitiveness<sup>5</sup>.
- 17 Importantly, section 3 (g) of the Act emphasises the need to acknowledge the special circumstances of small and medium businesses. Small businesses play an important role in the economy, and an even more critical role within the communities in which they operate.
- 18 It is to this sector of the economy that CCIWA would urge the Panel to particularly focus attention during its deliberations.

<sup>1</sup> Fair Work Act 2009 (Cth), s. 3(a).

<sup>2</sup> Fair Work Act 2009 (Cth), s.284(1)(a)

<sup>3</sup> Fair Work Act 2009 (Cth), s.284(1)(b) and s.134(1)(c)

<sup>4</sup> Fair Work Act 2009 (Cth), s.134(1)(h)

<sup>5</sup> Fair Work Act 2009 (Cth), s.134(1)(f)

- 19 Decisions on the national minimum wage and modern award rates of pay particularly affect small businesses who are more award-reliant than larger businesses. Small businesses are not favoured by a capacity to absorb increases in operating costs and generally have less capacity to adjust to adverse changes in business conditions.
- 20 Small businesses in Western Australia have been under considerable pressure to maintain viable operations and continued employment of staff in challenging economic conditions where operating margins have been eroded and growth constrained. Rising operating costs was a hindrance to various industries, with over half of businesses from mining (53 %) and manufacturing (54 %) considering it a major barrier to business development.
- 21 CCIWA advocates strongly for small business as an important, if not the most important, sector of our community and urges the Panel to carefully consider the unique position of small businesses and assists small businesses to cultivate an environment that fosters growth and employment.
- 22 Populist commentary generalises all business in the context of large corporations. This is fundamentally unrepresentative of the economy that is comprised of over two million businesses, the smallest cohort being large businesses. The economy is not limited to a group of large businesses residing on the ASX.
- 23 Larger corporations are the least reliant on the minimum wage and award rates of pay. Consequently, adjustments in the minimum wage and any capacity to pay considerations should not be concentrated on the broad alignment of the capacity of large corporations with the small, community-centred businesses that exist throughout the country, metropolitan and non-metropolitan communities alike.
- 24 In Western Australia large business, those businesses employing more than 200 people, account for less than one per cent of operating businesses in the state.
- 25 For small business, the relationship between changes to minimum and award wages, economic prosperity and the creation of jobs can be a delicate one.
- 26 CCIWA acknowledges that the nature of the impact of a minimum wage change on prosperity and the performance of the economy remains the subject of considerable conjecture and debate. However, creating employment opportunities and maximising participation in paid employment is of critical importance for a strong and resilient economy.
- 27 CCIWA would submit that the Western Australian economy and labour market remain relatively susceptible at the current position of the economic cycle and significant caution should be exercised to avoid any 'distortions', 'distractions', 'impediments' or 'shocks' that may impede employment growth, threaten business activity and constrain recovery.
- 28 As Western Australia appears to have reached the bottom of the downturn, the long-awaited recovery that will follow is expected to be gradual, requiring careful guidance and limited impediments.
- 29 One evident impediment and risk would be any minimum and modern award wage adjustments inconsistent with the strength of the Western Australian economy and the capabilities of enterprises, in particular small businesses, that must pay minimum wage increases.
- 30 This submission aims to inform the Panel of the conditions of the Western Australian economy that require consideration.
- 31 While it is incumbent upon the Panel to consider the relevant statutory requirements and broader economic and social considerations within the review, CCIWA would submit that a cautious approach to the 2017-18 minimum wage review is necessary for the Western Australian economy.

## 4. The Small Business Community

- 32 According to Australian Bureau of Statistics data<sup>6</sup>, of the 2,238,299 actively trading businesses operating at the end of 2016-17, most (93.2 % or 2,085,729) had annual turnover of less than \$2 million. Of these businesses, nearly a quarter (24.6 % or 551,224) had a turnover less than \$50,000, about one-third (34.7 % or 776,196) had turnover of \$50,000 to less than \$200,000 and a further one-third (33.9 %) of businesses had an annual turnover of \$200,000 to less than \$2 million. A relatively small proportion (2.9 %) of business had an annual turnover of \$5 million or more.
- 33 The majority of businesses (61.2 %) were non-employing. There were 868,248 (38.8 %) employing businesses at the end of 2016-17 of which the majority (70.1 % or 608,733) employed between 1 and 4 people whilst only 0.5 per cent (3,915) of employing businesses employed more than 200 people.
- 34 Those businesses employing over 200 people are those most likely to be less reliant on award rates of pay and most certain to engage employees in excess of the minimum wage.
- 35 Of the 2,238,299 actively trading businesses, 393 were in the public sector. Of the remaining 2,237,906 private sector businesses, 839,507 (37.5 %) were companies, 586,547 (26.2 %) were sole proprietors, 267,442 (12.0 %) were partnerships and 544,410 (24.3 %) were trusts.
- 36 The ABS categorises businesses in employment terms as (a) large businesses, employing 200 or more persons, (b) medium businesses, with employment of 20 to less than 200 persons, and (c) small businesses, employing less than 20 persons (including non-employing businesses). The ABS defines small businesses to include non-employing businesses (sole proprietorships and partnerships without employees), micro-businesses (businesses employing between one and four people including non-employing businesses), and other small businesses (businesses that employ between five and 19 employees).
- 37 Nationally, of the 2,238,299 actively trading businesses, 97.4 per cent are by ABS definition small businesses, 2.3 per cent are medium businesses and only 0.2 per cent large businesses.
- 38 As table 1 shows, of the 137,516 actively trading businesses in Western Australia, 95.8 per cent are small businesses.

**Table 1: Number of Western Australian Businesses Employing by Business Size**

Non-employing Businesses	Employing 1- 19	Employing 20 - 199	Employing 200 +	TOTAL
78,661	53,116	5,392	347	137,516
57.2%	38.6%	3.9%	0.3%	100.0%

Source: ABS, Cat. No. 8165.0, Counts of Australian Businesses 2016 – 17

- 39 By their very nature small businesses are particularly sensitive to challenging economic conditions. This sensitivity is reflected in the ABS data that shows that in Western Australia, businesses employing between one and 19 people have low survival rates at just 71.3 per cent when compared to medium businesses (82.9 %) and large businesses (84.4 %)<sup>7</sup>.

<sup>6</sup> ABS, Cat. No. 8165 Counts of Australian Businesses, June 2013-June 2017

<sup>7</sup> ABS, Cat. No. 8165 Counts of Australian Businesses 2016 - 17

- 40 While business conditions are showing encouraging signs of improvement, due to a long period of weak trading conditions over the last four years, small businesses remain somewhat cautious in engaging on additional labour. Labour costs have a direct and immediate bearing of the propensity of small businesses to add staff and are less capable of passing on higher costs to consumers and must instead absorb costs from operating margins or reduce costs.
- 41 Small businesses employ over 44.3 per cent of the Australian labour force, more than the medium business sector (23.3 %) and large business (32.4 %).
- 42 Small business is a significant sector of the Western Australian community. Small businesses are diverse and operate in all sectors of the economy. Most importantly they operate in, and contribute to, every region and regional community throughout the state.

## 5. The Western Australian Economy

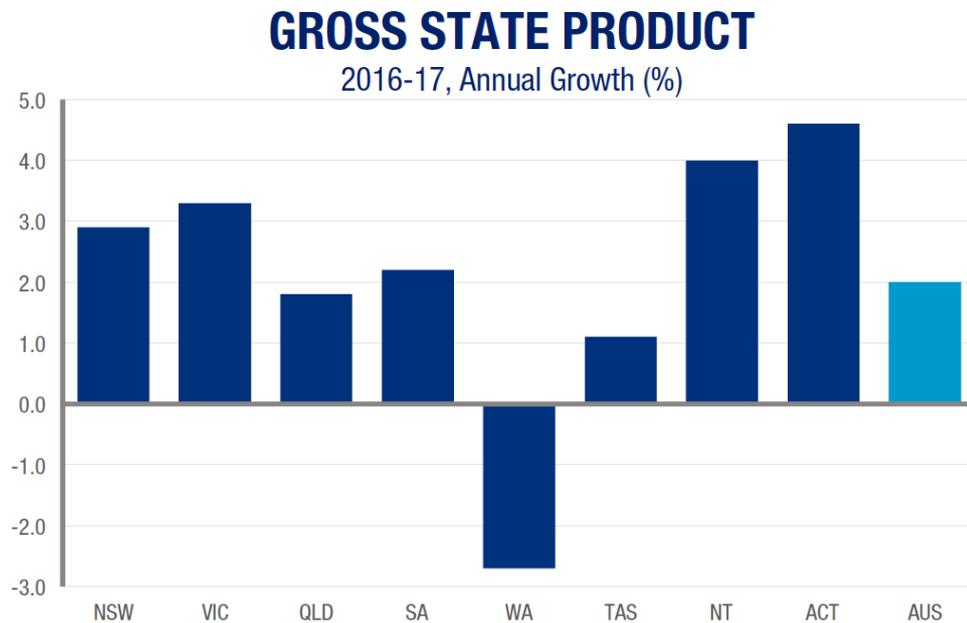
- 43 The Western Australia economy is at a turning point. After a protracted period of challenging economic conditions following the end of the resources investment boom some four years ago, positive signs are emerging and a return to positive economic growth is forecasted, albeit at a slow and gradual pace.
- 44 Some sectors of the Western Australian economy are expected to take longer to return to positive growth than others, though overall economic growth is expected.
- 45 CCIWA predicts that Western Australia is 95 per cent of the way down the business investment cliff, indicating the sharpest decline in investment is behind the state.
- 46 However, while positive signs emerged over the latter part of calendar 2017 and continue into 2018, the recovery of the Western Australian economy still has some way to go. CCIWA submits that while growth is forecast, it will require nurturing over the near term to convert newfound confidence into practical results.
- 47 Economic conditions in Western Australia support a cautious approach to wage fixation in 2017-18.

