



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 2018-19

15 March 2019

We believe in good business

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1. Introduction and Recommendation

- 1 This Submission has been prepared by the Chamber of Commerce and Industry of Western Australia (**CCIWA**) in consultation with our members to assist the Fair Work Commission (**FWC**) as constituted by an Expert Panel (**Expert Panel**) in conducting and completing its 2018-2019 annual review of the national minimum wage (**NMW**) and modern award minimum wages (**AWR 2018-2019**).
- 2 The Australian economy is made up of individual state and territory economies. While it is incumbent upon the FWC to consider the state of the national economy in the review of the national minimum wage, by providing this submission the 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 decline of business investment from the peak of the resources construction boom in 2012. After a period of contraction in the overall economy (Gross Domestic Product), the Western Australian economy is now showing positive signs of recovery. While the domestic economy oscillates from expansion to contraction as business investment falls and household consumption growth is sluggish, the road to recovery for Western Australia will continue to be slow. CCIWA expects that there will be more challenges before the domestic economy returns to a sustained growth trajectory.
- 4 The mining sector has been a major contributor to Western Australia's economic recovery, and growth in mining exports and investment has been a key factor in Western Australia's return to growth. Growth in Western Australia's health care and social assistance sector has provided further signs of a strengthening domestic economy.¹
- 5 While the mining sector continues to support Western Australia's economic recovery, State Final Demand (**SFD**) trends, as a broad measure of economic performance, show that the domestic economy more broadly continues to struggle.²
- 6 Western Australia's dependency on the mining sector, while an important and differentiating asset for the State, leaves Western Australia over-exposed to the global economy.
- 7 The continuing uncertainty regarding the international trade tensions between the United States and China mean that Western Australia has raised concerns about the potential risks to the domestic economy if a tariff war resumes between the United States and China.³
- 8 Western Australia is the most dependent Australian state economy on China.⁴ CCIWA estimates that Chinese consumers and businesses contribute around 30 per cent of Western Australia's economy. Currently, 47 per cent of Western Australia's exports go to China and 53 per cent of Western Australia's Gross Domestic Product (**GSP**) is made up by exports. Customers and businesses from China also invest in and contribute to education, tourism, property activity and new projects in Western Australia.

¹ BCEC Quarterly Economic Commentary, Curtin University, December 2018, 05, p. 5

² Ibid, p. 7

³ Outlook, Seas of Uncertainty, CCIWA, January 2019, p. 2

⁴ Ibid, p. 2

- 9 The short-term effect of a resumption of tariffs means that the value of Western Australian exports will fall, led by price and volume, affecting Western Australia's exporters and the businesses that support these projects. A longer-term effect is that it will make it less profitable for Chinese businesses to invest in additional projects and this will reduce demand for minerals and resources and could affect projects in Western Australia.⁵
- 10 Therefore, while positive signs of economic recovery are emerging, in a highly competitive trading environment, Western Australian businesses will continue to face challenging business conditions with compressed margins and cost management pressures. The recovery needs to be nurtured and guided carefully and not impeded or put at risk.
- 11 Western Australia's unemployment rate at 6.8 per cent seasonally adjusted is the second highest in the country and is yet to reach the level consistent with full employment, which the Reserve Bank of Australia (RBA) has recently estimated could be as low as 4.5 per cent nationally.⁶ There appears to be significant spare capacity in the Western Australian labour market with 97,577 persons unemployed and 131,680 persons underemployed (9.2 per cent of the labour force) and looking for additional work.⁷
- 12 Western Australia also continues to experience one of the highest levels of youth unemployment in the country, with the unemployment rate for Western Australians aged 15-24 years reaching 17.2 per cent in January 2019, compared to 12.6 per cent nationally per cent nationally. Minimum wage setting is important to actively facilitate and support employment opportunities for young people and those seeking to gain or add skills and qualifications.
- 13 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.
- 14 It is through 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.
- 15 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.
- 16 CCIWA supports reasonable and sustainable wage growth through the national minimum wage and modern award minimum wages that considers productivity, and therefore business capacity, as a fundamental ingredient for growth and employment in Western Australia.

Recommendation

CCIWA urges the Fair Work Commission's Expert Panel to give careful consideration to the circumstances of the Western Australian economy, in the short to longer term, and adopt a cautious approach as it deliberates to consider any adjustment to the National Minimum Wage and modern award wages.

⁵ Ibid, p. 11

⁶ ABS, Cat. No. 6202.0 Labour Force, Australia, December 2018

⁷ Ibid.

2. About This Submission

- 17 CCIWA acknowledges the submission of the Australian Chamber of Commerce and Industry (**ACCI**).
- 18 The FWC constitutes its Expert Panel each financial year to conduct and complete an annual wage review for the national minimum wage and modern award minimum wages.
- 19 CCIWA provides this Submission to the 2018-19 Annual Minimum Wage Review to inform the Expert Panel of the circumstances of the Western Australian economy and labour market that, it is submitted, require careful consideration by the Expert Panel in its deliberations and caution in wage fixing.
- 20 CCIWA would urge the Expert Panel to have regard to the market considerations where, in the case of Western Australia, despite the positive signs of recovery, point to a continued weakness in the domestic economy over the short to longer term. Business investment continues to decline, albeit at a slower pace and upward cost pressures on business remain considerable.
- 21 The Western Australian economy is only slowly emerging from a period of economic downturn. Part of that recovery is undoubtedly due to growth in Western Australian commodity exports. However, the growth in the Western Australian economy is likely to be slow and major risks to Western Australia's positive forecasts remain.

3. The Annual Review

- 22 In undertaking the FWC's functions under Part 2-6 of the Fair Work Act 2009 (**the Act**), the Expert Panel must take into account the Act's general object to provide a balanced framework for cooperative and productive relations that promotes national economic prosperity and social inclusion for all Australians by:
- (a) providing workplace relations laws that are fair to working Australians, are flexible for businesses, promote productivity and economic growth for Australia's future economic prosperity and take into account Australia's international labour obligations; and
 - (b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards and national minimum wage orders; and
 - (c) ensuring that the guaranteed safety net of fair, relevant and enforceable minimum wages and conditions can no longer be undermined by the making of statutory individual employment agreements of any kind given that such agreements can never be part of a fair workplace relations system; and
 - (d) assisting employees to balance their work and family responsibilities by providing for flexible working arrangements; and
 - (e) enabling fairness and representation at work and the prevention of discrimination ...; and
 - (f) achieving productivity and fairness through an emphasis on enterprise-level collective bargaining ...; and

- (g) acknowledging the special circumstances of small and medium-sized businesses.⁸
- 23 The minimum wages objective requires the Expert Panel to take into account, among others:
- (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
 - (b) promoting social inclusion through increased workforce participation; and ...⁹
- 24 The modern award objective also requires the Expert Panel to take into account, among others:
- (a) the need to promote social inclusion through increased workforce participation; and
 - (b) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and
 - (c) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and regulatory burden; and
 - (d) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy.¹⁰
- 25 Section 3(g) of the Act draws attention to the special circumstances of small and medium businesses and the important role they play in Australia's economy and within the local communities in which they operate.
- 26 It is to this sector of the Western Australian economy that CCIWA would urge the Expert Panel to particularly focus attention during its deliberations.
- 27 For small business, the relationship between changes to minimum and award wages, economic prosperity and the creation of jobs can be a delicate one.
- 28 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 in Western Australia is of critical importance for a strong and resilient domestic economy.
- 29 Small businesses do not have a high capacity to absorb increases in operating costs or respond to weakening demand and generally have less capacity to adjust to the adverse economic conditions as experienced in Western Australia in recent years.
- 30 CCIWA advocates strongly for small business as an important sector of the Western Australian economy. CCIWA urges the Expert Panel to carefully consider the inimitable position of small businesses and to assist small businesses to cultivate growth and employment in an environment where the Western Australian economy is showing some promising signs of economic recovery.
- 31 CCIWA would submit that the Western Australian economy and labour market remain volatile and susceptible to major risks at this point of the economic cycle. Therefore, significant caution ought to be

⁸ Fair Work Act 2009 (Cth), s 3.

⁹ Fair Work Act 2009 (Cth)s. 284 (1) (a) and (b)

¹⁰ Fair Work Act 2009 (Cth)s. 134 (1) (c), (f) and (h).

exercised to avoid any unsustainable interference that may impede employment growth, threaten business activity in Western Australia and constrain ongoing recovery.

32 One evident impediment and risk would be any minimum and modern award wage adjustments that would be disproportionate to the strength of the Western Australian economy and the capacity of enterprises, in particular small businesses, to adjust and to absorb an increase in minimum and award wage rates.

33 The long-awaited signs of recovery that are emerging in Western Australia are expected to be gradual, requiring careful guidance and limited impediments.

34 This submission aims to inform the Expert Panel of the conditions of the Western Australian economy that require careful consideration.

35 While it is incumbent upon the Expert 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 2018-19 minimum wage review is necessary for the Western Australian economy.

4. The Small Business Community

36 According to Australian Bureau of Statistics (**ABS**) data, of the 2,313,291 actively trading businesses operating at the end of 2017-18, most (93% or 2,152,884) had annual turnover of less than \$2 million. A relatively small proportion (3.0% or 68,281) of businesses had an annual turnover of \$5 million or more. Nearly a quarter of actively trading businesses (24.8 % or 572,826) had a turnover less than \$50,000, about one-third (34.3% or 792,373) had turnover of \$50,000 to less than \$200,000 and a further one-third (34.1% or 758,309) of businesses had an annual turnover of \$200,000 to less than \$2 million.¹¹

37 There were 877,744 (37.9%) employing businesses and 1,435,547 (62.06%) non-employing businesses in Australia at the end of 2017-2018. Most employing businesses (71.5% or 627,932) at the end of 2017-2018 employed between 1 and 4 persons compared to 0.4% or 3,855 of employing businesses that employed more than 200 persons.

38 Those businesses employing over 200 persons 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.

39 Of the 2,313,291 actively trading businesses in 2017-2018, the majority reside in the private sector (2,312,916). The majority of these businesses were companies (37.6% or 870,064) followed by sole proprietors (27.2% or 629,388), trusts (24.0% or 556,251) and partnerships (11.1% or 257,213).¹²

40 Businesses are classified as small, medium or large based on their employment size. Businesses employing 0-19 persons are classified as small businesses, those employing 20-199 persons are classified as medium sized and those employing more than 200 persons are classified as large businesses.¹³ Small businesses include non-employing businesses (sole proprietorships and partnerships without employees); micro businesses (businesses employing less than 5 persons, including non-employing businesses); and other small businesses (businesses employing 5 or more persons, but less

¹¹ ABS, Cat. No. 8165.0 – Counts of Australian Businesses, Including Entries and Exits, June 2013-June 2017

¹² Ibid

¹³ ABS, Cat. No. 8155 Australian Industry, 2016-2017

than 20 persons). The construction industry, agriculture, forestry and fishing, scientific and technical services, accommodation and food services, rental, hiring and real estate services industries are all predominantly made up of small businesses. Large industries tend to reside in industries such as mining, electricity, gas, water and waste services and information media and telecommunications.

41 For the 2,313,291 actively trading businesses, 97.7 per cent are considered to be small businesses, 2.2 per cent are considered medium businesses and only 0.2 per cent are considered large businesses.

42 Table 1 below shows that of the 140,015, actively trading businesses in Western Australia, 95.5 per cent are considered small businesses.¹⁴

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

Business Category	Non-Employing	Employing 1-19	Employing 20-199	Employing 200 +	Total
Number	79,912	54,193	5,547	363	140,015
Percentage	57.1%	38.7%	3.9%	0.3%	100.0%
Survival Rate %	58.9%	71.3%	82.8%	86.2%	64%

Source: ABS, Cat. No. 8165.0, Counts of Australian Businesses 2014 – 2018

43 Table 1 also shows the degree of susceptibility of small businesses to changing economic circumstances. Businesses with fewer employees had lower rates of survival at 30 June 2018. In Western Australia, non-employing businesses had the lowest survival rate (58.9%) while small businesses employing 1 to 19 employees have a less favourable survival rate (71.3%) when compared to medium businesses (82.8%) and large businesses (86.2%).¹⁵

44 Continued investment in business is crucial to grow employment and the economy as Western Australia moves into a recovery trajectory. Job vacancies in Western Australia have increased, driven by an increase in job advertisements in the mining, resources and energy sector. Unemployment is expected to decrease with improved business investment.¹⁶ In the longer term, Western Australia's labour market also faces more existential challenges as technology reshapes the domain of work.

45 Labour costs have a direct and immediate bearing on the capacity of small businesses to employ additional employees. While labour costs (which include wages and salaries, employment taxes, superannuation costs and training) are an important indicator of economic activity as they can signal business capacity to expand employment, labour costs must be absorbed by accepting lower profit margins, increasing prices or by reducing costs. In Western Australia, the Labour Costs Index increased over the year to December 2018. Just over half (54%) of businesses expect labour costs to remain stable and 43 per cent are anticipating higher labour costs.¹⁷ Many of these businesses cite labour costs as a barrier to growth.

46 Small businesses account for a significant share of total employment (44% of private sector employment in selected industries) in Australia. Small business in Western Australia account for a 40.2 per cent share of employment.¹⁸ The period of economic downturn in the Western Australian economy earlier was

¹⁴ ABS, Cat. No. 8165.0 Counts of Australian Businesses

¹⁵ Ibid

¹⁶ CCIWA Outlook, Seas of Uncertainty, January 2019, p. 6.

¹⁷ WA Super – CCI Survey of Business Confidence, December Quarter 2018, p. 3.

¹⁸ ABS, Cat. No. 8155.0 Australian Industry

evidenced in the fall of small business employment along with a fall in employment among large businesses.

- 47 While expectations regarding employment and production are emerging as key drivers for development in 2019, the tentative economic conditions in Western Australia along with business expectations regarding profitability and labour costs support a cautious approach to wage fixation in 2018-2019.