### Economic Growth

- 48 Overall, CCIWA anticipates that the Western Australian economy will grow by 0.9 per cent in 2017-18. As business investment and dwelling investment begin to recover over the forecast horizon and exports maintain at a strong level, CCIWA expects the economy to grow by around 3 per cent in 2018-19 and 2.7 per cent in 2019-20.
- 49 Western Australia's Gross State Product (GSP), a measure of total economic output, fell by 2.7 per cent in 2016-2017 ending a 26-year run of economic growth in Western Australia. The major driver of the fall in GSP, on an expenditure basis, was business investment, which fell by 28.6 per cent in 2016-17. This was partly offset by an increase in the exports of goods that grew by 7.3 per cent.<sup>8</sup>
- 50 Western Australia's 2.7 per cent decline in GSP was the only decline of all states and territories. This represented a decline in GSP per capita of 3.3 per cent, again the only decline nationally (at \$90,799 per capita is still represents the third highest level behind the two territories).

<sup>8</sup> Western Australian Treasury, Economic Notes, Gross State Product 2016-17

Graph 1: Gross State Product (GSP) States and Territories 2016-2017



Source: ABS, Cat. No 5220, Australian National Accounts; CCIWA

- 51 State Final Demand (SFD), a measure of total domestic demand in the state, fell by 7.2 per cent.<sup>9</sup> The decline in SFD was the only decline in SFD of all states and territories. In 2017-18, SFD in Western Australia is expected to contract for a fifth consecutive year by 2.0 per cent. The Western Australian Government is projecting that the pace of recovery from 2018-19 onwards will be slower than previous expectations<sup>10</sup> largely due to a weaker outlook for household spending. SFD increased by 0.63 per cent from September 2017 to December 2017<sup>11</sup>.
- 52 By industry, the biggest contributions made to economic growth in 2016-17 came from mining, financial and insurance services, and health care and social assistance. The industries which contracted the most were public administration and safety, professional, scientific and technical services, and construction.
- 53 Western Australia's gross household disposable income per capita fell 2.8 per cent, again the only decline nationally (still the highest of all states surpassed only by the two territories).

## Consumer Price Index (CPI)

- 54 Perth CPI has been significantly lower at 0.8 per cent for the September and December quarters of 2017 than the national average, a position that has existed over the last nine quarters. Cost of living pressures are much lower in Western Australia than the national average.
- 55 Perth remains the capital city with the lowest CPI.

<sup>9</sup> Western Australian Treasury, Economic Notes, Gross State Product 2016-17

<sup>10</sup> Western Australian Government Mid-Year Financial Projections Statement, 2017-18, December 2017

<sup>11</sup> ABS, Cat. No. 5206.0 Australian National Accounts, Trend, Chain Volume Measures

**Table 2: Consumer Price Index (CPI) December 2015 – December 2017 (%)**

Month	National	Perth
Dec 2015	1.7	1.5
Mar 2016	1.3	0.7
Jun 2016	1.0	0.5
Sep 2016	1.3	0.5
Dec 2016	1.5	0.4
Mar 2017	2.1	1.0
Jun 2017	1.9	0.7
Sep 2017	1.8	0.8
Dec 2017	1.9	0.8

Source: ABS, Cat. No. 6401.0, Consumer Price Index, December 2017, Percentage Change from Corresponding Quarter of Previous Year, All Groups CPI (%)

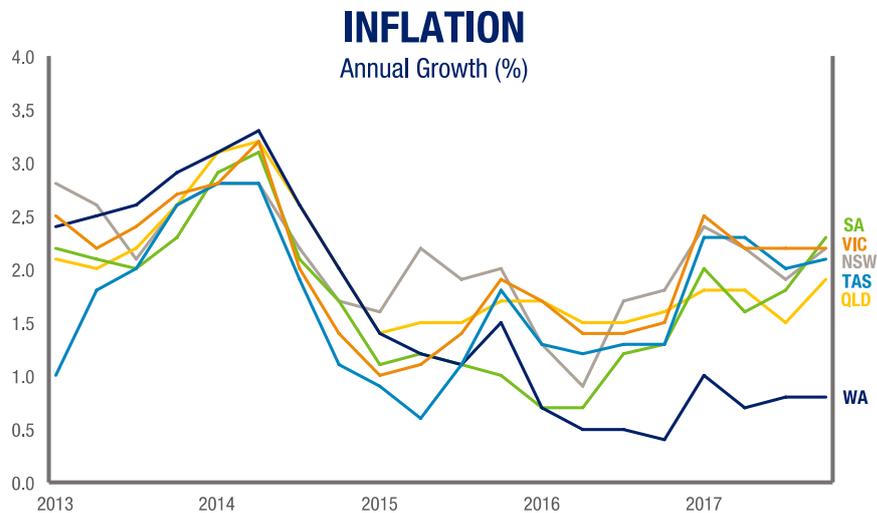
56 Perth maintains the lowest CPI of all capital cities since January 2016.

**Table 3: Consumer Price Index (CPI) Capital Cities (%)**

Capital City	Dec 2016 to Dec 2017
Sydney	2.2
Melbourne	2.2
Brisbane	1.9
Adelaide	2.3
Perth	0.8
Hobart	2.1
Darwin	1.0
Canberra	2.2
<b>Weighted Ave of eight capital cities</b>	<b>1.9</b>

Source: ABS, Cat. No. 6401.0, Consumer Price Index, December 2017, Percentage Change Dec Quarter 2016 to Dec Quarter 2017, All Groups CPI

**Graph 2: Inflation – Annual Growth, States 2013-2018**



## Business Confidence

- 57 Western Australian business confidence is stronger than it has been in four years, continuing its upward trajectory witnessed throughout 2017 as the economy adjusts to the end of the resources investment boom. The increase in business confidence is the highest single quarter increase since the GFC.
- 58 As the only Western Australian-specific index in the country, CCIWA's *Business Confidence Index* provides a snapshot of state-wide economic conditions and business expectations.
- 59 The December quarter *Survey of Business Confidence* indicates that short-term confidence (3-month) is at its highest level in over four years and medium-term confidence (12-month) is well above its 10-year average.
- 60 The proportion of businesses expecting macroeconomic conditions to worsen in the short-term has declined by 19 percentage points since the previous quarter to 34 per cent in the December quarter suggesting that confidence in the Western Australian economy is growing.
- 61 Looking to the year ahead, businesses are expecting economic conditions to continue improving. With slightly over half (52 %) anticipating the Western Australian economy to strengthen over the next twelve months, up from 28 per cent from the previous quarter.

**Table 4: Business Confidence**

Expectation of Economic Conditions	Short-term Expectations (3 Months)	Medium-Term Expectations (12 Months)
Weaker	34%	16%
About the Same	34%	32%
Stronger	31%	52%

Source: CCIWA Survey of Business Confidence, December Quarter 2017

- 62 CCIWA's *Survey of Business Confidence* shows that while confidence in the Western Australian economy has improved, short-term expectations for the economy remain cautious with approximately one-third of businesses expecting conditions to be stronger.

## Consumer Confidence

- 63 CCIWA's *Survey of Consumer Confidence* in the December quarter shows there is growing belief in Western Australia's economy and continued signs of recovery as consumer confidence grows to its highest level in four years.
- 64 As the only survey of its kind in Western Australia, the *Survey of Consumer Confidence* canvasses the views of 868 Western Australians across metropolitan and regional areas to gather evidence on consumer sentiment and confidence in their personal situation and employment prospects for the near future.
- 65 Less than half (49 %) of consumers considered global economic news as an important factor influencing their overall outlook. Comparatively, 62 per cent of consumers viewed domestic economic news as a major influence on confidence.