5. The Western Australian Economy

- 48 The Western Australia economy grew by 1.9 per cent in 2017-2018, following five (5) years of slowing growth that ended in a contraction of 1.8 per cent in 2016-2017. The slowdown in the economy was mainly due to the completion of a number of major Liquid Natural Gas (LNG) projects, halving the value of business investment upon completion. This led to total employment falling in both 2015-2016 and 2016-2017. The growth in the Western Australian economy in 2017-2018 was better than forecast in 2017-2018, but still below the annual growth of 3.8 per cent over the past 10 years.
- 49 Businesses in Western Australia are investing in a wider variety of new mining projects, but these projects will not make up for the major LNG projects that have or are yet to be completed. Consumers and businesses are more confident about future economic conditions but are worried about their financial circumstances presently. This is due to lower savings in the case of consumers and lower expected profits in the case of businesses compared to last year. These factors will lead to a forecast by CCIWA of subdued growth in GSP in 2018-2019 which will gradually increase in 2019-2020 and 2020-2021.¹⁹
- 50 CCIWA expects more risks emerging along the road to recovery. Business investment has not experienced the decline CCIWA forecast for this year due to new investments and project delays, but a decline predicted by CCIWA is still to come in 2018-2019.
- 51 CCIWA forecast business investment to fall by 15 per cent in 2018-2019 as the last of the LNG projects are completed. As a result, CCIWA expect the domestic economy to contract this year after 1.1 per cent growth in 2017-2018, returning to a sustained, but subdued, growth trajectory in 2019-2020.²⁰
- 52 While mining has been a key factor in Western Australia's return to positive growth, in terms of contribution to Gross Value Added (**GVA**) by industry, there has been encouraging signs of growth in construction (up 2.4%), financial and insurance services (up 5.4%) and manufacturing (up 3.4%). Western Australia's health care and social assistance sector (up 8.8%) is also providing further evidence of the important role of the services sector in a strengthening economy, both in terms of economic growth and future employment. However, growth has not been across all sectors of the economy. Western Australia's agriculture, forestry and fishing sector (down 12.1%) has weakened over the last year, and other sectors of the economy that have contracted over the last year include transport and postal services (down 3.9%) and wholesale trade (down 3.7%).²¹

¹⁹ Ibid

²⁰ Ibid

²¹ BCEC Quarterly Economic Commentary, December 2018/05 – selected industries for the period for year to June 2018

Table 2: Western Australian Economic Outlook - Economic Forecasts for Western Australia (Per Cent)

Forecasts	2017-2018 Actual	2018-2019 Forecast	2019-2020 Forecast	2020-2021 Forecast
Household Consumption	1.6%	1.5%	1.5%	2.0%
Dwelling Investment	-2.8%	-1%	2%	5%
Business Investment	0.1%	-15%	6%	8%
State Final Demand	1.1%	-1%	2.5%	3%
Exports	4.3%	5%	3%	1.5%
Imports	-3.6%	-7%	3%	2%
Gross State Product	1.9%	2.2%	3%	3%

Table Footnotes:

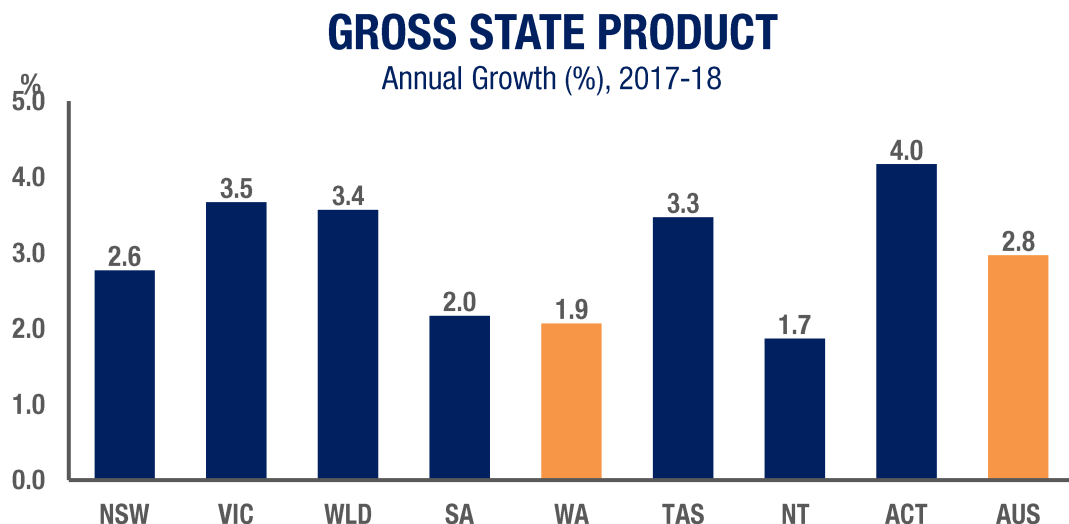
1. Forecasts are produced in terms of year-on-year growth, comparing four quarters of data to the previous four quarters of data.
2. Actual outcomes as reported in the 2017-2018 State Accounts (ABS, Cat. No. 5220.0).
3. Exports and imports figures are for goods and services trade measured on a Balance of Payments basis.

53 With a predicted decline in business investment in 2018-2019 and a related expectation that the domestic economy will contract before returning to a sustained, but subdued growth period in 2019-2020, ²² CCIWA supports a cautious approach to wage fixation in 2018-2019.

Economic Growth

54 Western Australia's GSP, a measure of total economic output, expanded by 1.9 per cent in 2017-2018 with the State's economy valued at \$255,883 million. This was the second lowest rate of change of all the States and Territories and below the national Gross Domestic Product (GDP) growth of 2.8 per cent. ²³

Chart 1: Gross State Product (GSP) States and Territories 2017-2018



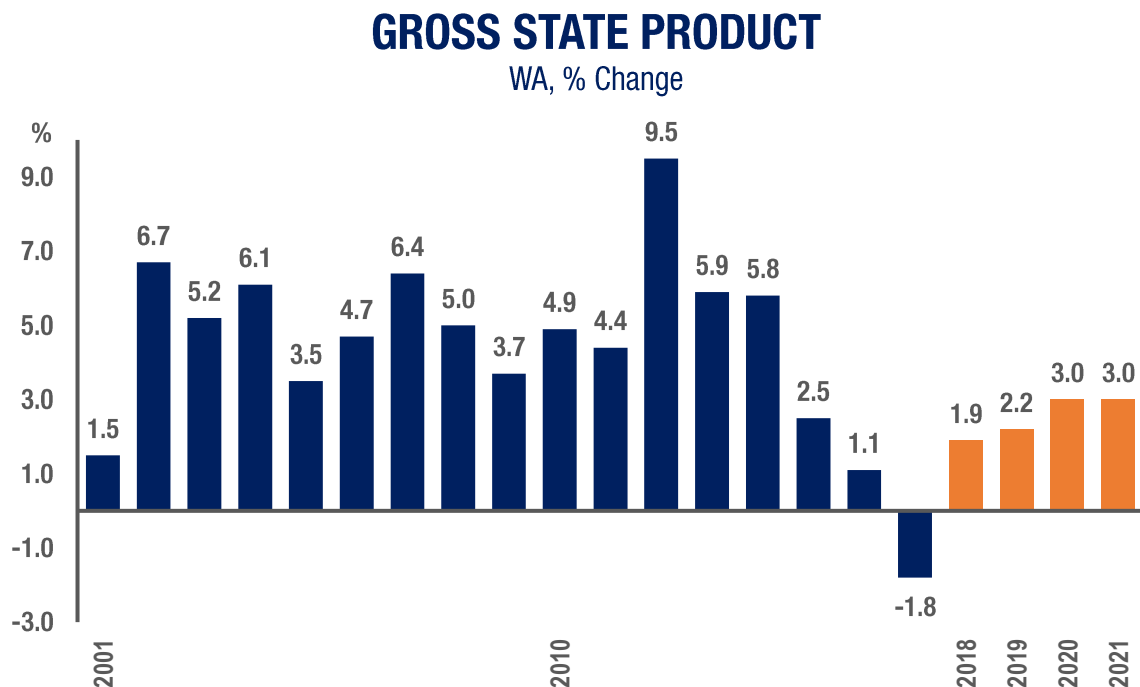
Source: ABS, Cat. No. 5220, Australian National Accounts: State Accounts, 2017-2018

²² CCIWA, Outlook, Seas of Uncertainty, January 2019

²³ Western Australian Treasury, Economic Notes, Gross Domestic Product 2017-18

- 55 Western Australia's better than expected economic performance was driven by stronger household consumption, business investment and dwelling investment.
- 56 CCIWA forecast an increase in GSP of 2.2 per cent (refer to Table 2) for 2018-2019 driven by growth in exports. CCIWA predicts that the State economy will expand more strongly as a result of further investment in resources projects in 2019-2020 and 2020-2021.

Chart 2: Western Australia, Gross State Product (Percentage Change)



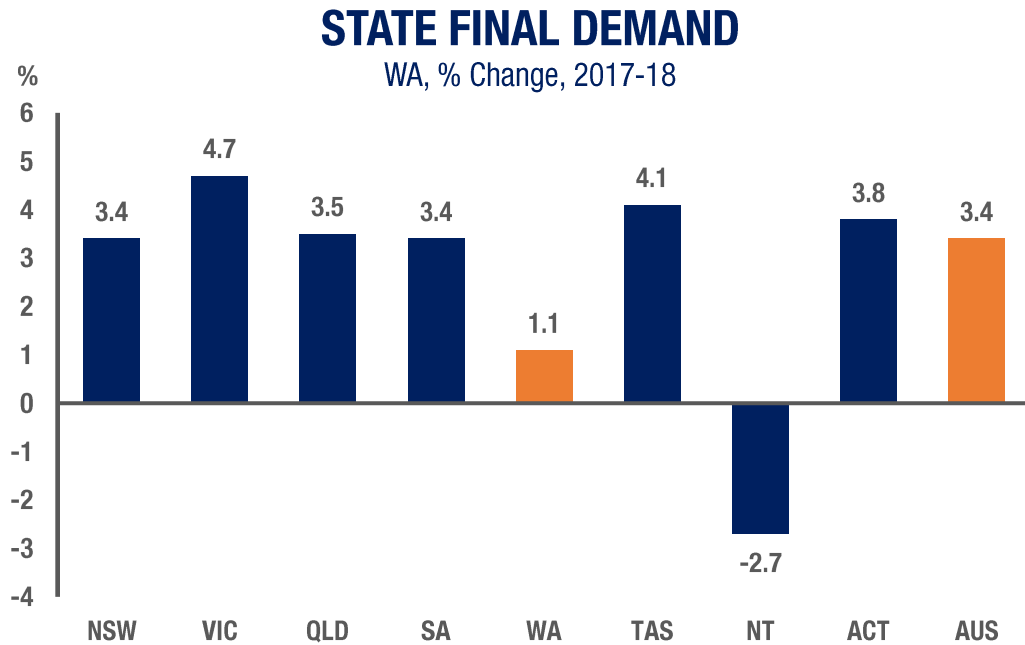
Source: ABS, Cat. No. 5220, Australian National Accounts: State Accounts, 2017-2018 and CCIWA Outlook, Seas of Uncertainty, January 2019

- 57 State Final Demand (**SFD**), a measure of total domestic demand in Western Australia, rose by 1.1 per cent in period 2017-2018. CCIWA forecast a decline in the SFD in 2018-2019 before an improvement in 2019-2020 to 2.5 per cent and in 2020-2021 to 3 per cent (refer to Table 2).²⁴ Western Australia's SFD compared less favourably nationally and with other States and Territories, except for the Northern Territory (refer to Chart 3).
- 58 By industry, the biggest contribution to Western Australia's GSP growth in 2017-2018 came from mining, while the largest detractor from growth was agriculture, forestry and fishing (refer to Chart 4).
- 59 Western Australia's gross household disposable income per capita rose by 0.7 per cent in 2017-2018 to reach \$53,681 and was the highest of all States (but behind both Territories).²⁵

²⁴ CCIWA, Outlook, Seas of Uncertainty, January 2019

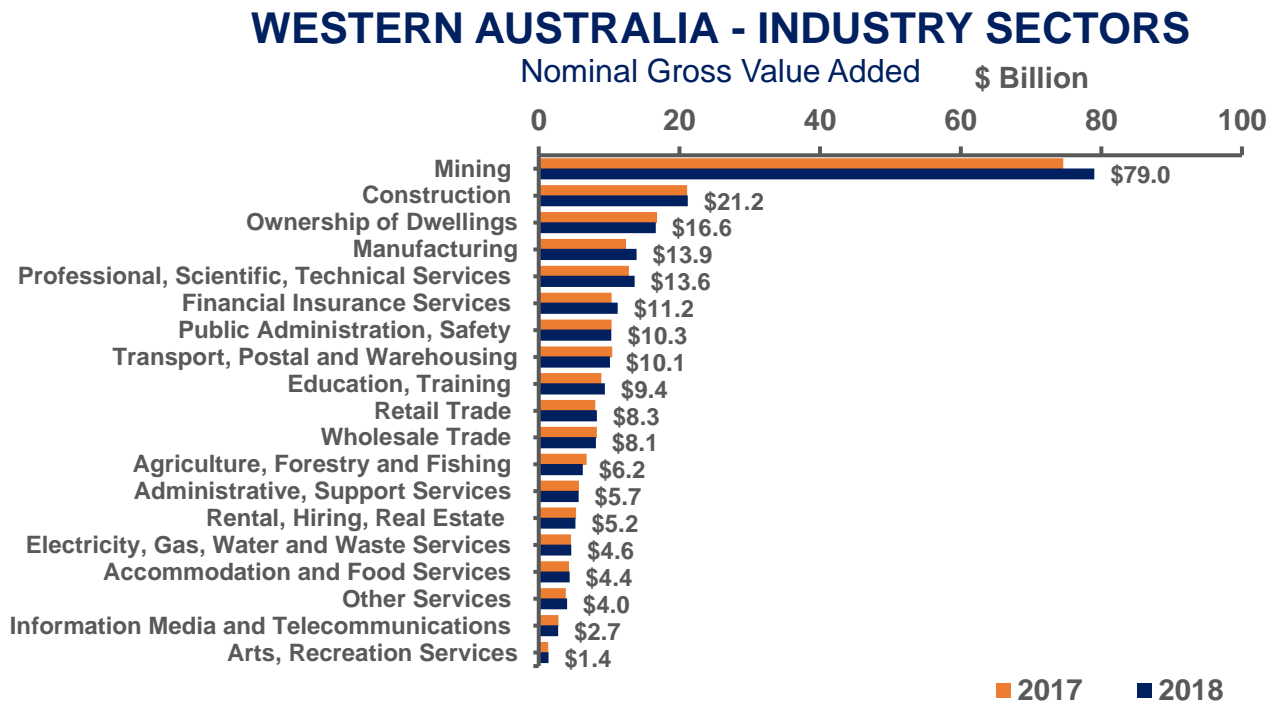
²⁵ Western Australian Treasury, Economic Notes, Gross Domestic Product 2017-18

Chart 3: Western Australia, State Final Demand (Percentage Change)



Source: Western Australian Treasury, Economic Notes, Gross Domestic Product 2017-18

Chart 4: Western Australia, Contribution to Gross Value Added by Industry



Source: ABS, Cat. No. 5220.0, Australian National Accounts: State Accounts 2017-2018

Consumer Price Index

- 60 The Consumer Price Index (**CPI**) for Perth increased by 0.5 per cent over the December 2018 quarter (compared to 0.4% for the December 2017 quarter) and rose by 1.1 per cent in annual average terms to December 2018 (compared to 0.9% for December 2017).
- 61 In annual average terms, Perth had the smallest increase in CPI for capital cities around the country. The largest CPI increase in annual average terms was 2.5 per cent in Canberra and Hobart, followed closely by Melbourne (2.2%) and Adelaide (2.1%). In year-end terms, Perth's CPI increased by 1.3 per cent (0.8% in December 2017), and compared favourably against the national CPI and the CPI of other capital cities.²⁶

Table 3: Percentage Change of CPI by Capital City December Quarter 2018

	Qtrly % Change	Annual % Change	Year Average % Change
Sydney	0.4	1.7	1.9
Melbourne	0.5	2.0	2.2
Brisbane	0.5	1.5	1.7
Adelaide	0.5	1.6	2.1
Perth	0.5	1.3	1.1
Hobart	1.2	3.0	2.5
Darwin	0.2	1.2	1.2
Canberra	0.7	2.5	2.5
Australia	0.5	1.8	1.9

Source: ABS, Cat. No. 6401.0, Consumer Price Index, Australia

- 62 The main contributors to the quarterly change in Perth's CPI were recreation and culture which contributed 0.20 percentage points, and alcohol and tobacco which contributed 0.18 percentage points. Other notable contributors to the quarterly change included food and non-alcoholic beverages (0.12 percentage points), furniture and household contents (0.07 percentage points). The main detractor from Perth's quarterly change in CPI was transport, which detracted 0.05 percentage points from growth. Other notable detractors included health and communication (0.04 percentage points) and housing (0.03 percentage points).²⁷
- 63 Nationally, the CPI rose by 0.5 per cent over the December 2018 quarter and increased by 1.9 per cent in average annual terms.
- 64 The main contributors to the national quarterly growth were alcohol and tobacco, which contributed 0.23 percentage points and recreation and culture, which contributed 0.15 percentage points. The main detractor from the national quarterly CPI was transport, which detracted 0.06 percentage points.
- 65 The quarterly change in CPI for the alcohol and tobacco group was due to the effects of the federal excise tax increase and a further increase based on Average Weekly Ordinary Time Earnings (AWOTE), effective from 1 September 2018. The quarterly change in relation to the recreation and culture group was due to an increase in demand for domestic holiday travel and accommodation over the annual holiday period. Season growth patterns in food explain the quarterly change in relation to the food and non-

²⁶ ABS, Cat. No. 6401.0, Consumer Price Index, Australia, Western Australia Treasury, Economic Notes, Consumer Price Index, December 2017 and December 2018

²⁷ Ibid

alcoholic beverages group. A fall in automotive fuel due to the fall in world oil prices explain the quarterly change in the transport group.²⁸

Table 4: Inflation Rates by Category, December 2018

	Perth		Contribution	PP Change	Australia	
	% Change		PP Change		% Change	
	Qtr	Annual Av	Year	Qtr	Qtr	Annual Av
Food/Non-Alcoholic Beverages	0.7%	0.3%	0.04 pts	0.12 pts	0.9%	1.0%
Alcohol/Tobacco	2.7%	6.8%	0.44 pts	0.18 pts	3.2%	7.1%
Clothing/Footwear	0.7%	-1.7%	-0.05 pts	0.03 pts	-0.2%	-1.8%
Housing	-0.2%	-1.1%	-0.25 pts	-0.03 pts	0.2%	2.3%
Furnishings/Household Contents	0.9%	-0.8%	-0.08 pts	0.07 pts	0.5%	-0.8%
Health	-0.6%	4.0%	0.25 pts	-0.04 pts	-0.4%	3.5%
Transport	-0.5%	5.0%	0.49 pts	-0.05 pts	-0.7%	4.2%
Communications	-1.5%	-4.2%	-0.11 pts	-0.04 pts	-1.3%	-4.0%
Recreation/Culture	1.6%	1.9%	0.25 pts	0.20 pts	1.1%	1.1%
Education	0.0%	1.8%	0.07 pts	0.00 pts	0.0%	2.7%
Insurance/Finance	0.9%	0.9%	0.05 pts	0.05 pts	0.3%	1.4%
All Groups	0.5%	1.1%	1.12 pts	0.5 pts	0.5%	1.9%

Source: ABS, Cat. No. 6401.1 Consumer Price Index, Australia

- 66 In terms of price changes, between the September and December quarters, the largest increase in prices by category in Perth was 2.7 per cent for alcohol and tobacco. The largest decrease was 1.5 per cent for communications.
- 67 In annual average terms to December 2018, the largest increase in Perth was 6.8% for alcohol and tobacco. The largest fall was also found in communication at 4.2 per cent. The same trend was evident across all eight capital cities for the quarter and in average annual terms.
- 68 CCIWA expects inflation to lift modestly to 1.8 per cent in 2018-2019. As conditions in the domestic economy continue to improve, inflation is forecast to rise to 2.2 per cent in 2019-2020, within the Reserve Bank of Australia's (RBA) target range (2-3%). The depreciation of the Australian dollar will increase inflationary pressures in the Western Australian economy, as it will cost more to import goods from overseas.²⁹

²⁸ Ibid

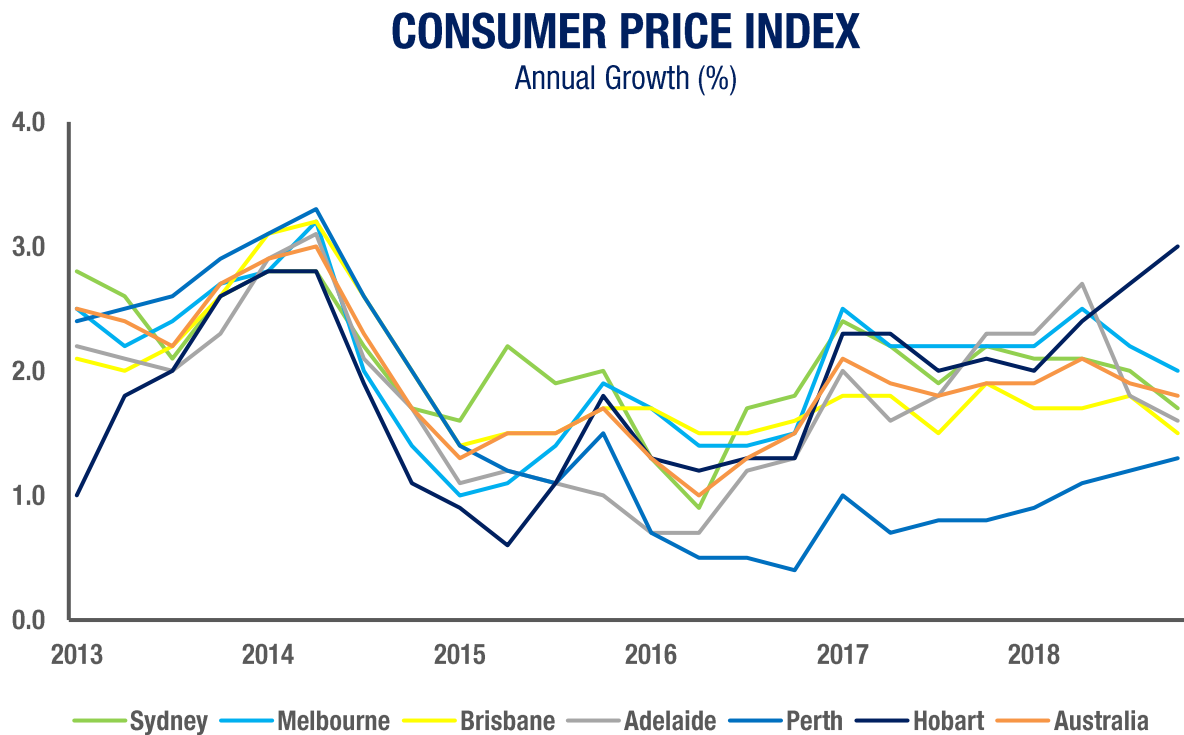
²⁹ CCIWA Outlook, Seas of Uncertainty, January 2019

Table 5: Consumer Price Index (CPI) December 2015 – December 2018 (%)

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
Mar 2018	1.9	0.9
Jun 2018	2.1	1.1
Sep 2018	1.9	1.2
Dec 2018	1.8	1.3

Source: ABS, Cat. No. 6401.0, Consumer Price Index, December 2018, Percentage Change from Corresponding Quarter of Previous Year, All Groups CPI (%)

Chart 5: CPI – Annual Growth, States 2013-2018



Source: ABS, Cat. No. 6410.0 Consumer Price Index

Business Confidence

- 69 CCI's *Survey of Business Confidence* December 2018 quarter results indicate that business confidence in the Western Australian economy in the short-term (3 month) and medium-term (12 month) outlook remains well above its ten-year average.
- 70 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 across a sample of small, medium and large businesses in a range of industry sectors.
- 71 The short-term business confidence index increased by 2.8 index points over the year to 123.8 in December 2018. The margin between those that expect the economy to worsen (32%) and improve (31%) has narrowed, compared to a significant divide three years ago, indicating that businesses believe economic recovery is underway.
- 72 Looking to the year ahead, businesses are expecting economic conditions to continue to improve, with over half (52%) anticipating the Western Australian economy to strengthen over the next twelve months. The Business Confidence Index for the medium-term increased by 1.5 index points to 120.2 in December 2018. This is a stark difference to just three years ago when the index value reached a ten year low of 81.7 in June 2015.
- 73 Four out of five businesses (78%) in the mining industry surveyed expected stronger economic conditions for the year ahead. The strength in mining confidence is reflected in increased demand for skilled workers, with job adverts in the mining, resources, and energy industry increasing by 23 per cent in the year to October 2018, the highest growth in any industry across the country.³⁰

Table 6: Business Confidence

Expectation of Economic Conditions	Three-Month Outlook	Twelve-Month Outlook
Weaker	32%	16%
About the Same	37%	32%
Stronger	31%	52%

Source: CCIWA Survey of Business Confidence, December 2018

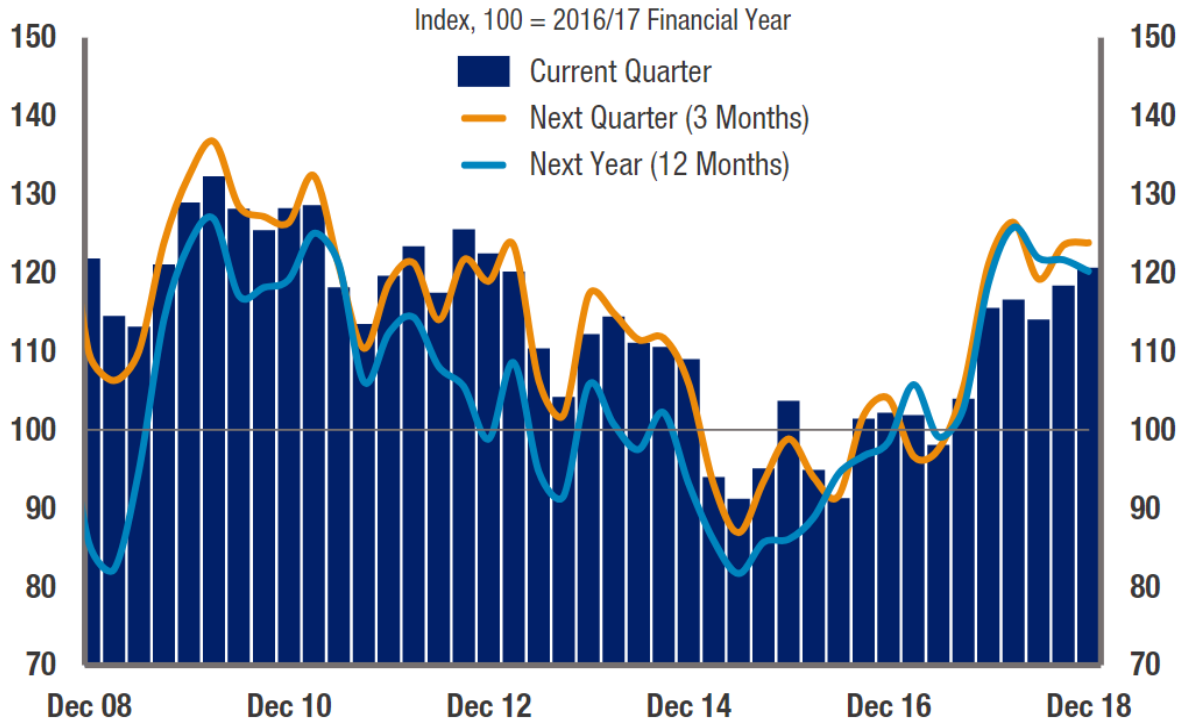
- 74 Businesses in construction (58%), manufacturing (55%), and professional services (50%) also remain confident, expecting better economic conditions for the next twelve months. The same is not the case for retail trade. Business confidence in this industry continues to trail behind other industries, with almost half (46%) anticipating conditions to worsen, compared to 34 per cent last quarter. Only a quarter of retail businesses (24%) are expecting conditions to improve in 2019.

³⁰ WA Super – CCI Survey of Business Confidence December Quarter 2018

Chart 6: Business Confidence

BUSINESS CONFIDENCE

Current, 3-Month and 12-Month Expectations



Source: WA Super - Chamber of Commerce and Industry WA [2018]

Consumer Confidence

- 75 The results of the CCI Survey of Consumer Confidence in the December 2018 quarter indicate that Western Australian consumer confidence dropped slightly breaking the five-year high achieved throughout 2018. However, Western Australians remain optimistic compared to previous quarters. With the Consumer Confidence Index continuing well above its long-term average.
- 76 As the only survey of its kind in Western Australia, the CCI Survey of Consumer Confidence canvasses the views of Western Australians across metropolitan Perth and regional Western Australia to gather evidence on consumer sentiment in the economy, in their personal finances and employment prospects for the near future.
- 77 Consumer confidence has been influenced by positive economic news, relatively subdued interest rates and minimal inflationary pressures. However Western Australian consumers remain increasingly cautious about increased cost of living pressures, slow wage growth and household debt. Cost of living continues to detract from consumer confidence with three out of five consumers (60%) considering living costs such as transport, groceries and utilities as having a negative influence on confidence. This has not changed since the last quarter.