66 Consistent with the results of the *CCIWA Survey of Business Confidence*, consumers' short-term expectations remained subdued with only 16 per cent viewing the economy getting stronger. However, over the next 12 months over one-third of consumers think the economy will improve with only one-quarter considering the economy will worsen.

**Table 5: Business Confidence, Percentage of Survey**

Expectation of Economic Conditions	Short-term Expectations (3 Months)	Medium-Term Expectations (12 Months)
Weaker	24%	27%
About the Same	60%	40%
Stronger	16%	34%

Source: CCIWA Survey of Consumer Confidence, December Quarter 2017

## Household Consumption

67 Household consumption is the largest component of the domestic economy, representing 45 per cent of the economy, and is projected by the Western Australian Government to become the largest contributor to GSP growth by 2020-21.

68 Households only consumed 0.5 per cent more in 2016-17 than they did in the preceding year. This is particularly low given the average increase in the years since the peak of the resources investment boom had been 1.5 per cent. While the growth was still positive, it was not the strong pillar of growth as it has been in previous years.

69 Consumer spending is expected to remain subdued in the current financial year consistent with projections for household income, population growth and spare capacity in the labour market.

70 The latest *CCIWA Survey of Consumer Confidence* for the December quarter 2017 reported only 27 per cent of consumers anticipating the Western Australian economy will worsen over the next 12 months. However 70 per cent identified living costs as the most important factor influencing their confidence.

71 Like business confidence, the headline index for consumer confidence is currently at a four-year high, providing some optimism for household consumption in 2017-18. A stable political environment, subdued interest rates, and minimal inflationary pressures have contributed to the boost in consumer confidence, though consumers remain cautious about slow wages growth, high household debt and a weak property market.

72 CCIWA forecasts that household consumption will remain subdued in the current financial year, marginally improving to 1.0 per cent before undertaking a slow and steady growth to 2.0 per cent in the 2019-20 financial year. In the first six months of 2017-18 household consumption increased 0.59 per cent<sup>12</sup>.

**Table 6: Growth in Household Consumption (%)**

Financial Year	Household Consumption
2016-17 Actual	0.5
2017-18 Forecast	1.0
2018-19 Forecast	1.5
2019-20 Forecast	2.0

Source: CCIWA

<sup>12</sup> <sup>12</sup> ABS, Cat. No. 5206.0 Australian National Accounts, Trend, Chain Volume Measures

## Business Investment

- 73 The major driver of the fall in GSP in Western Australia, on an expenditure basis, was business investment, which fell by 28.6 per cent or \$15 billion in 2016-17. Business investment increased by \$63 billion in the decade to 2012-13. However, with the unwinding in engineering construction, business investment has fallen every year since the peak of 2012-13. This has resulted in \$42.5 billion being removed from the value of economic output.
- 74 Overall, CCIWA forecasts that business investment will decline a further 15.0 per cent in the current financial year, before achieving small incremental growth in the 2018-19 and 2019-20 financial years.
- 75 The profile of business investment over the next few years is looking more stable. While there are less large-scale projects on the planning horizon than were typical during the resources investment boom period, there is sufficient small-scale investment potential to sustain the forecast levels of business investment going forward. CCIWA anticipates that the turning point in business investment will occur in the next financial year.
- 76 The CCIWA forecast is informed by results from the latest CCIWA *Survey of Business Confidence* in December 2017 which reported that a majority of Western Australian businesses (62 %) are anticipating no changes to their investment levels over the next quarter. Businesses in the mining industries remain optimistic however, with over half (53 %) reporting that they expect to increase capital expenditure.

**Table 7: Growth in Business Investment (%)**

Financial Year	Business Investment
2016-17 Actual	-28.6
2017-18 Forecast	-15.0
2018-19 Forecast	3.0
2019-20 Forecast	5.0

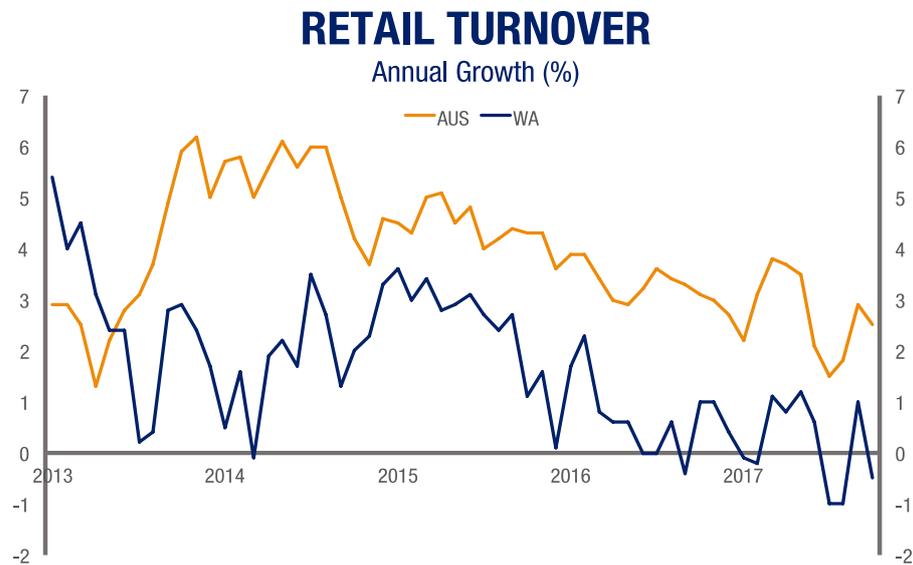
Source: CCIWA

## Retail Trading

- 77 Annual growth in retail sales in Western Australia has been below the national growth rate since mid-2013, coinciding with the decline in resources and construction investment. Growth has been on a downward trajectory since 2015 and through 2016-17 has cycled between positive and negative growth, reflecting continued uncertainty.
- 78 Retail sales dropped to \$2.83 billion in December 2017 following the 2017-high of \$2.86 billion. This confirms that recovery is yet to stabilise and must be viewed cautiously while acknowledging growing confidence.
- 79 Over the course of 2016-17 retail sales in Western Australia rose by just 0.4 per cent in trend terms. Spending on discretionary goods and services (non-essential items where spending growth usually indicates a good degree of confidence) increased by only 0.3 per cent in 2016-17, and has declined by a further \$9 million in the first three months of 2017-18.
- 80 Over the period from July 2016 to December 2017, growth in Western Australian retail turnover was an average of 0.3 per cent per month. However, Western Australian retailers endured six of eighteen months through that period of negative growth in retail sales. Retail growth in January 2018 was 0.1%<sup>13</sup>.

<sup>13</sup> ABS, Cat. No 8501, Retail Trade, January 2018

Graph 3: Annual Growth in Retail Turnover - WA v National, 2013-2018



- 81 Comparatively, New South Wales retail growth was an average of 3.3 per cent per month without a single month of negative growth, Victoria averaged 3.6 per cent without a month of negative growth, South Australia averaged 3.9 per cent without a month of negative growth, Tasmania averaged 3.5 per cent without a month of negative growth, the Australian Capital Territory (ACT) averaged 4.1 per cent without a month of negative growth, and Queensland averaged 2.3 per cent per month with one month of negative growth in October 2017<sup>14</sup>.
- 82 The Northern Territory averaged 0.3 per cent growth per month and seven months of negative growth.
- 83 Nationally, the average growth in retail sales was 2.9 per cent without one month of negative growth.

## Dwelling Investment

- 84 Dwelling investment declined by around 20 per cent in 2016-17, the first decline in annual figures since the peak of the resources investment boom. The outlook for dwelling investment over the next few years is reflective of three different factors playing out.
- 85 First, population growth is gradually coming out of its trough after growing at 0.5 per cent per year. While net interstate migration is still negative, the natural increase in population and overseas migration, despite remaining below historical levels, are currently supporting an increasing population. This will slowly help absorb some of the excess housing supply that is taking some time to clear.
- 86 Second, residential property prices are still declining in Perth, albeit at a marginally slower pace than in recent history. As higher population growth helps clear some of the excess housing supply in the market, prices should begin to stabilise and find a new equilibrium. CCIWA expect stable prices to precede a return to positive growth in dwelling investment.

<sup>14</sup> ABS, Cat. No. 8501 Retail Trade, December 2017

- 87 Finally, low interest rates are continuing to support a favourable environment for dwelling investment. The ASX RBA Rate Indicator, which shows market expectations of a change in the official cash rate, suggests that a rise is more likely than further cuts. However, the rise is forecast to be slow and gradual, with only a 25 basis point rise expected in the next 12 months.
- 88 In consideration of these factors, the CCIWA forecast for dwelling investment is a further 10 per cent decline this financial year before returning to positive growth next financial year.

**Table 8: Growth in Dwelling Investment (%)**

Financial Year	Dwelling Investment
2016-17 Actual	-19.8
2017-18 Forecast	-10.0
2018-19 Forecast	2.0
2019-20 Forecast	5.0

Source: CCIWA

- 89 Conditions in the Western Australian housing market remain subdued with the Perth median house price declining by 3.1 per cent in 2016-17 following a fall of 2.7 per cent in 2015-16<sup>15</sup>. This is attributed to excess supply that will continue to place moderate, downward pressure on the Perth median house price in 2017-2018, estimated to result in a further decline in the median house price by 1.3 per cent.
- 90 The rental vacancy rate in the September quarter was 6.9 per cent, down from a high of 7.3 per cent in the June quarter 2017 though it remains well above the market equilibrium level of 3.0 per cent<sup>16</sup>.
- 91 The ABS recorded in the December quarter CPI data for Perth that rental costs fell 1.2 per cent due to high vacancy rates putting downward pressure on rental prices.

## Barriers to Business

- 92 CCIWA's *Survey of Business Confidence* in the December quarter identified that 43 per cent of businesses identified rising operating costs as the biggest barrier in growing their business over the coming year, followed closely by weak demand (41 %) and foreign and online competitors.
- 93 Only four per cent of respondents identified no barriers impeding their business growth.
- 94 Rising operating costs was a hindrance to various industries, with over half of businesses from mining (53%) and manufacturing (54 %) considering it a major barrier to business development. Over 60 per cent of businesses in retail trade identified weak demand as the biggest barrier to growth.

## Western Australian Government Mid-Year Financial Projections

- 95 The Western Australian Government released its Mid-Year Financial Projections Statement in December 2017. The Government's key projections are provided in Table 9 below and support the need to caution in Western Australia to nurture the state's recovery from the strains of the last four years.

<sup>15</sup> Western Australian Government Mid-Year Financial Projections Statement, 2017-18, December 2017

<sup>16</sup> *ibid*

**Table 9: Mid-Year Financial Projections, Annual Growth**

	2016-17 Actual	2017-18 Mid-Year Revision	2018-19 Forward Estimate	2019-20 Forward Estimate	2020-21 Forward Estimate
<b>Economic Indicators</b>					
Real Gross State Product growth (%)	-2.7	2.5	3.0	3.0	3.0
Real State Final Demand growth (%)	-7.2	-2.0	0.75	3.25	3.75
Household Consumption growth (%)	0.5	0.75	1.75	2.75	3.0
Dwelling Investment (%)	-19.8	-3.5	5.0	3.5	3.25
Business Investment (%)	-28.6	-12.0	-8.5	6.0	7.0
Perth Consumer Price Index growth (%)	0.6	1.0	1.5	2.0	2.5
Net Exports <sup>1</sup> (%)	14.6	15.0	8.0	2.5	1.75
<b>Population</b>					
Population growth (%)	0.7 <sup>3</sup>	1.0	1.2	1.5	1.5
Working Age Population (15-64) (%)	0.0 <sup>3</sup>	0.1	0.4	0.9	1.3
<b>Labour Market</b>					
Employment growth (%)	-0.8	2.0	1.5	2.0	2.25
Unemployment rate <sup>2</sup> (%)	6.2	5.75	5.75	5.5	5.25
Participation Rate <sup>2</sup> (%)	67.4	67.9	68.2	68.5	68.6
Wage Price Index growth (%)	1.4	1.5	1.75	2.75	3.0

Source: Western Australian Government Mid-Year Financial Projections Statement, pp. 3 and 43

Notes: <sup>1</sup> Net exports include international trade in both goods and services; <sup>2</sup> Data expressed as annual average during the financial year; <sup>3</sup> Estimated actual

## 6. The Western Australian Labour Market

- 96 The estimated resident Western Australia population increased by 0.2 per cent over the June 2017 quarter to 2,580,354 and rose over the year from June 2016 to June 2017 by 0.8 per cent.<sup>17</sup> Population growth is expected to remain modest in 2017-18 and 2018-19 at 1.0 per cent and 1.2 per cent respectively before gradually increasing to 1.5 per cent in 2020-21. This will particularly be the case as net interstate migration is projected to ease and net overseas migration increases.
- 97 At January 2018, Western Australia had 1,323,500 employed persons comprising 713,300 employed males and 610,100 employed females<sup>18</sup>. This represents an employment to population ratio of 64.1 per cent (seasonally adjusted at January 2018), the same level as at November 2015<sup>19</sup> despite a steadily rising population across the period.
- 98 Seasonally adjusted, full-time employment accounted for 899,200 persons with 589,700 males and 309,500 females employed full-time and part-time employment totalled 430,500 persons comprising 128,200 males and 302,300 females.<sup>20</sup> Employment increased by 1.9 per cent through the year to January 2018.

<sup>17</sup> Western Australia Treasury, Economic Notes, June 2017

<sup>18</sup> ABS, Cat. No. 6202.0 Labour Force, January 2018

<sup>19</sup> *ibid*

<sup>20</sup> *ibid*

Graph 4: Employed Persons - WA January 2015 - January 2018



Source: Department of Jobs and Small Business, Western Australian Labour Economics Office, January 2018

- 99 Overall, the WA labour market remains soft though the number of job vacancies is steadily improving and has returned to levels of three years ago after a period of low job vacancies through 2016-17. Job vacancies in the November 2017 quarter had increased to 19,800 vacancies from a low level of 15,500 in the February and May 2016 quarters.<sup>21</sup> At the height of the resources investment boom, job vacancies in Western Australian averaged nearly 32,000 per quarter.
- 100 There has been a 15 per cent increase in job advertisements in Western Australia over the year to December 2017, the largest increase of all states<sup>22</sup>, reflecting the general improvement in conditions.
- 101 The December quarter results of CCIWA's *Survey of Business Confidence* indicate that a quarter of businesses (25 %) increased their employment levels in the quarter, while almost half (48 %) kept staff levels steady. These results are encouraging and are expected to maintain an upward trend in the next quarter with 28 per cent of businesses expecting to increase their workforce in the next three months, while the majority (52 %) are anticipating no changes.
- 102 Importantly however, the proportion of businesses employing fewer staff increased in the December quarter from 20 per cent to 27 per cent.
- 103 Labour costs, which include wages and salaries, employment taxes, superannuation costs, and training, are a critical factor for the capacity of business to expand employment.
- 104 The Labour Costs Index increased in the December quarter to the highest level in five years. Over two-thirds of businesses (69 %) are expecting labour costs to remain stable while a quarter are bracing for higher costs. Almost 35 per cent of businesses identified higher labour costs in the December quarter, up from 22 per cent last quarter.
- 105 While CCIWA's *Survey of Consumer Confidence* showed improvements in consumer perceptions of job security, there is still cause for concern with over a quarter of respondents (26 %) considering their employment prospects to have worsened over the past year, down from 31 per cent last year.

<sup>21</sup> ABS, Cat. No. 6354.0 Job Vacancies, November 2017

<sup>22</sup> Department of Jobs and Small Business, December 2017

## Unemployment

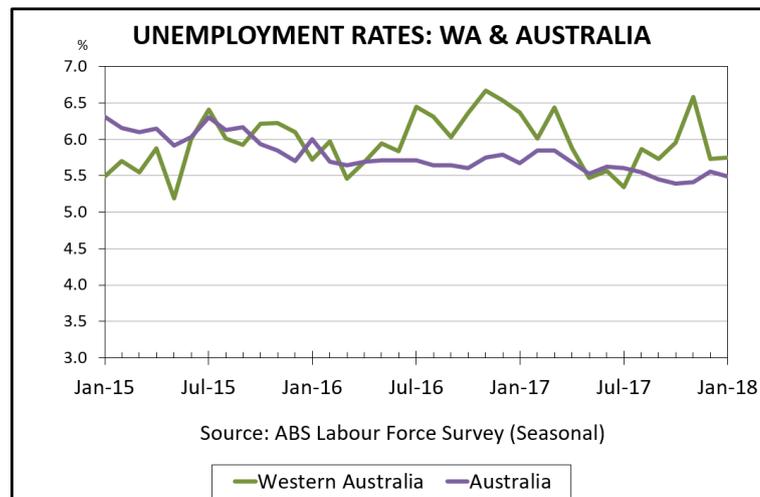
- 106 Western Australian's unemployment rate, on a seasonally adjusted basis, was 6.2 per cent through the 2016-17 financial year. Since June 2017 the unemployment rate has continued at high levels reaching a peak of 6.6 per cent in November 2017, before declining to 5.7 per cent in December 2017 and January 2018.
- 107 CCIWA is forecasting unemployment to remain at levels exceeding the Reserve Bank of Australia's estimated full employment level of 5.0 per cent to be at 5.8 per cent in 2017-18, declining to 5.6 per cent in 2018-19 and 5.5 per cent in 2019-20.