78 Stability in the domestic economy is continuing to have an encouraging effect on consumer confidence. A growth in full time employment and a rise on job vacancies are also likely contributors to consumer confidence. A greater proportion of consumers consider interest rates to have a negative influence on confidence (33%) rather than a positive one (26%). Speculation on the interest rate change is also detracting from consumer confidence.

Table 7: Consumer Confidence

Expectation of Economic Conditions	Three Month Outlook	Twelve Month Outlook
Weaker	18%	19%
About the Same	58%	39%
Stronger	24%	42%

Source: CCIWA Survey of Consumer Confidence, December 2018

Household Consumption

79 Household consumption is the largest component of the domestic economy, representing 42 per cent of the economy in 2017-2018 and contributed 0.7 percentage points to real GSP growth.³¹

80 Real household consumption rose 1.6 per cent in 2017-2018, above a rise of 1.0 per cent in 2016-2017, but was below annual growth of 2.7 per cent over the past ten years.³² Growth in household consumption for the past five years has been predominantly driven by spending on essential items, such as food and rent, as consumers have been, and remain cautious in their spending.³³

81 Increases in household consumption in 2017-2018 were attributed to insurance, finance and other (up 4%), health (up 7%) and transport (up 3%). A decrease in household consumption was evidenced in rent and other dwellings (down 2%) and furnishings (down 7%).³⁴

82 Growth in household consumption is expected to remain subdued at 1.5 per cent in 2018-2019,³⁵ before gradually increasing over the remainder of the forecast period, supported by predictions in relation to improvements in the domestic economy and population growth in the outyears.³⁶

Table 8: Growth in Household Consumption

Financial Year	Household Consumption
2017-2018 Actual	1.6%
2018-2019 Forecast	1.5%
2019-2020 Forecast	1.5%
2020-2021 Forecast	2.0%

Source: CCIWA, Outlook January 2019

83 Since 2016, *CCI Surveys of Consumer Confidence* have shown that consumers remain optimistic about future economic conditions. This implies that consumers will spend more of their income on purchases now, given they think economic conditions will improve in the future, and they will earn a similar income from their job and investments.

31 Western Australian Economic Profile, Government of Western Australia, Department of Jobs, Tourism, Science and Innovation, January 2019

32 Ibid

33 2018-2019 Government Mid-Year Financial Projections Statement, p. 48

34 Western Australian Economic Profile, Government of Western Australia, Department of Jobs, Tourism, Science and Innovation, January 2019

35 CCIWA, Outlook, Seas of Uncertainty, January 2019

36 2018-2019 Government Mid-Year Financial Projections Statement, p. 48

Business Investment

- 84 Business investment performed better than forecast last financial year, largely due to additional spending on new projects, cost increases and delays in some major resource projects that meant additional spending occurred in 2017-2018.
- 85 CCIWA forecast that Western Australian business investment will decrease by 15 per cent in 2018-2019 with the completion of major LNG projects. LNG Projects announced prior to 2015 are largely completed bar changing circumstances that led to higher than expected capital expenditure in financial year 2017-2018.³⁷
- 86 The remaining projects include Prelude, which had its first LNG in December 2018; Wheatstone, which brought its second LNG train on line in June 2018; and Ichthys which delivered its first LNG shipment in October 2018.
- 87 The end of the construction of these projects represents a reduction of investment spending of approximately \$7 billion in the current financial year.³⁸ Business investment decreased by 6.2 per cent in annual terms between December 2017 and December 2018. Over the December 2018 quarter business investment fell 5.4 per cent. However, CCIWA notes that it is important to not overstate the impact of this on the Western Australian economy. The projects are offshore projects; the investment figures include components imported from overseas and not every dollar in investment equates to employment in Western Australia.³⁹
- 88 Business investment is forecast by CCIWA to recover and increase by 6 per cent in 2019-2020 and 8 per cent in 2020-2021. The increase in business investment is expected to be supported by projects required to maintain the recent large increases in Western Australia's capital stock and corresponding outputs, particularly in iron ore, oil and gas. Investment decisions have been made for example on the South Flank, Eliwana and Koodaideri iron ore projects, with a combined capital cost of these projects exceeding \$9 billion.⁴⁰

Table 9: Business Investment

Financial Year	Household Consumption
2017-2018 Actual	0.1%
2018-2019 Forecast	-15%
2019-2020 Forecast	6%
2020-2021 Forecast	8%

Source: CCIWA, Outlook January 2019

- 89 *CCI Survey of Business Confidence Index* indicates that approximately 30 per cent of businesses plan to increase capital expenditure in the December 2018 quarter and the March 2019 quarter, up 5 percentage points since the September 2018 quarter. A third of businesses in the mining industry (33%) expect their capital expenditure to rise in the March 2019 quarter, as well as 34 per cent of manufacturing firms and almost half (47%) of businesses in the agriculture, forestry and fishing industry. One likely factor for this

37 CCIWA, Outlook, Seas of Uncertainty, January 2019

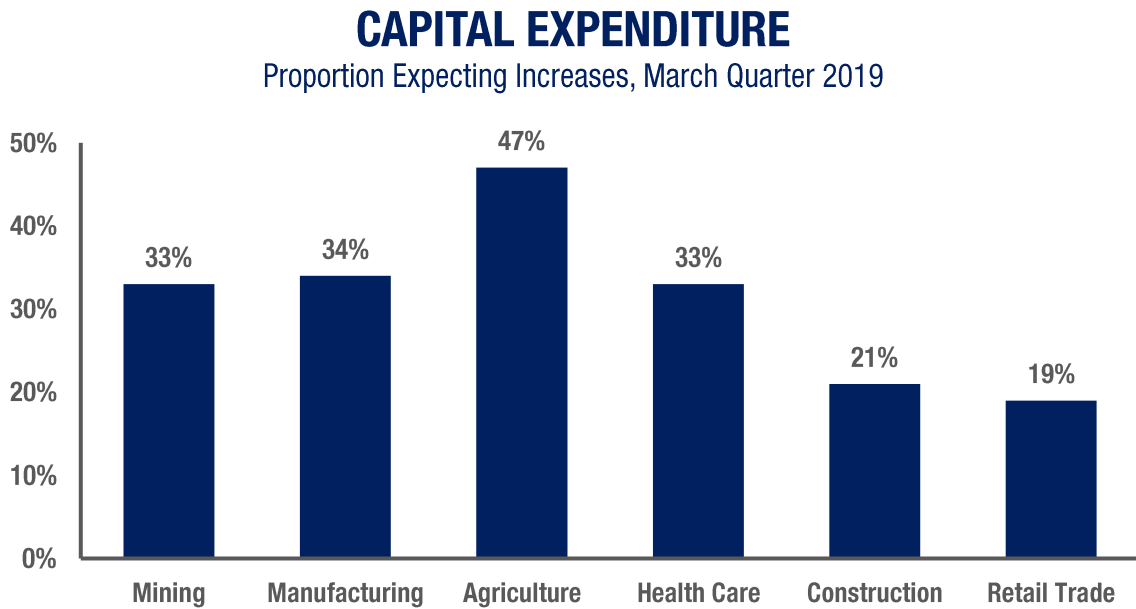
38 Ibid

39 Ibid

40 2018-2019 Government Mid-Year Financial Projections Statement, p. 50

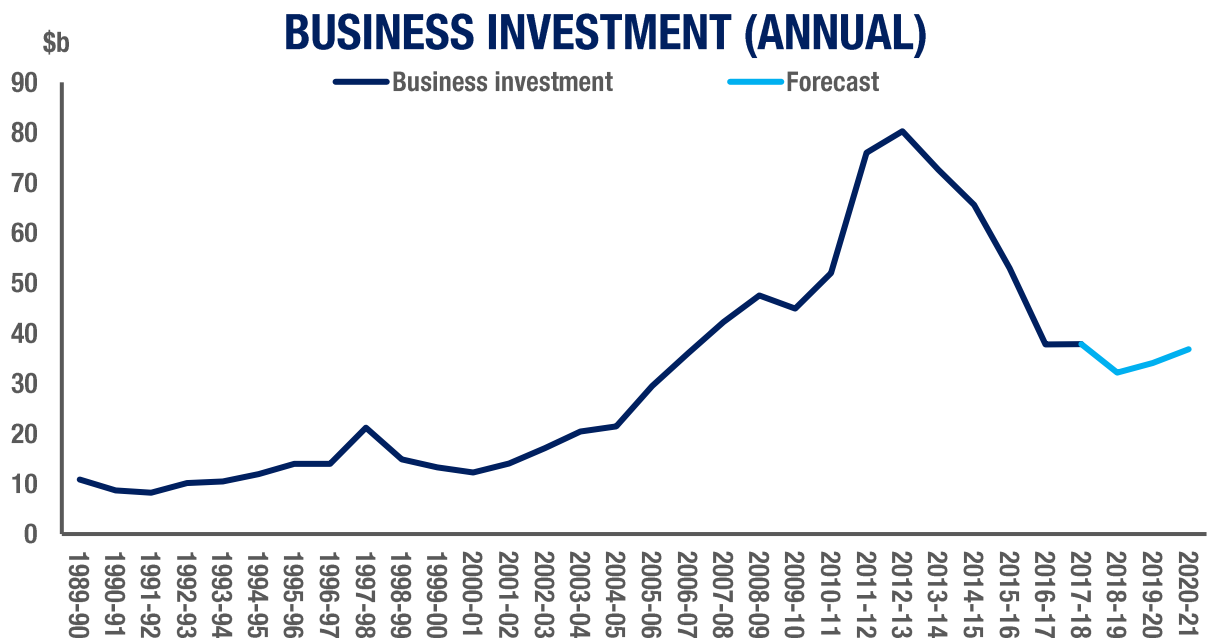
improved sentiment in this industry is that Western Australian farmers intend to reinvest returns from anticipated improvements in agriculture commodity prices.⁴¹

Chart 7: Capital Expenditure, March 2019 Quarte



Source: WA Super – CCI Survey of Business Confidence

Chart 8: Business Investment



Source: CCIWA Outlook, Seas of Uncertainty, January 2019

⁴¹ WA Super – CCI Survey of Business Confidence, December Quarter 2018, p. 3

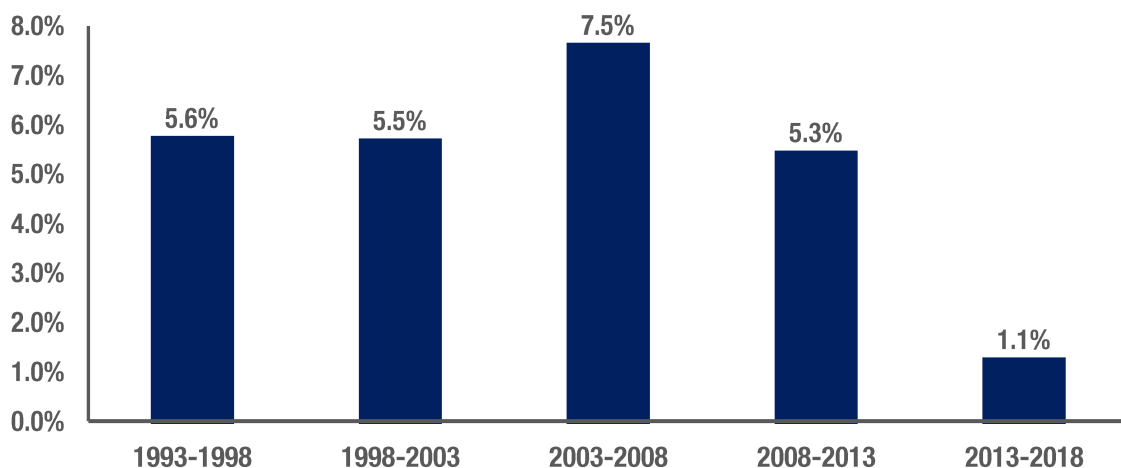
Retail Trade

- 90 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 2017-18 has cycled between positive and negative growth, reflecting continued uncertainty.
- 91 Retail sales growth has stalled over the past five-years relative to previous periods (Chart 9). In the five years to December 2018, retail turnover improved by 1.1 per cent on average per year, reflecting difficult conditions in different businesses and industries.
- 92 Small increases in retail spending have been driven largely by food and pharmaceutical retailing. Clothing, department store and household goods retailing have recorded flat or negative growth (Chart 10).
- 93 Over the year to December 2018, retail turnover increased by 1.2 per cent in seasonally adjusted year ended terms. This improvement can be largely attributed to increased spending on food and pharmaceutical retailing, recording increases of 3 per cent and 11 per cent respectively.
- 94 Over the same period, clothing retail turnover fell by 2.9 per cent along with household goods consumption (-5.2 per cent), footwear (-1.5 per cent) and liquor retailing (-0.3 per cent). Data suggests online retailing has grown by between 20 - 30 per cent per year.
- 95 Looking ahead, retail growth is expected to remain slow amid strong competition from online platforms. According to the latest WA Super-CCI Business Confidence Survey, almost half (46 per cent) of retail businesses anticipate conditions to worsen throughout 2019, with only a quarter (24 per cent) of businesses expecting conditions to improve.