**Table 10: Western Australia Unemployment Rate**

Month	WA (%)	National (%)
Jan 2017	6.4	5.7
Feb 2017	6.0	5.9
Mar 2017	6.4	5.8
Apr 2017	5.9	5.7
May 2017	5.5	5.5
Jun 2017	5.6	5.6
Jul 2017	5.3	5.6
Aug 2017	5.9	5.5
Sep 2017	5.7	5.5
Oct 2017	6.0	5.4
Nov 2017	6.6	5.4
Dec 2017	5.7	5.6
Jan 2018	5.7	5.5

Source: ABS, Cat. No. 6202.0 Labour Force, Unemployment Rate, Monthly, Seasonally Adjusted

**Graph 5: Unemployment Rates - WA v National, January 2015 – 2January 2018**



Source: Department of Jobs and Small Business, Western Australian Labour Economics Office, January 2018

- 108 There were 86,600 unemployed persons in January 2018 of which 49,300 were males and 37,300 females.<sup>23</sup> Approximately 78.8 per cent of those unemployed were looking for full-time employment.
- 109 However, over the period from June 2016 to June 2017, Western Australia has been experiencing an increasing exodus from the state with net interstate migration (arrivals less departures) averaging 10,241 people per quarter. These high exit rates are keeping the unemployment rate artificially low simply as a result of less people in Western Australia looking for work.

**Table 11: Quarterly Net Interstate Migration**

Quarter	Persons
Jun 2016	7,703
Sep 2016	9,198
Dec 2016	10,824
Mar 2017	11,760
Jun 2017	11,722
<b>Monthly Average</b>	<b>10,241</b>

Source: Western Australian Treasury Economic Notes

- 110 Seasonally adjusted, Western Australia's employment to population ratio in January 2018 was 64.1 per cent exceeding that of the states where New South Wales employment to population ratio was 61.0 per cent, Victoria 62.2 per cent, Queensland 62.3 per cent, South Australia 58.8 per cent and Tasmania 57.4 per cent and the national average of 62.0 per cent<sup>24</sup>.

## Youth Unemployment

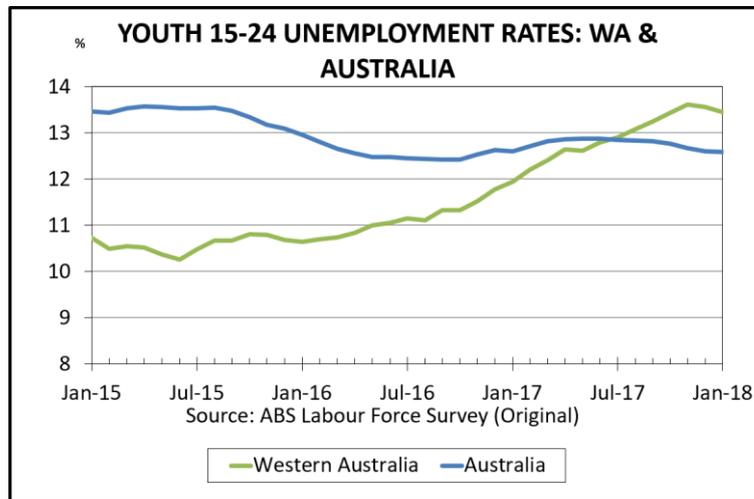
- 111 Western Australia's youth unemployment rate (15 to 24-year-olds) has steadily increased since January 2015 and at January 2018 was 13.5 per cent<sup>25</sup>. For the period January 2015 to January 2016, the youth unemployment rate averaged 10.9 per cent, from January 2016 to January 2017 the average was 12.1 per cent and from January 2017 to January 2018 average rate is 13.6 per cent. The Western Australian youth unemployment rate exceeds the national average.
- 112 Youth unemployment is trending in an unacceptable direction and it is crucial to encourage employment opportunities for 15 to 24-year-olds in Western Australia.
- 113 With approximately 80 per cent of jobs in Western Australia created by the private sector, it is the success of businesses that will be able to provide these opportunities, ultimately provided by small and medium businesses within the community, particularly in regional Western Australia.
- 114 Youth employment is a particularly acute and concerning challenge. The 2017-18 Annual Wage Review is occurring at a time when Western Australia is experiencing rising youth unemployment. Youth unemployment outside the Perth metropolitan area is higher in pockets than the Western Australian average in areas such as Mandurah with a youth unemployment rate of 16.6 per cent and the Wheatbelt region with 14.8 per cent.

<sup>23</sup> ABS, Cat. No. 6202, Labour Force, January 2018

<sup>24</sup> *ibid*

<sup>25</sup> *ibid*

**Graph 6: Youth Unemployment Rates - WA v National, January 2015 – 2January 2018**



Source: Department of Jobs and Small Business, Western Australian Labour Economics Office, January 2018, 12 month moving average of original ABS Labour Force Survey data

- 115 Vocational education and training is essential in not only transitioning people to higher paid employment later in life but in ensuring that the labour market has the pipeline of skills needed to support future productivity, sustainability and growth.
- 116 Minimum wage settings need to actively facilitate and support employment and training opportunities for young people and those seeking to gain or add skills and qualifications.
- 117 The minimum wage setting must, in balance with other considerations / imperatives, actively support businesses to provide training and employment opportunities for young people, including the minimum wages and conditions for trainees and apprentices.

## Apprentices and Trainees

- 118 Apprentices and trainees are critical to the economy.
- 119 Apprenticeships and traineeships provide the essential pathway by which the economy can continue to develop its required skills for the future. They are the source of key skills in so many sectors and without the flow through of skilled workers entering the labour market, skill shortages develop and wages pressures result. This is especially the case with the changing nature of work.
- 120 Apprenticeships and traineeships provide the most critical option for youth employment, particularly for those who do not seek a tertiary education. Without this option, the economy could be faced not only with higher levels of youth unemployment (15 to 24-year-olds) but also with long-term unemployment as a lasting consequence.
- 121 Apprenticeships and traineeships are in decline in Western Australia. While a range of factors have influenced the decline, the overall economy and business trading conditions have not provided the platform upon which to engage apprentices and trainees.

**Table 12: Apprenticeships and Traineeships in Western Australia**

	As at 30 Sept 2015	As at 30 Sept 2016	As at 30 Sept 2017	% Change 2015-2017
Apprenticeships (In Training)	17,873	16,263	15,411	13.78%
Traineeships (In Training)	23,552	20,142	17,416	26.05%
<b>TOTAL</b>	<b>41,425</b>	<b>36,405</b>	<b>32,827</b>	<b>20.76%</b>

Source: Government of Western Australia, Department of Training and Workforce Development, September 2017

- 122 As table 12 shows, the number of apprentices and trainees in training from the period from the September quarter 2015 to the September quarter 2017 declined by 20.76 per cent, a decline of 13.78 per cent for apprenticeships and 26.05 per cent for traineeships. This amounted to 8,589 less individuals in training over the period. If this trend continues it will create a significant skills shortfall over the medium and long term.
- 123 Movements in wages costs as far as they cascade to apprentices and trainees will contribute further to the decline in apprenticeships and traineeships. The resulting, inevitable skill shortage will, over time, emerge to exert wage pressures and increase the need for the importation of skilled workers to meet the shortfall in demand.
- 124 Apprenticeships and trainees are a significant pathway to addressing youth unemployment.

## Underemployment

- 125 Underemployment provides a measure of those employed persons who are not fully utilised, providing an indication of the number of people in the employed population who are willing and available to work more hours than they currently have. These people compete with the unemployed for available jobs.

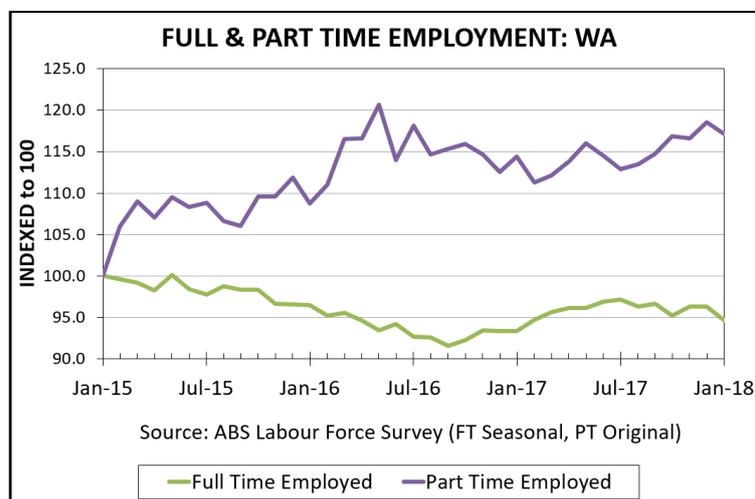
**Table 13: Underemployment Rate – National and WA**

Month	WA (%)	National (%)
Jan 2017	10.3	9.1
Feb 2017	10.6	8.8
Mar 2017	10.2	8.4
Apr 2017	10.1	8.6
May 2017	10.3	8.5
Jun 2017	10.3	8.4
Jul 2017	9.7	8.5
Aug 2017	9.1	8.4
Sep 2017	8.8	8.2
Oct 2017	9.4	8.1
Nov 2017	9.2	8.5
Dec 2017	9.4	8.9
Jan 2018	9.0	9.1

Source: ABS, Cat. No. 6202.0 Labour Force, Underemployment Rate, proportion of labour force

- 126 The Western Australian underemployment rate reflects the changing fortunes of the Western Australian economy over 2017, in particular as the economy began to demonstrate more positive signs in the second half of 2017. The underemployment rate fell by 1.3 per cent from January 2017 to January 2018.
- 127 Of the 126,800 underemployed persons in January 2018, 49,700 are males and 77,100 are females<sup>26</sup>. There were a total of 118,000 persons who worked part-time and preferred more hours (43,100 males and 74,800 males)<sup>27</sup>.
- 128 The underemployment rate for males was 6.5 per cent and 11.9 per cent for females<sup>28</sup>.
- 129 More employment opportunities have been created in Western Australia as the economy has improved and business confidence has increased resulting in a decline in the unemployment and underemployment rate. Since July 2016 there has been an increase in both full-time and part-time employment, most pronounced for part-time employment.

**Graph 7: Full and Part Time Employment, January 2015 – January 2018**



Source: Department of Jobs and Small Business, Western Australian Labour Economics Office, January 2018

## Underutilisation

- 130 Underutilisation is a measure of spare capacity in the labour market. By combining data on unemployed and underemployed, a more complete picture is available of the unused labour supply in the market. The underutilised population is made up of those who are unemployed as well as those who are underemployed. It is important to acknowledge also that whether people are unemployed or underemployed, individuals have different preferences for the number of hours of work.
- 131 Continuing spare capacity in the labour market is a critical contributor to slow wages growth. According to RBA Governor Philip Lowe, the reasons for the subdued wage increases include the continuing spare capacity in the economy and “over time, though, we do expect wage growth to pick-up as the labour market strengthens”<sup>29</sup>. Further, “the pick-up, though, is likely to be gradual”<sup>30</sup>.

<sup>26</sup> ABS, Cat. No. 6202, Labour Force, January 2018

<sup>27</sup> *ibid*

<sup>28</sup> *ibid*

<sup>29</sup> RBA Governor Philip Lowe, House of Representatives Standing Committee on Economic, 16 February 2018

<sup>30</sup> RBA Governor Philip Lowe, House of Representatives Standing Committee on Economic, 16 February 2018

**Table 14: Underutilisation Rate – National and WA**

Month	WA (%)			National (%)		
	Males	Females	Total	Males	Females	Total
Jan 2017	14.2	20.6	17.1	13.1	17.7	15.3
Feb 2017	14.9	20.2	17.3	13.0	17.6	15.1
Mar 2017	14.7	20.1	17.1	12.6	17.0	14.7
Apr 2017	13.4	19.3	16.0	11.9	17.0	14.3
May 2017	13.5	17.9	15.5	12.0	16.2	14.0
Jun 2017	13.4	18.2	15.6	11.9	16.1	13.9
Jul 2017	13.6	16.6	14.9	12.4	15.8	14.0
Aug 2017	13.4	16.6	14.9	12.2	15.9	13.9
Sep 2017	12.9	16.4	14.5	11.8	15.5	13.5
Oct 2017	13.0	17.9	15.2	11.4	15.4	13.2
Nov 2017	13.8	16.9	15.2	11.8	15.6	13.6
Dec 2017	12.6	18.1	15.1	12.4	16.6	14.3
Jan 2018	13.0	17.7	15.1	13.1	17.2	15.0

Source: ABS, Cat. No. 6202.0 Labour Force, Underemployment Rate, proportion of labour force

- 132 Western Australia's underutilisation rates for males and females have been improving since January 2017 and have achieved a greater rate of improvement than nationally. While Western Australia's total improved 2.0 per cent over the period, the national rate improved 0.3 per cent. The male underutilisation rate has improved 1.2 per cent and the female underutilisation rate has improved by 2.9 per cent compared with changes in the national rates of 0.5 per cent for females and no change for males.
- 133 The improvements in the Western Australian underutilisation rates are a welcome sign of the changing economic outlook and highlight the extent of spare capacity that existed in the labour market in January 2017 and that continues to exist in the labour market at present. Improvements are indicating that spare capacity is being taken up in the economy.
- 134 It is important to absorb the spare labour market capacity by creating more job opportunities for those who are unemployed in the community as well as increasing the availability of additional working hours and employment options for those who are currently employed. This can only be achieved by ensuring viable businesses within the economy that are able to grow and offer the necessary opportunities.

## Participation Rate

- 135 The participation rate measures the share of the working age population either working or for looking for work at a point in time. The Western Australian participation rate in January 2018 was 68.4 per cent, up from 67.3 per cent (or 1.1 %) from January 2017 compared with the national average participation rate of 65.6 per cent, up from 64.7 per cent (or 0.9 %) over the same period.
- 136 The female participation rate rose from 61.1 per cent in January 2017 to 62.6 per cent in January 2018, up by 1.5 per cent while the male participation rate rose from 73.6 per cent to 74.3 per cent (or 0.7 %) over the same period. The national participation rates for males and females rose 0.6 per cent and 1.2 per cent respectively.

- 137 Female participation rates have been steadily improving in Western Australia at a much faster rate than for males though the female participation rate still lags the male participation rate by 11.7 per cent, marginally worse than the national differential of 10.5 per cent.

**Table 15: Participation Rate – National and WA**

Month	WA (%)			National (%)		
	Males	Females	Total	Males	Females	Total
Jan 2017	73.6	61.1	67.3	70.3	59.3	64.7
Feb 2017	73.8	61.0	67.4	70.4	59.3	64.8
Mar 2017	74.0	60.9	67.4	70.5	59.4	64.8
Apr 2017	74.1	61.0	67.5	70.5	59.5	64.9
May 2017	74.1	61.1	67.6	70.6	59.6	65.0
Jun 2017	74.1	61.3	67.7	70.7	59.7	65.1
Jul 2017	74.2	61.4	67.8	70.7	59.8	65.2
Aug 2017	74.3	61.6	67.9	70.7	59.9	65.2
Sep 2017	74.5	61.7	68.1	70.8	60.0	65.3
Oct 2017	74.5	62.0	68.2	70.8	60.2	65.4
Nov 2017	74.5	62.2	68.3	70.8	60.3	65.5
Dec 2017	74.4	62.4	68.4	70.9	60.4	65.5
Jan 2018	74.3	62.6	68.4	70.9	60.5	65.6

Source: ABS, Cat. No. 6202.0 Labour Force, Participation Rate

- 138 As at January 2018, Western Australia had the highest male and female participation rates of all states:

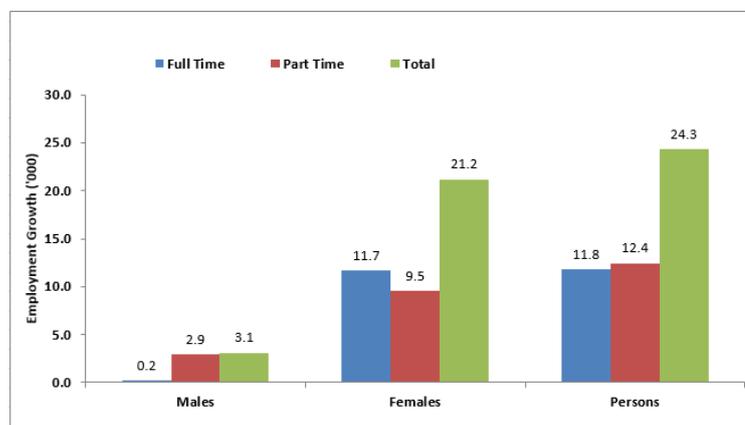
**Table 16: Participation Rate – National and States (%)**

Month	NSW	VIC	QLD	SA	TAS	WA
Male	69.8	71.6	70.8	67.5	64.0	74.3
Female	59.2	60.7	61.5	57.3	57.9	62.6
<b>TOTAL</b>	<b>64.4</b>	<b>66.1</b>	<b>66.1</b>	<b>62.3</b>	<b>60.9</b>	<b>68.4</b>

Source: ABS, Cat. No. 6202.0 Labour Force, Participation Rate

- 139 Female employment has driven the overwhelming majority of full-time and part-time employment growth in Western Australia over the year to January 2018.

**Graph 8: Employment Growth – WA, By Type and Gender, 2017**



Source: Department of Jobs and Small Business, Western Australian Labour Economics Office, January 2018

## Wage Price Index (WPI)

140 Wages growth in Western Australia, as measured by the Wage Price Index (WPI), has been weakening over the last three years reaching its lowest level of 1.0 per cent through the March and June quarters of 2017. The WPI improved through the second half of 2017 finishing the year at 1.5 per cent in the December 2017 quarter. The WPI has been at or below 2 per cent in Western Australia since December 2015.