Chart 9: Average Year-on-Year Growth – Retail Turnover

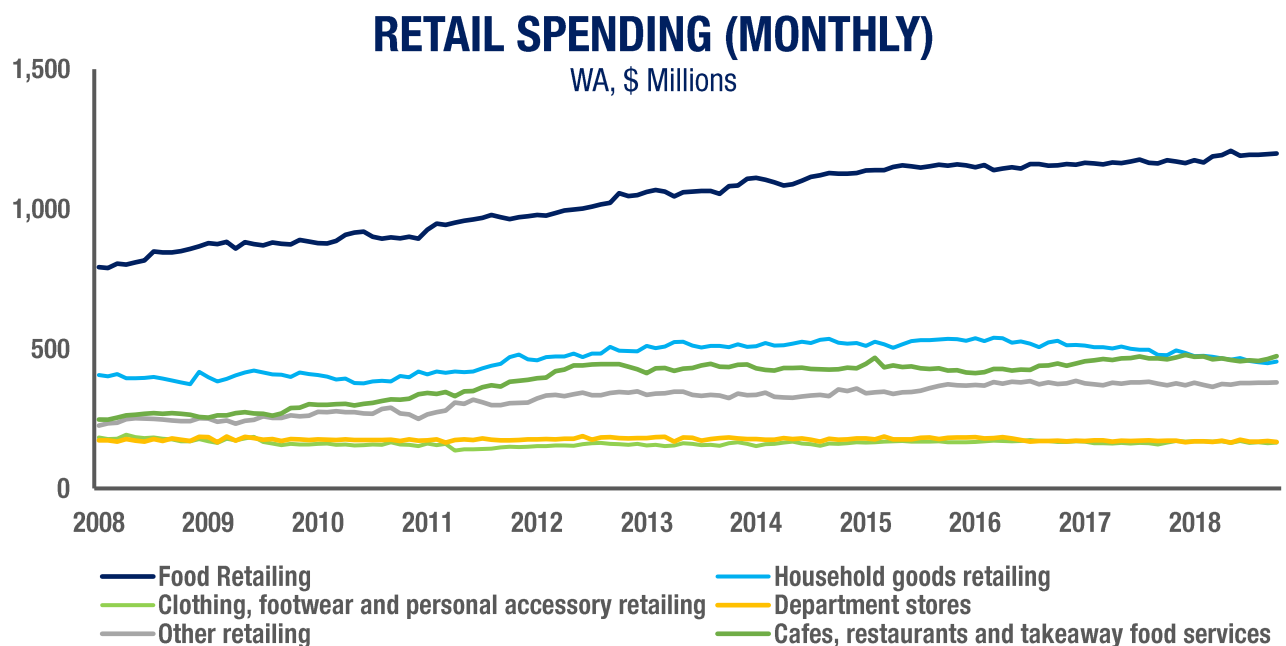
AVERAGE GROWTH - RETAIL TURNOVER

WA, Total Industry, Original, Year-on-Year



Source: ABS, Cat No. 8501.0 Retail Trade, December 2018

Chart 10: Retail Spending (Monthly)



Dwelling Investment

96 Dwelling investment in Western Australia contracted by 2.6 per cent in 2017-2018, following a decline of 24 per cent in 2016-2017.⁴² Further contraction is forecast in 2018-2019 before a forecasted improvement in dwelling investment in 2019-2020 and 2020-2021.

Table 10: Growth in Dwelling Investment (%)

Financial Year	Growth Dwelling Investment
2017-2018 Actual	-2.8%
2018-2019 Forecast	-1%
2019-2020 Forecast	2%
2020-2021 Forecast	5%

Source CCIWA, Outlook January 2019

97 The reasons for the forecast improvement are threefold.

98 Population growth in Western Australia is on the rebound. After bottoming out in 2016, Western Australia's population growth is now picking up and is expected to improve for the next few years. Population growth has been driven by a slight up-take in migration into Western Australia and a levelling out of population drift to other states.

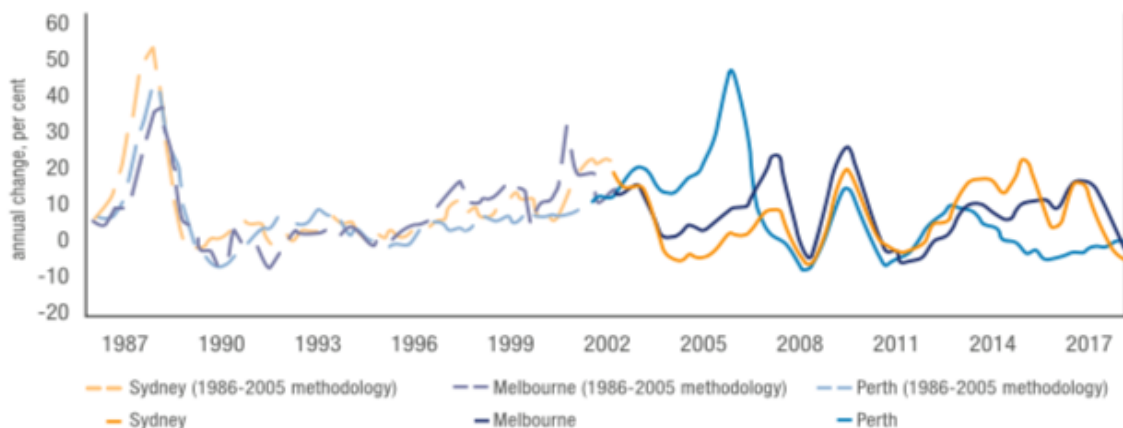
99 Conditions in the mining sector are also forecast to improve modestly further out after an expected trough in mining investment in 2018-2019.⁴³ Iron ore companies have announced mining investment at South Flank in the case of BHP, Eliwana in the case of Fortescue Metals Group (FMG) and Koodaideri in the case of Rio Tinto. In addition to activity in iron ore mining, lithium mining and processing is also expected increase investment growth and LNG exports will continue to strengthen.

⁴² 2018-2019 Government Mid-Year Financial Projections Statement, December 2018, p 49

⁴³ Reserve Bank of Australia, Statement on Monetary Policy, February 2019, p. 31

- 100 Finally, job vacancies are gradually improving and economic conditions in Western Australia are recovering slowly. Job vacancies in Western Australia have improved since 2014 and the participation rate has increased as more people are looking for work, which has contributed to the State's unemployment rising at the end of 2018.
- 101 Some factors that continue to impact the value of dwelling investment include flat or negative price growth in regional and metropolitan areas (with some exceptions); reductions in housing finance commitments; and a reduction in building approvals. Since 2014, building approvals have fallen by 12 per cent per year on average in value terms. There is some improvement as building approvals fell by 7 per cent to November 2018, while housing finance commitments for owner occupiers fell by 5 per cent.
- 102 CCIWA consider that these factors and subdued national property conditions will continue to impact dwelling investment in 2018-2019 before an improvement further out.
- 103 Australia has an interconnected property market with sellers and buyers impacted by the same conditions. Although there are some indicators of rebalancing in the Perth property market, including a reduction in the vacancy rate, it is likely that a weak east coast property market will dampen the recovery of property prices in Perth.⁴⁴
- 104 Chart 11 shows that Perth, Sydney and Melbourne property prices moved together between 1986 and 2013, as when prices have increased or decreased in one city they have moved with others. The relationship ended in 2013 when Perth property prices experienced a correction, while Sydney and Melbourne experienced significant price rises. Sydney and Melbourne property prices are now contracting.

Chart 11: Annual Change in Property Prices – Melbourne, Sydney, Perth



Source: CCIWA Outlook, January 2019

- 105 CCIWA estimate that property prices in Western Australia will not resume moving in line with the east just yet, as Western Australia has already experienced a significant correction. However, CCIWA expects national conditions (including Melbourne and Sydney's weakness) to affect the recovery of property prices and investment in new housing in Western Australia. There is a risk that declines in east coast property prices have a larger impact on Western Australia. Conversely, a decrease in the Reserve Bank of Australia (RBA) cash rate in 2019 could put upward pressure on Western Australian property prices.⁴⁵

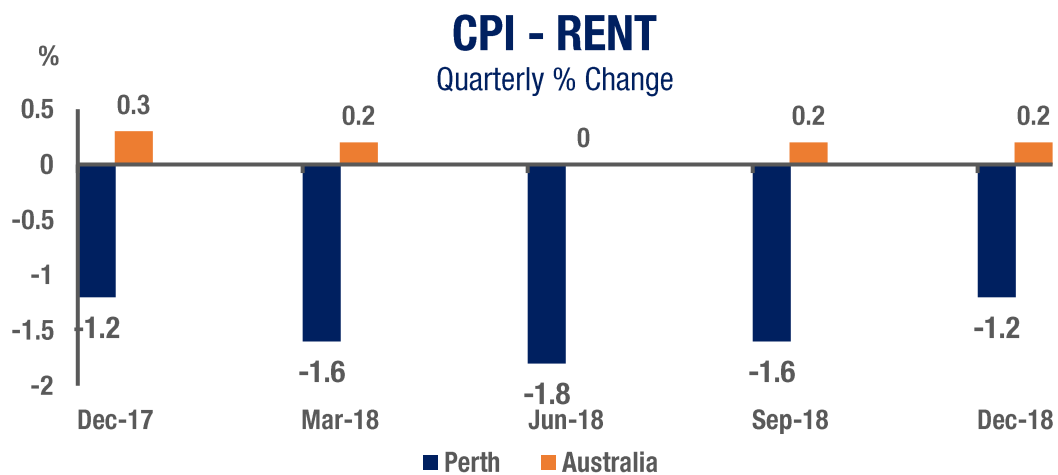
⁴⁴ CCIWA, Outlook, Seas of Uncertainty, January 2019

⁴⁵ Ibid

106 The median house price fell by 0.7 per cent in 2017-2018 and is expected to contract for a third consecutive year in 2018-2019 (down 0.9%). Nevertheless, the housing market is expected to approach balance in 2019-2020. The rental vacancy rate fell to 3.9 percent in the September 2018 quarter from a recent high of 7.3 per cent in the June 2017 quarter. ⁴⁶

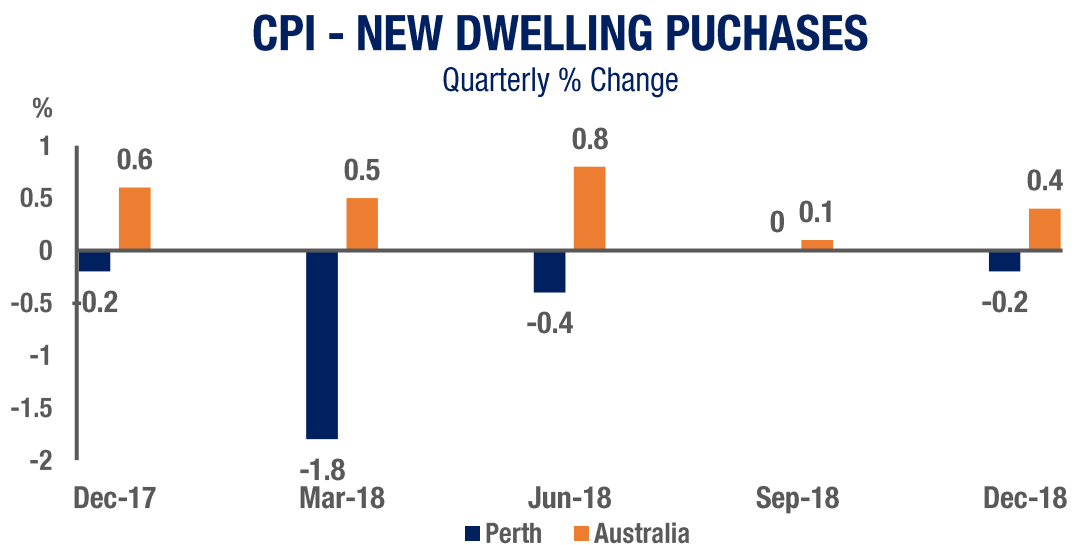
107 There has been no major percentage change in the rent component of CPI in Western Australia or Australia (refer to Charts 12 and 13). Western Australia continues its steady decline with a modest adjustment to that decline in the December 2018 quarter. The CPI component of new dwelling purchases by owner-occupiers are at their lowest level since reported in March 2009, and for Western Australia, the September 2018 quarter was the first quarter in twelve months that a positive value was recorded. ⁴⁷

Chart 12: CPI-Rent Quarterly Percentage Change



Source: ABS, Cat. No. 6401

Chart 13: CPI - New Dwelling Purchase by Owner-Occupier Quarterly Percentage Change



Source: ABC, Cat. No. 6401

⁴⁶ 2018-2019 Government Mid-Year Financial Projections Statement, December 2018, p 51
⁴⁷ ABS, Cat. No. 6401, Consumer Price Index, Australia

Barriers to Business

- 108 The results of CCIWA's December 2018 Business Confidence Survey indicated that 33 per cent (one in three) of businesses identified weak demand as the largest barrier in growing their business over the coming year. Rising operating costs (27%) and availability of skilled labour (22%) were also considered barriers to business growth.
- 109 The CCI Consumer Confidence Survey for December 2018 indicates that the weak demand may be attributed to dampening consumer spending. The Consumer Confidence Survey reported that three out of five Western Australians (60%) considered it unlikely that they would make any major household purchases next quarter. Subdued consumer spending may be attributed to consumer apprehension about their financial position.
- 110 Manufacturers considered availability of skilled labour as a bigger barrier to growing their business suggesting that there may be a growing demand for skilled labour in pockets of the domestic economy. This also be a reflection of growing wage pressures in these industries. Retail trade (27%), real estate services (42%) and construction (31%) also indicated being negatively affected by weak demand.⁴⁸

Western Australian Government Mid-Year Financial Projections

- 111 The Western Australian Government released its Mid-Year Financial Projections Statement in December 2018. The Government's key projections are provided in Table 11 below and support a cautious approach to support the recovery of the Western Australian domestic economy.