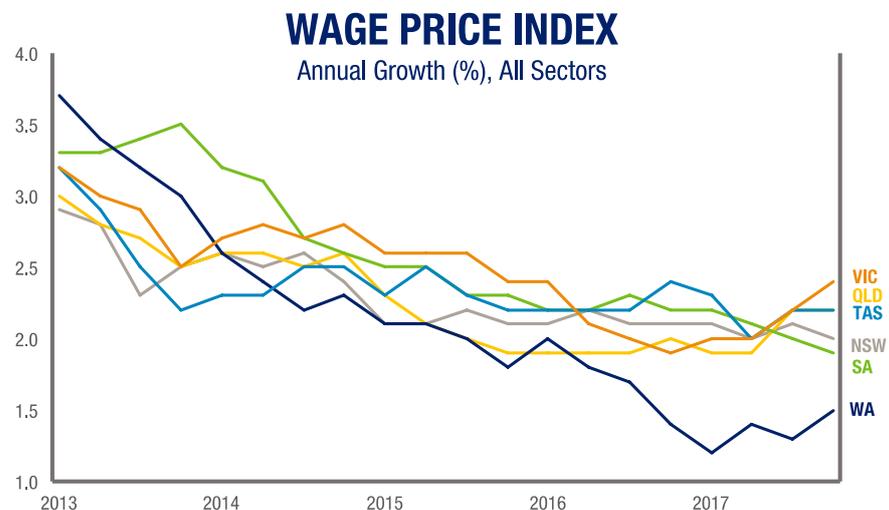
**Table 17: Wage Price Index, December 2014 – December 2017**

Quarter	National	WA
Dec 2014	2.5%	2.0%
Mar 2015	2.2%	1.9%
Jun 2015	2.2%	1.8%
Sep 2015	2.1%	1.6%
Dec 2015	2.0%	1.5%
Mar 2016	2.0%	1.6%
Jun 2016	1.9%	1.6%
Sep 2016	1.9%	1.5%
Dec 2016	1.8%	1.2%
Mar 2017	1.8%	1.0%
Jun 2017	1.9%	1.0%
Sep 2017	1.9%	1.4%
Dec 2017	1.9%	1.5%

Source: ABS, Cat. No. 6345.0, Wage Price Index, Australia, Original, Percentage Change from the Corresponding Quarter of the Previous Year, Total Hourly Rates of Pay Excluding Bonuses, Private Sector, All Industries

141 Wages in Western Australia are growing more slowly than the other states as the labour market continues to adjust to the resources investment boom period.

**Graph 9: Wage Price Index – States, All Sectors, 2013 - 2017**



Source: ABS, Cat. No. 6345.0, Wage Price Index, Australia, All Sectors

- 142 Private sector wage growth remains at historically low levels. With the unemployment rate at 5.7 per cent and relatively high underemployment at 9.0 per cent, ongoing spare capacity exists in the Western Australian labour market and is therefore likely to keep wage growth slow for some time yet. Weak inflation is also holding down wage growth. However, this ongoing weakness in background inflation means that average wages are still growing in real terms.
- 143 The Western Australian Government is estimating wages growth to remain subdued consistent with high levels of spare capacity in the labour market. WPI growth is projected to gradually increase as economic activity strengthens and the labour market tightens, but remain below the long-run average of 3.5 per cent.

## Average Weekly Earnings

- 144 Full time average weekly ordinary time earnings (AWOTE) is generally considered the most stable earnings data due to the exclusion of overtime, part-time and junior employees. Earnings data measures average weekly earnings of employees at a point in time as opposed to the WPI, which measures hourly wage inflation for a basket of jobs.
- 145 AWOTE in Western Australia remains the highest of the states at \$1,740.90, only surpassed by the ACT at \$1,801.30. The Western Australian level exceeds the national average by \$173.00 per week.
- 146 Western Australia is also the highest AWOTE for males at \$1,879.70 of all states and territories, and the highest for females except for the ACT.
- 147 Western Australia's high-AWOTE levels have persisted through the post resources investment boom period, continuing to exert cost pressures on businesses.

**Table 18: Average Weekly Ordinary Time Earnings, (Dollars, Trend)**

National	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>All Persons</b>								
1,567.90	1,582.80	1,519.60	1,524.10	1,441.20	<b>1,740.90</b>	1,355.60	1,642.70	1,801.30
<b>Males</b>								
1,662.70	1,678.90	1,588.40	1,638.10	1,494.50	<b>1,879.70</b>	1,242.30	1,798.10	1,665.90
<b>Females</b>								
1,409.00	1,439.20	1,395.00	1,339.10	1,340.00	<b>1,457.70</b>	1,254.60	1,434.10	1,665.90

Source: ABS, Cat. No. 6302.0, Average Weekly Earnings, November 2017, Trend

## Monthly Working Hours

- 148 As noted in table 19, while New South Wales, Victoria, Queensland and the ACT all delivered increases in total monthly working hours over the period from January 2017 to January 2018, Western Australia experienced a significant decline of 4.31 per cent, the largest of the remaining states and territories, which equated to a reduction of 8,154,900 working hours. This reduction endorses the view that the Western Australian labour market remains weak and there is significant spare capacity.
- 149 Over the five years from January 2013 to January 2018, Western Australia was the only state or territory to have recorded a decline in monthly working hours, falling by 5.36 per cent.

150 Nationally, from January 2013 to January 2018, the increase in monthly working hours was 6.09 per cent, highlighted by New South Wales (+6.63 %), Victoria (+12.44 %) and the ACT (+8.15 %).

**Table 19: Percentage Change in Monthly Hours Worked in all Jobs (all persons, seasonally adjusted)**

National	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
<b>Percentage Change – January 2017 to January 2018 (1 year)</b>								
+0.54%	+0.89%	+0.09%	+3.91%	-2.11%	<b>-4.31%</b>	-3.51%	-4.21%	+6.47%
<b>Percentage Change – January 2013 to January 2018 (5 years)</b>								
+6.09%	+6.63%	+12.44%	+6.34%	+0.60%	<b>-5.36%</b>	+4.47%	+3.17%	+8.15%

Source: ABS, Cat. No. 6202.0, Labour Force, January 2018

151 Nationally, over the year January 2017 to January 2018, monthly working hours worked in all jobs for males declined by 1.23 per cent while there was an increase of 3.23 per cent recorded for females. For full time employment, male working hours declined 1.64 per cent and females increased 4.90 per cent and in part time employment male working hours increased marginally by 0.51 per cent while females increased 3.36 per cent<sup>31</sup>.

152 For the period from January 2013 to January 2018, nationally the total monthly hours in all jobs for males increased 2.73 per cent and for females increased 11.41 per cent. The change in full-time hours for males increased by 1.05 per cent and in part-time hours increased by 24.33 per cent. For females, full-time hours increased by 9.63 per cent while part-time hours increased 16.12 per cent<sup>32</sup>.

153 The data suggests that working hours worked by female employees in both full-time and part-time employment has increased significantly at the expense of their male counterparts, indicating an increase in female workforce participation. Noticeably, there was a significant increase in male part-time working hours.

## Enterprise Bargaining

154 The objects of the Act place key importance on “achieving productivity and fairness through an emphasis on enterprise-level collective bargaining”<sup>33</sup> and where enterprise agreements provide a “simple, flexible and fair framework that enables collective bargaining in good faith, particularly at the enterprise level, for enterprise agreements that deliver productivity benefits”<sup>34</sup>.

155 Enterprise agreements allow the participants at the workplace who are intimate with the businesses and industries in which they work, and the economy in which they operate, to negotiate appropriate and relevant terms and conditions of employment, importantly including wages and wage growth.

156 Whether the objects of the Act have been delivered through the current framework of enterprise agreements remain in contention.