Table 11: Mid-Year Financial Projections, Annual Growth⁴⁹

	2017-18 Actual	2018-19 Mid-Year Revision	2019-20 Forward Estimate	2020-21 Forward Estimate	2021-22 Forward Estimate
Economic Indicators					
Real Gross State Product growth (%)	1.9	3.0	3.5	3.0	3.0
Real State Final Demand growth (%)	0.9 (a)	-0.5	3.5	3.75	3.75
Household Consumption growth (%)	1.6	1.5	2.75	3.0	3.5
Dwelling Investment (%)	-2.6	-11.0	6.0	7.0	6.0
Business Investment (%)	0.2	-12.0	-8.5	6.0	7.0
Perth Consumer Price Index growth (%)	0.9	1.5	2.0	2.5	2.5
Net Exports ^(d) (%)	8.5	10.75	3.75	1.75	1.25
Population					
Population growth (%) ^(b)	0.9 ^(b)	1.2	1.4	1.6	1.8
Working Age Population (15-64) (%) ^(c)	0.2 ^(c)	0.5	0.9	1.2	1.5
Labour Market					
Employment growth (%)	2.3	1.75	2.0	2.25	2.25
Unemployment rate ^(a) (%)	6.1	6.0	5.75	5.5	5.25
Participation Rate ^(a) (%)	68.3	68.6	68.8	69.0	69.1
Wage Price Index growth (%)	1.5	1.75	2.75	3.0	3.25

⁴⁸ WA Super – CCI Survey of Business Confidence, December Quarter 2018, p. 4

⁴⁹ Source 2018-2019 Government Mid-Year Financial Projections Statement, pp. 3 and 49, Notes (a) based on 2017-18 State Accounts data, updated with the latest State Final Demand for the September quarter 2018; (a) data expressed as annual average during financial year (b) estimated actual; (c) estimated actual, (d) include international trade in both goods and services

6. The Western Australian Labour Market

- 112 The estimated resident Western Australia population increased by 0.2 per cent (or 4,558 persons) over the June quarter 2018 to 2,595,877 and rose over the year from the June quarter 2017 to the June quarter 2018 by 0.8 per cent (or 21,684 persons).⁵⁰ Population growth in annual average terms increased to 0.8 per cent (or 20,247 persons) over the year from June quarter 2017 to the June quarter 2018. Population growth is expected to remain modest in 2018-19 at 1.2 per cent before gradually increasing to 1.4 per cent in 2019-2020, 1.6 per cent in 2020-2021 and 1.8 per cent in 2021-2022. A natural increase in population is the largest contributor to population growth in Western Australia. An increase in overseas migration and a recovery in interstate migration in line with improvements in the domestic economy are expected to assist population growth by 2021-2022.⁵¹
- 113 At January 2019, Western Australia had 1,335,943 employed persons comprising 725,658 employed males and 610,284 employed females⁵². This represents an employment to population ratio of 63.7 per cent (seasonally adjusted at January 2019), down slightly from 63.8 per cent in the December quarter 2018 and down from 64.2 per cent in the January quarter 2018. This is despite population tracking upwards at a slow pace over the period.
- 114 Seasonally adjusted, full-time employment accounted for 923,971 persons with 604,949 males and 319,022 females employed full-time and part-time employment totalled 399,011 persons comprising 116,270 males and 282,741 females.⁵³ Seasonally adjusted, employment in Western Australia increased by 0.1 per cent during January 2019. Employment rose by 1.3 per cent in annual average terms and dropped by 0.4 per cent over the three months to January 2019. Full-time employment contributed 0.8 percentage points to annual growth, while part-time employment contributed 0.6 percentage points.⁵⁴

Chart 14: Employed Persons – WA January 2015 – January 2019



Source: ABS, Cat. No. 6202.0 Labour Force, Australia, January 2019

⁵⁰ Western Australian Treasury, Economic Notes, Estimated Resident Population, June 18

⁵¹ 2018-2019 Government Mid-Year Financial Projections Statement, p. 53

⁵² ABS, Cat. No. 6202.0 Labour Force, January 2018

⁵³ *ibid*

⁵⁴ Western Australian Treasury, Economic Notes, Labour Force, January 2019

- 115 In Western Australia, the labour market is showing signs of improvement with the number of job vacancies increasing to 28,600 in November 2018, 1,000 more than the previous quarter (August 2018) and 8,800 more than a year ago (November 2017).⁵⁵ Whilst not at job vacancy levels experienced during the resources investment boom, job vacancies in Western Australia have been trending upwards since a low point of 14,400 job vacancies in May 2015.
- 116 Job advertisements in Australia increased in trend terms by 3.3 per cent over the year to January 2019, representing the strongest annual increase in job advertisements since August 2018.⁵⁶ Western Australia experienced a healthy growth (annual percentage change) in job advertisements in relation to other states and territories. Job advertisements increased in five states and the Australian Capital Territory (ACT). Tasmania experienced the strongest growth (up by 35.3%), followed by Victoria (7.8%), and Western Australia (5.3%). Job advertisements fell in Queensland (down by 1.6%) and the Northern Territory (1.2%). Perth recorded an increase in job advertisements over the year (3.9%) with the Pilbara and Kimberley region experiencing a strong rise (16.2%), followed by the Goldfields and Southern Western Australia (6.6%) and the South West of Western Australia (5.8%).⁵⁷

Chart 15: Western Australian Job Vacancies



Source: ABS, Cat. No. 6354.0, Job Vacancies, Australia, November 2018

- 117 The December quarter 2018 results of CCIWA's *Survey of Business Confidence* indicate that three out of ten businesses (31%) increased their employment levels over the December quarter, while a quarter of businesses (25%) employed fewer people.
- 118 CCIWA expects these conditions to continue to trend upwards over the next quarter, with 35 per cent of businesses expecting to increase their workforce in the next three months, but the majority (50%) are anticipating no changes. An increase in the number of job advertisements and improvements in employment signals Western Australia's businesses intend to expand.
- 119 CCIWA considers these improvements in business sentiment regarding employment point to steady jobs growth in the future which should put gradual upward pressure on wages growth in Western Australia.

⁵⁵ Ibid

⁵⁶ Department of Jobs and Small Business, Vacancy report, January 2009 (based in Internet Vacancy Index (IVI)). It does not include job advertisements in the labour market through some other online job boards, employer websites and newspapers.

⁵⁷ Ibid, pp. 1, 4 and 5

- 120 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.
- 121 The Labour Costs Index increased in the 2018 December quarter by 10.2 index points over the year to 118.6. Over half of businesses (54%) are expecting labour costs to remain stable and 43 per cent are anticipating higher labour costs.⁵⁸
- 122 The December quarter 2018 CCI Survey of Consumer Confidence showed that consumers remain concerned about job prospects in Western Australia. The Job Prospects Index declined marginally by 1.6 index points since the last quarter to 105.3. This modest decrease in the index can be attributed to a 2 per cent rise in consumers feeling their job prospects have worsened rather than remain unchanged. However, 15 per cent of consumers reported improved perceived employment prospects.

Unemployment

- 123 Western Australian's unemployment rate, on a seasonally adjusted basis, increased to 6.8 per cent during January 2019, up from a rate of 6.4 per cent in December 2018. The unemployment rate averaged 6.3 per cent over the year to January 2019, which was higher than the 5.9 per cent average unemployment rate recorded over the year to January 2018. The unemployment rate remains higher than Australia's unemployment rate which is 5 per cent in seasonally adjusted terms in January 2019. Western Australia also had the second highest unemployment rate following Tasmania at 7.0 per cent in seasonally adjusted terms.

Table 12: Western Australian Unemployment Rate

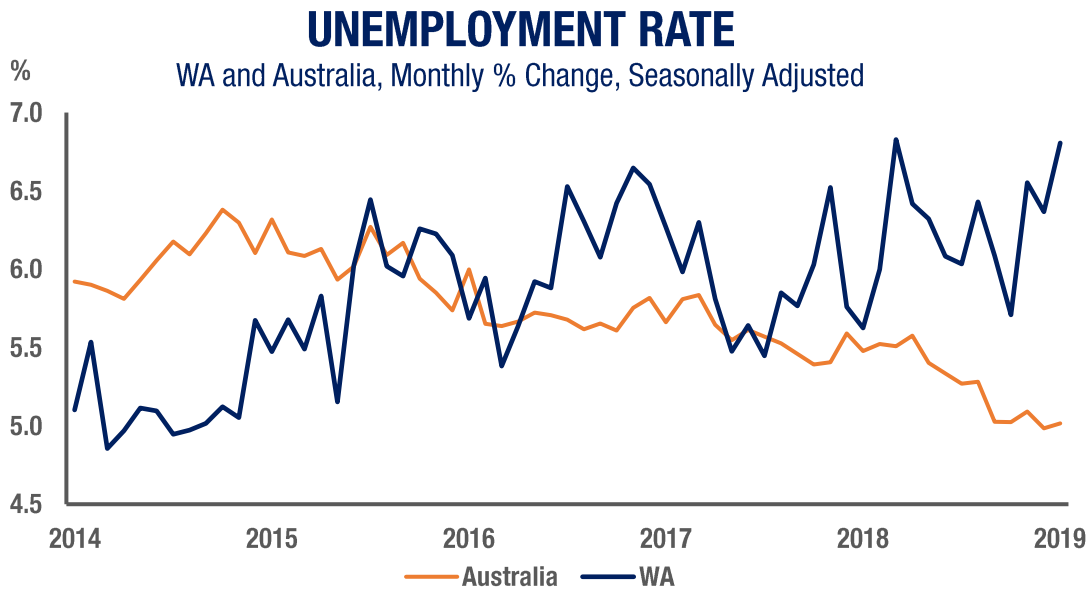
Month	WA (%)	Australia (%)
Jan-2018	5.6	5.5
Feb-2018	6.0	5.5
Mar-2018	6.8	5.5
Apr-2018	6.4	5.6
May-2018	6.3	5.4
Jun-2018	6.1	5.3
Jul-2018	6.0	5.3
Aug-2018	6.4	5.3
Sep-2018	6.1	5.0
Oct-2018	5.7	5.0
Nov-2018	6.6	5.1
Dec-2018	6.4	5.0
Jan-2019	6.8	5.0

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

⁵⁸ WA Super – CCI Survey of Business Confidence, December 2018

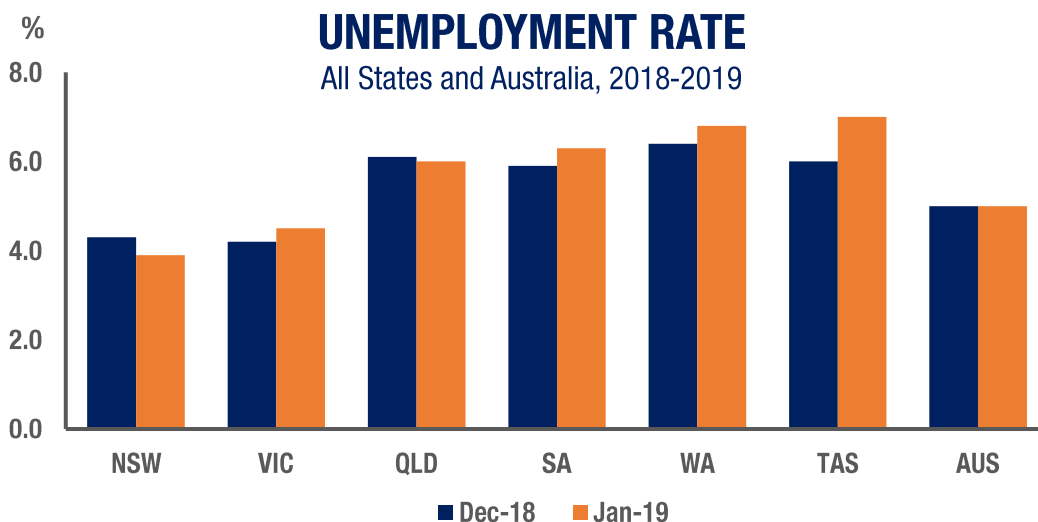
124 There were 97,577 unemployed persons in January 2019, seasonally adjusted of which 53,423 were males and 44,153 females.⁵⁹ Approximately 77.8 per cent of those unemployed were looking for full-time employment.

Chart 16: Unemployment Rates – Western Australia v Australia, January 2014 – January 2019



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

Chart 17: Unemployment Rates – Western Australia and Other States and Australia, December 2018 – January 2019



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

125 Since January 2016, the unemployment rate has hovered between a high of 6.8 per cent and a low of 5.4 per cent. Although the economy has created additional jobs, more people also want work. The June 2018 unemployment forecast has been revised by the CCIWA due to a revision to the business investment

⁵⁹ ABS, Cat. No. 6202, Labour Force, January 2019

forecast. CCIWA expect unemployment will decrease slightly with improved business investment outlook in 2019-2020 and 2020-2021.

Table 13: Unemployment Rate (%)

Financial Year	Unemployment Rate WA
2017-2018 Actual	6.1%
2018-2019 Forecast	6.0%
2019-2020 Forecast	5.9%
2020-2021 Forecast	5.9%

Source: CCIWA, Outlook January 2019

- 126 In regional Western Australia, particularly in the North East and Central regions, there are extremely high levels of unemployment. This includes places such as Halls Creek (30.4%), Derby- West Kimberley (25.2%), Leonora, Menzies and Ngaaytjarraku (15.1%) and Laverton (15.0%). Unemployment is also relatively high in parts of Perth including Kwinana (11.9%) and Rockingham (9.0%).⁶⁰
- 127 The quarterly net interstate migration (arrivals less departures) indicates that the high exit rates shown in Table 14 is keeping the unemployment rate in Western Australia artificially low as a result of less people in Western Australia looking for work. The average net interstate migration for Western Australia was 11,892 people per quarter.⁶¹

Table 14: Net Interstate Migration - Change Over the Year

Quarter	Persons
June 2018	11,300
March 2018	12,040
December 2017	12,818
September 2017	11,581
June 2017	11,722
Quarterly Average	11,892

Source: Western Australian Treasury Economic Notes

- 128 Seasonally adjusted, Western Australia's employment to population ratio in January 2019 was 63.7 per cent exceeding that of the states where Victoria's employment to population ratio was 63.0 per cent, New South Wales 62.6 per cent, the national average of 62.42 per cent, Queensland 61.4 per cent, South Australia 58.6 per cent and Tasmania 56.4 per cent.⁶²

Youth Unemployment

- 129 Western Australia's youth unemployment rate (15 to 24-year-olds) has steadily increased since January 2015 and at January 2019 was 17.2 per cent.⁶³ 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 12.01 per cent, from January 2017 to January 2018 the average rate was 13.6 per cent, and from January 2018 to January 2019 the average rate was 14.7 per cent. The Western Australian youth unemployment rate exceeds the national average.⁶⁴

⁶⁰ CCIWA Outlook, Seas of Uncertainty, January 2019

⁶¹ Western Australian Treasury, Economic Notes, Estimated Resident Population

⁶² ABS, Cat. No. 6202, Labour Force, January 2019

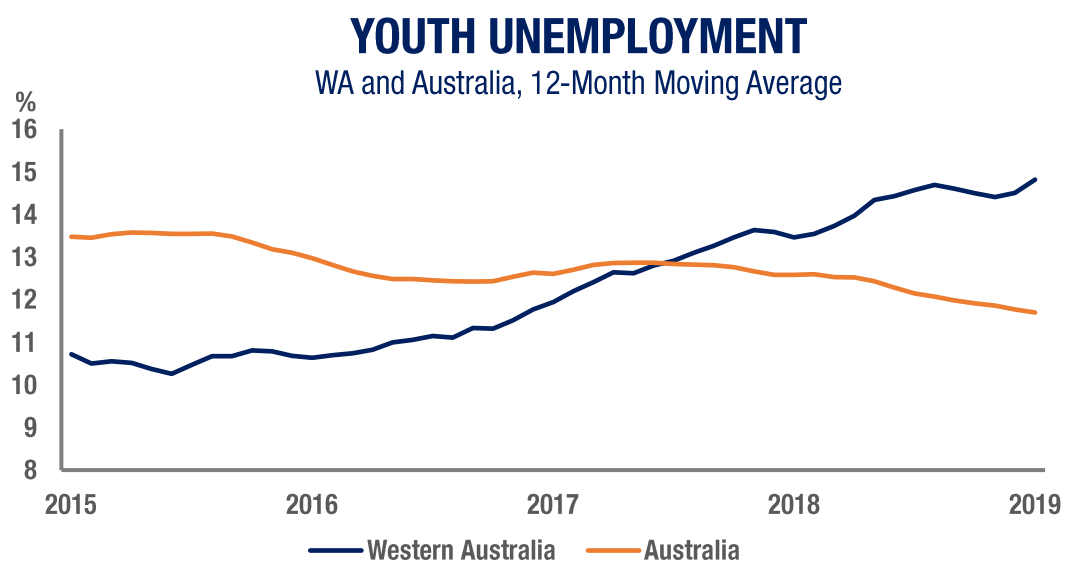
⁶³ Ibid

⁶⁴ Department of Jobs and Small Business, WA Monthly Labour Market Summary, November 2018

130 It is crucial to encourage opportunities for 15 to 24-year olds in Western Australia. With approximately 80 per cent of jobs in Western Australia created by the private sector, it is the success of businesses that will provide these opportunities. Ultimately, these opportunities will be mostly provided by small and medium businesses within the community, particularly in regional Western Australia.

131 Youth employment is a particularly acute and concerning challenge. The 2018-19 Annual Wage Review is occurring at a time when Western Australia is experiencing high 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.

Chart 18: Youth Unemployment Rates - WA v National, January 2015 – November 2018



Source: ABS Cat. No. 6202.0 Labour Force, Unemployment Rate 15-24 Year Olds. 12-Month Moving Average, Original.

132 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.

133 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.

134 The minimum wage setting must, in balance with other considerations, 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

135 Apprenticeships and traineeships are essential to developing highly skilled and qualified workers who contribute to the growth and productivity of the domestic economy. Apprenticeships and traineeships have been strongly supported by businesses across the economy.

136 By incorporating paid work with structured training, work experience and purpose-built industrial arrangements apprenticeships and traineeships deliver targeted skills development and conversion to on-

going employment for individuals of all ages and backgrounds, but importantly for first-time job seekers entering the workforce.

- 137 Apprenticeships and traineeships provide the foundation for education and skills development, and career outcomes in many industry sectors. Without the flow-through of skilled workers entering the labour market, skill shortages develop, and wages pressures result. This is especially the case in a dynamic economy undergoing structural change and technological innovation across several work fronts.
- 138 Apprenticeships and traineeships provide a crucial 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.
- 139 Adjustments in award wages for apprentices and government-sponsored incentives affect the relative attractiveness of apprenticeships to employers and would-be apprentices, with unknown impacts.⁶⁵ A precipitous adjustment to award wages as far as they cascade to apprentices and trainees could have a negative effect on the employment opportunities for apprentices and trainees and have an adverse and lasting impact.
- 140 Business therefore supports a cautious approach to wages adjustment to ensure that, as far as they relate to the wages for apprentices and trainees, any movement in wage costs do not exert unsustainable wage pressures that dampen or discourage businesses from continuing to provide employment pathways for apprentices and trainees.

Underemployment

- 141 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.
- 142 The underemployment rate for Australia in trend terms remained steady at 8.3 per cent in January 2019 and decreased in Western Australia by 0.1 percentage point from 9.3 per cent in December 2018 to 9.2 per cent in January 2019. Over the year the underemployment rate for Australia decreased by slightly under 0.3 percentage points from 8.5 per cent in January 2018. In Western Australia, the underemployment rate in trend terms remained steady at 9.2 per cent over the year although the rate increased mid-year before returning to 9.2 per cent in January 2019.⁶⁶
- 143 The seasonally adjusted underemployment rate decreased in all states for the months of December 2018 and January 2019. While Western Australia's underemployment rate decreased (down 0.1 percentage point to 9.2%), Tasmania (down 0.6 percentage points to 9.4%) and Queensland (down 0.4 percentage points to 8.5%) had the largest decreases.⁶⁷
- 144 Of the 131,680 underemployed persons in January 2019, 54,803 are males and 76,877 are females.⁶⁸ In January 2019, the underemployment rate for males was 7.0 per cent and 11.7 per cent for females.⁶⁹

⁶⁵ Productivity Commission Inquiry Report, Workplace Relations Framework, Overview and Recommendations, No 76, 30 November 2015, p. 20

⁶⁶ ABS, Cat. No. 6202.0 Labour Force, Underemployment Rate, January 2019

⁶⁷ Ibid

⁶⁸ ABS, Cat. No. 6202, Labour Force, January 2019

⁶⁹ Ibid

During 2018, underemployed persons made up around 9.2 - 11.3 per cent of all employed persons in Western Australia (the underemployment ratio).⁷⁰

- 145 There were a total of 125,232 persons who worked part-time and preferred more hours (48,568 males and 76,664 females).⁷¹
- 146 The underemployment rate in Western Australia reached a high of 10.5 per cent seasonally adjusted in August 2018 before declining. This decline corresponds to a growth in full-time employment in Western Australia. The degree of underemployment continues to reflect spare capacity in the Western Australian labour market over the course of 2018.

Table 15: Underemployment Rate – WA and Australia

Month	WA (%)	Australia (%)
Jan-2018	8.7	8.8
Feb-2018	8.8	8.5
Mar-2018	9.4	8.5
Apr-2018	9.6	8.5
May-2018	9.3	8.5
Jun-2018	9.4	8.5
Jul-2018	9.4	8.5
Aug-2018	10.5	8.3
Sep-2018	9.9	8.3
Oct-2018	9.4	8.3
Nov-2018	9.2	8.5
Dec-2018	9.3	8.3
Jan-2019	9.2	8.1

Source: ABS. Cat. No. 6202.0 Labour Force, Underemployment Rate. Monthly, Proportion of Labour Force, Seasonally Adjusted

- 147 It is important to absorb spare labour market capacity by ensuring viable businesses within the economy that are able to provide job opportunities for those people looking for work and willing and available to work more hours than they currently have. Underemployment provides an important gauge of spare capacity in the labour market. While the slight downward trajectory in the underemployment rate in 2018 and early 2019 is a positive sign that some spare capacity is being taken up in the domestic economy, the degree of spare capacity in the Western Australian labour market is high.
- 148 Many businesses remain wary about adding to their labour costs in the current economic environment. Businesses in Western Australia therefore support a cautious approach to wage adjustment to ensure that any wage adjustment does not result in significant or unexpected labour cost increases that discourage businesses from providing additional jobs and additional hours of work, and from utilising the spare capacity in the labour market.

⁷⁰ Ibid
⁷¹ Ibid

Underutilisation

- 149 Underutilisation is a measure of the 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 that whether people are unemployed or underemployed, individuals have different preferences for the number of hours of work.
- 150 Australia's underutilisation rates between January 2017 and January 2019, seasonally adjusted, improved by 1.3 percentage points, reaching a high of 14.8 per cent in February 2017 and a low of 13.2 per cent in January 2019. The male and female underutilisation rates improved by the same margin over the period (1.3% January 2017- January 2019). The average underutilisation rate for Australia between January 2017 and January 2019 was 13.9 per cent. The average male and female underutilisation rates over the same period were 12 per cent and 16.2 per cent respectively.⁷²
- 151 Western Australia's underutilisation rates between January 2017 and January 2019, seasonally adjusted, tracked higher than the national underutilisation rates. This was also the case for male and female underutilisation rates over the same period. The male underutilisation rate increased by 0.4 percentage points between January 2017 and January 2019 but hovered mainly between a high of 14.8 per cent and a low of 12.3 per cent over the period. The average male underutilisation rate between January 2017 and January 2019 was 13.6 per cent. The female underutilisation rate decreased by 1.0 percentage point between January 2017 and January 2019 and averaged 18.2 per cent over the period, 2 percentage points above the national average underutilisation rate for females.⁷³
- 152 The movement in the underutilisation rate and the unemployment rate are reliable indicators of spare labour market capacity. The underutilisation rate and unemployment rate are high and as stated earlier, show that there is a sizable number of people in Western Australia who would like to work more hours than is currently being offered in the market place. It is important to absorb the spare labour market capacity by creating more job opportunities, more hours of work and greater employment options for those who are currently employed.
- 153 Business investment is critical to jobs growth in Western Australia. However, with business investment forecast to improve further out (2019-2020 and 2020-2021) it is conceivable that the existing spare labour market capacity in Western Australia may remain in the short term and improve when unemployment is forecast to decrease slightly in 2019-2020 and 2020-2021, and when business investment improves.
- 154 Although businesses are looking to hire more people they remain cautious of rising operating costs, wage pressures and growing labour costs.⁷⁴ It is important therefore to achieve a sustainable minimum wage and modern award minimum wage outcome and ensure a job supporting and job creating business environment exists where Western Australian businesses can be successful and sustainable in a cost competitive environment.

⁷² Ibid

⁷³ Ibid

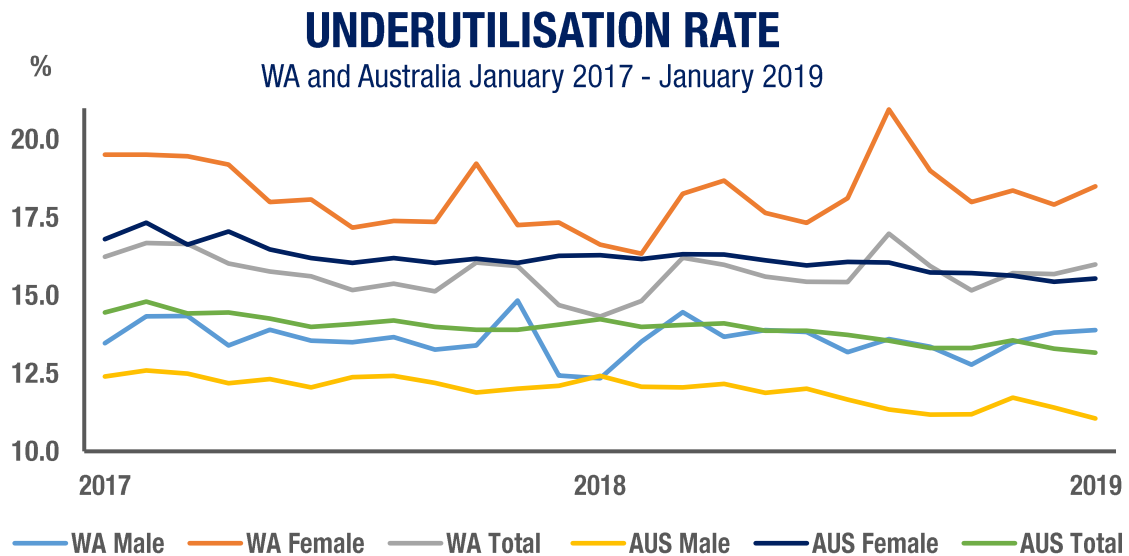
⁷⁴ CCI Survey of Business Confidence, December Quarter 2018

Table 16: Underutilisation Rate – WA and Australia

Month	WA (%)			Australia (%)		
	Males	Females	Total	Males	Females	Total
Jan 2017	13.5	19.5	16.2	12.4	16.8	14.5
Feb 2017	14.3	19.5	16.7	12.6	17.3	14.8
Mar 2017	14.3	19.5	16.6	12.5	16.6	14.4
Apr 2017	13.4	19.2	16.0	12.2	17.1	14.5
May 2017	13.9	18.0	15.8	12.3	16.5	14.3
Jun 2017	13.6	18.1	15.6	12.1	16.2	14.0
Jul 2017	13.5	17.2	15.2	12.4	16.0	14.1
Aug 2017	13.7	17.4	15.4	12.4	16.2	14.2
Sep 2017	13.3	17.4	15.1	12.2	16.0	14.0
Oct 2017	13.4	19.2	16.1	11.9	16.2	13.9
Nov 2017	14.8	17.3	15.9	12.0	16.0	13.9
Dec 2017	12.4	17.3	14.7	12.1	16.3	14.1
Jan 2018	12.3	16.6	14.3	12.4	16.3	14.2
Feb-2018	13.5	16.3	14.8	12.1	16.2	14.0
Mar-2018	14.5	18.3	16.2	12.0	16.3	14.1
Apr-2018	13.7	18.7	16.0	12.2	16.3	14.1
May-2018	13.9	17.6	15.6	11.9	16.1	13.9
Jun-2018	13.8	17.3	15.4	12.0	16.0	13.9
Jul-2018	13.2	18.1	15.4	11.7	16.1	13.7
Aug-2018	13.6	21.0	17.0	11.3	16.1	13.5
Sep-2018	13.4	19.0	15.9	11.2	15.7	13.3
Oct-2018	12.8	18.0	15.2	11.2	15.7	13.3
Nov-2018	13.5	18.4	15.7	11.7	15.6	13.6
Dec-2018	13.8	17.9	15.7	11.4	15.4	13.3
Jan-2019	13.9	18.5	16.0	11.1	15.5	13.2

Source: ABS, Cat. No. 6202.0 Labour Force, Underemployment Rate, Proportion of Labour Force

Chart 19: Underutilisation Rate WA and Australia January 2017 – January 2019



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

Participation Rate

- 155 The participation rate measures the share of the working age population either working or looking for work at a point in time. The Western Australian participation rate in January 2019 was 68.4 per cent seasonally adjusted, up slightly from 68.1 per cent seasonally adjusted (or 0.3 %) from January 2018 compared with Australia's participation rate of 65.7 per cent seasonally adjusted in January 2019, in line with the participation rate recorded for January 2018 (averaging 65.6 % over the period).⁷⁵
- 156 The Western Australian participation rate for January 2019 is close to the 2018-2019 Western Australian Government mid-year Financial Projects Statement forecast of an annual average participation rate of 68.6 per cent in 2018-2019.⁷⁶
- 157 The female participation rate for Western Australia decreased slightly from 62.5 per cent in January 2018 to 62.0 per cent in January 2019, seasonally adjusted, down by 0.5 percentage points while the male participation rate rose from 73.7 per cent in January 2018 to 75.0 per cent (or 1.3 %) over the same period. The national participation rates for males and females rose 0.2 per cent, seasonally adjusted, for each cohort, over the same period.⁷⁷
- 158 Female participation rates in Western Australia have changed marginally over the period and lag the male participation rate by 13 per cent, somewhat worse than the national differential of 10.2 per cent.