<sup>31</sup> ABS, Cat. No. 6202.0 Labour Force, January 2018

<sup>32</sup> *ibid*

<sup>33</sup> Fair Work Act 2009 (Cth), s.3(f)

<sup>34</sup> Fair Work Act 2009 (Cth), s.171(a)

- 157 The September Trends in Enterprise Bargaining report produced by the Department of Jobs and Small Business continues to show a decline in enterprise agreements. Agreements current at the end of the September quarter totalled 12,915 across public and private sectors, a decline from 18,955 that were current at the end of the September quarter 2014. This represents a decline of 31.9 per cent.<sup>35</sup>
- 158 There was a total of 680 agreements approved in the September 2017 quarter that presented an average annualised wage increase (AAWI) of 2.2 per cent, down from 2.6 per cent in the June quarter 2017 and from 3.4 per cent in the September quarter 2016<sup>36</sup>. The number of agreements approved in the September quarter 2017 is a 55 per cent reduction on the level approved in the 2014 September quarter.
- 159 For private sector agreements, the AAWI was 2.4 per cent, down from 2.6 per cent in the June quarter 2017 and down from 3.4 per cent in the September quarter 2016<sup>37</sup>.
- 160 The AAWI for public sector agreements approved in the September quarter 2017 was 2.0 per cent, down from 2.5 per cent in the June quarter 2017 and down from 3.0 per cent in the September quarter 2016<sup>38</sup>.
- 161 Wages growth for agreements approved in the quarter that formally covered unions had a combined AAWI of 2.1 per cent whereas those with no unions formally covered had an AAWI of 2.5 per cent<sup>39</sup>.
- 162 The enterprise agreement data clearly demonstrates the restraint being applied at the workplace level for wage increases. With the average duration of agreements approved in the September quarter being at 3.2 years, all parties in agreement making have committed to restraint for a significant period of time.
- 163 This is particularly the case within Western Australia, where the AAWI for agreements approved in the September quarter was 2.1 per cent, with only Tasmania having a lower AAWI at 1.5 per cent. Additionally, the average duration of agreements in Western Australia was 3.2 years, equal to the national agreement average and exceeded only by Victoria with an average duration of 3.6 years.<sup>40</sup>
- 164 The low AAWI within enterprise agreements made and approved in the September quarter in Western Australia clearly confirms the restraint being shown by workplace participants as the state economy has been challenged over preceding years and is approaching recovery.

**Table 20: Enterprise Agreements Approved in Quarter**

Agreements Approved in the Quarter	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
<b>Public sector agreements</b>	<b>33</b>	<b>69</b>	<b>58</b>	<b>45</b>	<b>38</b>
Public sector AAWI (%)	3.0	3.2	2.5	2.5	2.0
Public sector duration (yrs)	2.6	4.3	3.2	3.3	3.3
<b>Private sector agreements</b>	<b>1653</b>	<b>1289</b>	<b>912</b>	<b>802</b>	<b>642</b>
Private sector AAWI (%)	3.4	3.0	2.7	2.6	2.4
Private sector duration (yrs)	2.6	2.3	3.0	2.9	3.0
<b>All sector agreements</b>	<b>1686</b>	<b>1358</b>	<b>970</b>	<b>847</b>	<b>680</b>
All sectors AAWI (%)	3.4	3.1	2.7	2.6	2.2
All sectors duration (yrs)	2.6	3.3	3.0	3.0	3.2

Source: Trends in Federal Enterprise Bargaining Report, September Quarter 2017, Department of Jobs and Small Business

<sup>35</sup> Trends in Federal Enterprise Bargaining, September Quarter 2017, Department of Jobs and Small Business, Table 4

<sup>36</sup> Trends in Federal Enterprise Bargaining, September Quarter 2017, Department of Jobs and Small Business, Table 3

<sup>37</sup> *ibid*

<sup>38</sup> *ibid*

<sup>39</sup> Trends in Federal Enterprise Bargaining, September Quarter 2017, Department of Jobs and Small Business, Table 13

<sup>40</sup> Trends in Federal Enterprise Bargaining, September Quarter 2017, Department of Jobs and Small Business, Table 10

## 7. Summary and Concluding Comments

- 165 The Western Australian economy has been experiencing an extremely challenging period since the end of the resources investment boom. While business and consumer confidence have improved markedly in the latter part of 2017, Western Australia is only at, or near, the bottom of the economic downturn. While positive signs are emerging, confidence needs to be delivered upon and recovery guided carefully and not impeded or put at risk.
- 166 At this point of the economic cycle in Western Australia and in a highly competitive trading environment, businesses continue to face challenging business conditions. Minimum wages are an important part of the parameters for doing business and employing in Australia, particularly so for smaller businesses and award reliant industries.
- 167 CCIWA supports responsible and sustainable wage growth through the national minimum wage and modern award minimum wages as a fundamental ingredient for growth and employment.
- 168 However, caution and restraint in minimum wage setting is particularly important for employees, employers and communities in Western Australia at this time. This must be considered particularly for small businesses that comprise 38.6 per cent of businesses in Western Australian employing between one and 19 employees. Small businesses are critical to the economy throughout the state, especially providing valuable services and employment in regional areas.
- 169 While the Panel must consider the state of the national economy in the review of the national minimum wage, CCIWA would urge the FWC in its deliberations to consider the specific circumstances of the Western Australian economy.
- 170 CCIWA would summarise the following indicators of the Western Australian economy that should be considered by the Panel in its deliberations:
- a. **Economic growth** is anticipated to be 0.9 per cent in 2017-18, projected to progress to around 3 per cent in 2018-19 and 2.7 per cent in 2019-20.
  - b. **Gross State Product (GSP)** fell by 2.7 per cent in 2016-2017, the only decline of all states and territories, ending a 26-year run of economic growth and representing a decline in GSP per capita of 3.3 per cent.
  - c. **Business investment** fell by 28.6 per cent or \$15bn in 2016-17.
  - d. **State Final Demand (SFD)** fell by 7.2 per cent, the only decline in SFD of all states and territories, and is expected to contract by a further 2.0 per cent in 2017-18.
  - e. **Gross household disposable income** per capita fell 2.8 per cent or \$51,412, the only decline nationally.

- f. **Consumer Price Index (CPI)** remains low at 0.8 per cent for the September and December quarters of 2017. Perth continues to remain the capital city with the lowest CPI, significantly below the national CPI over the last nine quarters.
- g. **Household consumption**, the largest component of the domestic economy, has been depressed with households only consuming 0.5 per cent more in 2016-17 than they did in the preceding year.
- h. **Dwelling investment** declined by around 20 per cent in 2016-17, the first decline in annual figures since the peak of the resources investment boom. Dwelling investment is forecast to decline by a further 10.0 per cent in 2017-18 before a modest increase of 2.0 per cent in 2018-19.
- i. **Residential property prices** remain in decline in Perth, albeit at a marginally slower pace than in recent history. Perth's median house price declined 3.1 per cent in 2016-17 following a fall of 2.7 per cent in 2015-16. Perth continues to experience rental vacancy rates of 6.9 per cent, well above the market equilibrium rate of 3.0 per cent.
- j. **Retail sales** remain subdued as growth in retail turnover averaged only 0.3 per cent per month over the period from July 2016 to December 2017, recording negative growth in retail sales in six of eighteen months through that period. Retail sales increased only 0.3 per cent in 2016-17.
- k. **Job vacancies** are steadily recovering from 2016-17 to the vacancy levels of February 2015.
- l. **Unemployment** has been improving though remains high at 5.7%, above the national average of 5.5 per cent.
- m. **Youth unemployment** remains high and is increasing. At January 2018, the Western Australian youth unemployment rate was 13.5 per cent.
- n. **Apprentices and Trainees** are declining with 20.76 per cent less apprentices and trainees in training at the September quarter 2017 than at the September quarter 2015.
- o. **Underemployment** is improving and the underemployment rate was 9.0 per cent in January 2018, down from 10.3 per cent in January 2017. The female underemployment rate remains high at 11.9 per cent but it too is improving significantly.
- p. **Underutilisation rates** for males and females have been improving since January 2017 as the economy begins to turn around. Female underutilisation rates improved at more than twice the rate of males.
- q. **Participation rates** in Western Australia remain the highest in the country, with males and female participation rates at 13.0 per cent and 17.0 per cent respectively. Female employment has driven the majority of full-time and part-time employment growth over the year to January 2018.
- r. **Spare capacity** remains a significant issue within the Western Australian labour market with approximately 126,800 underemployed persons in January 2018.

- s. **Wages growth** remains weak with the Wage Price Index (WPI) being at or below 2.0 per cent since December 2015. The WPI has remained steady at 1.9 per cent for the June to December quarters 2017.
- t. **Average weekly earnings** remain the highest of all states and the highest for males and females.
- u. **Monthly working hours** declined 4.31 per cent or 8,154,900 working hours over the period from January 2017 to January 2018. Over the five years from January 2013 to January 2018, while the national monthly working hours increased by 6.09 per cent, Western Australia was the only state or territory to have recorded a decline, falling by 5.36 per cent. This confirms the weak labour market in Western Australia.
- v. **Enterprise agreements** in Western Australia approved in the September quarter 2017 presented average annualised wage increases of 2.1 per cent.
- w. **Rising operating costs** was a hindrance to various industries, with over half of businesses from mining (53 %) and manufacturing (54 %) considering it a major barrier to business development.

171 **Considering the persistence of soft labour market conditions, the significant spare labour market capacity, the particular challenges faced by small businesses, unemployment and youth unemployment, and underemployment, along with the economic considerations outlined throughout this submission, the Chamber of Commerce and Industry WA urges the Panel to exercise genuine caution and restraint in its setting of the national minimum wages and minimum award rates of pay in 2018.**