⁷⁵ ABS, Cat. No. 6202.0, Labour Force, January 2019

⁷⁶ 2018-2019 Government Mid-Year Financial Projections Statement, p 49

⁷⁷ ABS, Cat. No. 6202.0, Labour Force, January 2019

Table 17: Participation Rate – National and WA

Month	WA (%)			Australia (%)		
	Males	Females	Total	Males	Females	Total
Jan 2018	73.7	62.5	68.1	71.2	60.5	65.7
Feb 2018	73.9	62.4	68.1	70.9	60.5	65.6
Mar 2018	74.7	62.7	68.7	70.8	60.4	65.5
Apr 2018	74.6	63.0	68.8	70.9	60.5	65.6
May 2018	75.0	62.2	68.5	70.8	60.4	65.5
Jun 2018	74.6	62.5	68.5	71.0	60.6	65.7
Jul 2018	74.9	61.7	68.2	70.9	60.3	65.5
Aug 2018	74.9	62.6	68.7	71.1	60.5	65.7
Sep 2018	74.7	62.4	68.5	70.8	60.3	65.5
Oct 2018	75.0	62.0	68.4	70.8	60.4	65.5
Nov 2018	75.4	62.7	69.0	71.1	60.5	65.7
Dec 2018	74.7	61.6	68.1	70.9	60.5	65.6
Jan 2019	75.0	62.0	68.4	70.9	60.7	65.7

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

159 As at January 2019, Western Australia had the highest male and female participation rates of all states.

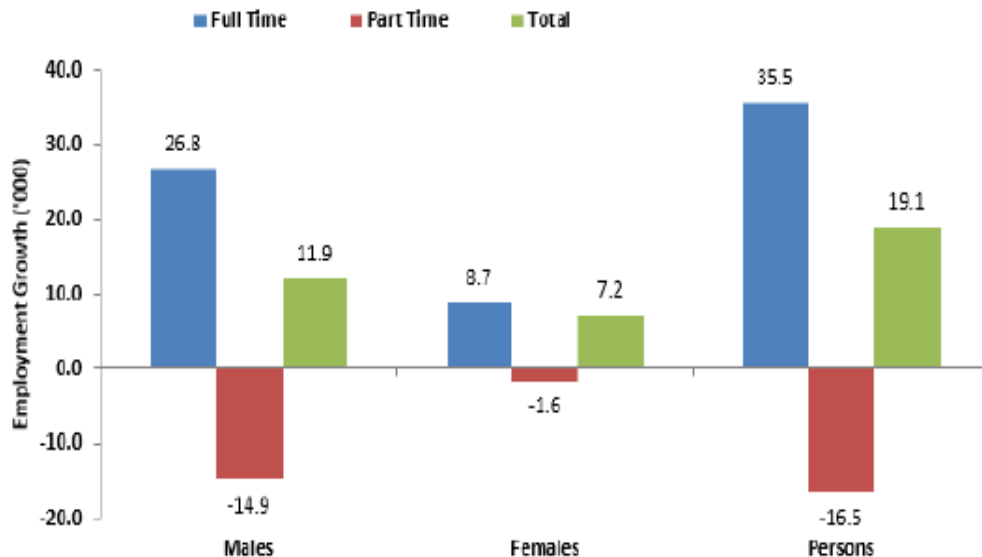
Table 18: Participation Rate – Australia and States (%)

Month	NSW	VIC	QLD	SA	TAS	WA
Male	69.9	71.6	69.8	68.6	64.1	75.0
Female	60.6	60.6	61.1	56.8	57.4	62.0
TOTAL	65.2	66.0	65.4	62.6	60.7	68.4

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

160 In 2018, Western Australia witnessed a growth in full-time employment, which rose sufficiently to offset a decline in part-time employment. Female part-time employment declined but was offset by an increase in the number of females in full-time employment. Male part-time employment also fell, but was also offset by an increase in full-time employment.

Chart 20: Employment Growth – WA, By Type and Gender, 2018



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

Wage Price Index

- 161 The most common source of data on hourly earnings is the quarterly Wage Price Index (**WPI**), which is an index of wages and salaries calculated from a representative sample of jobs. Private sector wages growth in Western Australia, as measured by the WPI has decreased over the last three years reaching its lowest point of 1.0 per cent through the March and June quarters of 2017. The WPI improved through the December quarter of 2017 (1.5%) finishing in the December quarter 2018 at 1.7 per cent. The WPI has been at or below 2 per cent in Western Australia since December 2014.⁷⁸
- 162 Private sector wage growth in other states through the year (at the December quarter 2018) ranged from 2.9 per cent for Tasmania, 2.5 per cent for Victoria, and 2.3 per cent for New South Wales, Queensland and South Australia.⁷⁹
- 163 In the December quarter 2018, Victoria recorded the highest quarterly rise of 0.8 per cent, South Australia recorded 0.5 per cent, while Western Australia recorded 0.4 per cent as did New South Wales, followed by Queensland, and Tasmania, recording a quarterly rise of 0.3 per cent.⁸⁰
- 164 Private sector wage growth has been subdued for a number of years languishing around 2 per cent or below since early 2016. With the unemployment rate in January 2019 at 6.8 per cent and relatively high underemployment of 9.2 per cent in January 2019, the on-going spare capacity that exists in the Western Australian labour market combined with a low inflation economy is likely to keep wage growth in Western Australia low.

78 ABS, CAT. No. 6345.0 Wage Price Index, Australia, Table 3b, Percentage Change from Corresponding Qtr of Previous Year, WA, Private, All Industries (Excluding Bonuses), December 2018, Original

79 Ibid

80 Ibid

- 165 The Western Australian Government is expecting wages growth (WPI) at 1.75 per cent in 2018-2019, and to gradually pick up pace over the remainder of the forecast period (2019-2020 at 2.75% and 2020-2021 at 3.0%) as economic activity continues to strengthen and spare capacity in the labour market is absorbed.⁸¹
- 166 CCIWA forecast wages growth of 1.4% in 2018-2019, increasing to 1.8 per cent in 2019-2020, and 2.0 per cent for the 2020-2021 forecast. The increase in wages for the CCIWA is predicated on trends in Western Australia in multi-factor productivity and capital deepening where businesses invest in machinery and equipment that increases business output and revenue. Wage growth is likely to remain subdued and pick up with productivity growth in the domestic economy.⁸² Productivity growth, described as increases in output (or revenue) per worker, is necessary to ensure that businesses have additional revenue to afford to pay employees more.

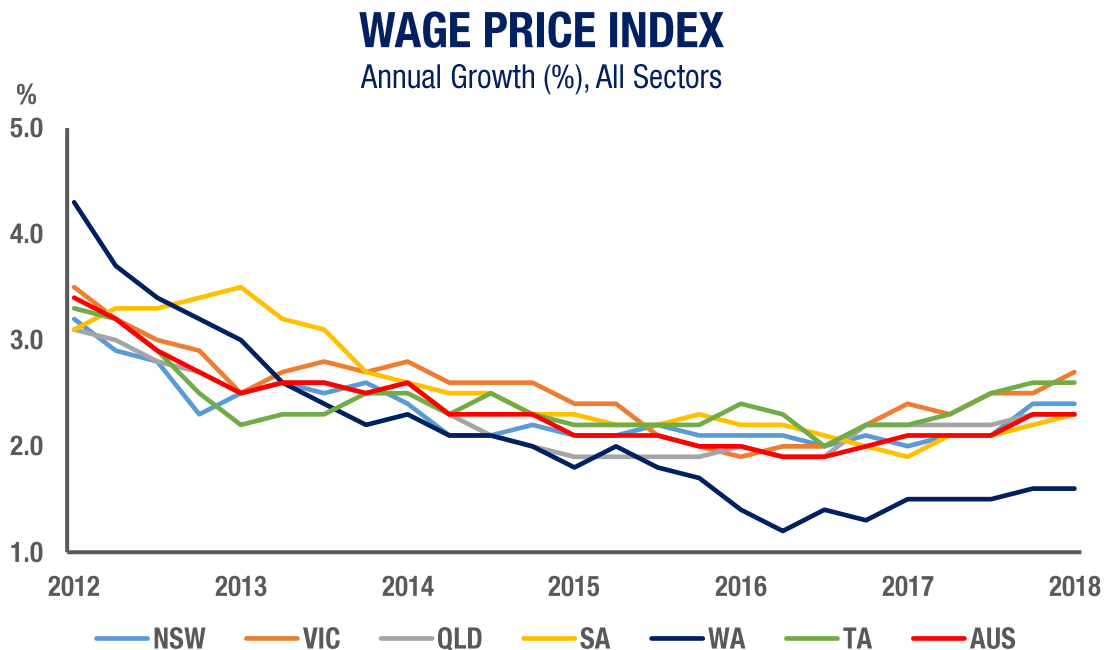
Table 19: Wage Price Index, December 2014 – December 2018

Quarter	Australia	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
Mar-2018	2.0	1.6
Jun-2018	2.0	1.6
Sep-2018	2.2	1.5
Dec-2018	2.3	1.7

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

81 2018-2019 Government Mid-Year Financial Projections Statement, p 49 and pp 52-53
82 CCIWA Outlook, Seas of Uncertainty, January 2019

Chart 21: Wage Price Index – States and Australia, All Sectors, 2012 - 2018



Source: ABS, Cat. No. 5345.0 Wage Price Index, Australia, All Sectors, Percentage Change from Corresponding Quarter of Previous Year, Total Hourly Rates of Pay Excluding Bonuses, Private and Public, All Industries

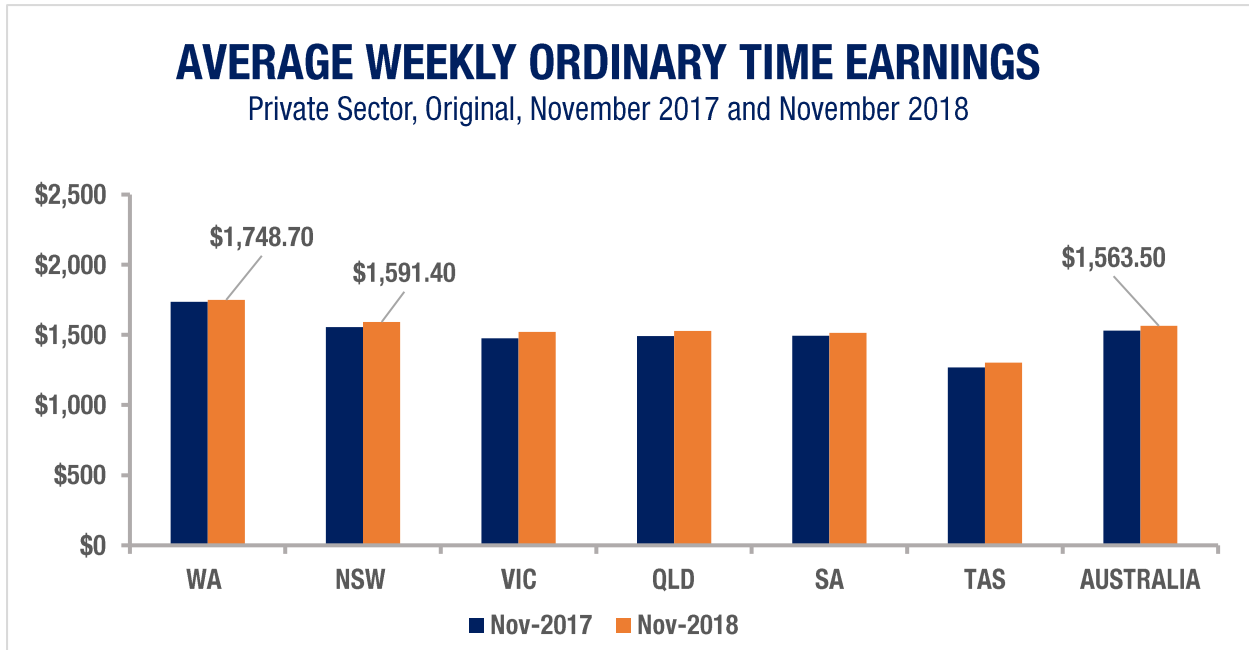
Average Weekly Earnings

- 167 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.
- 168 Western Australia has the highest AWOTE of the states for November 2018 at \$1,757.10, seasonally adjusted, Tasmania had the lowest AWOTE at \$1,399.20. The ACT surpassed Western Australia with an AWOTE of \$1,811.30. Western Australia's AWOTE exceeded the Australian AWOTE by \$151.60 per week.⁸³ In the twelve months to November 2018 the full-time AWOTE for Australia increased by 2.3 per cent seasonally adjusted. For Western Australia, the increase in the full-time AWOTE over the twelve months to November 2018 was 0.8 per cent while in other states increases ranged between Tasmania at 3.2 per cent, Queensland at 3.0 per cent and Victoria at 2.9 per cent.
- 169 In terms of the private sector, the AWOTE for Western Australia for November 2018 was \$1,748.70 exceeding all States and Australia. Australia's AWOTE for the private sector for November 2018 was \$1,563.50 (refer to Chart 22). The increase in the private sector full-time AWOTE for Western Australia over the twelve months to November 2018 was 0.8 per cent while the private sector increase for Australia was 2.2 percent for the same period.
- 170 Western Australia also had the highest AWOTE for males at \$1,915.90 for November 2018, seasonally adjusted of all states. The ACT AWOTE exceeded Western Australia at \$1,936.80 for November 2018. New South Wales (NSW) had the highest AWOTE for females at \$1,479.80 followed by Western Australia

⁸³ ABS, Cat. No. 6302.0 Average Weekly Earnings, Australia, November 2018, Australia, States and Territories, Seasonally Adjusted, Tables 2 and 12A-H

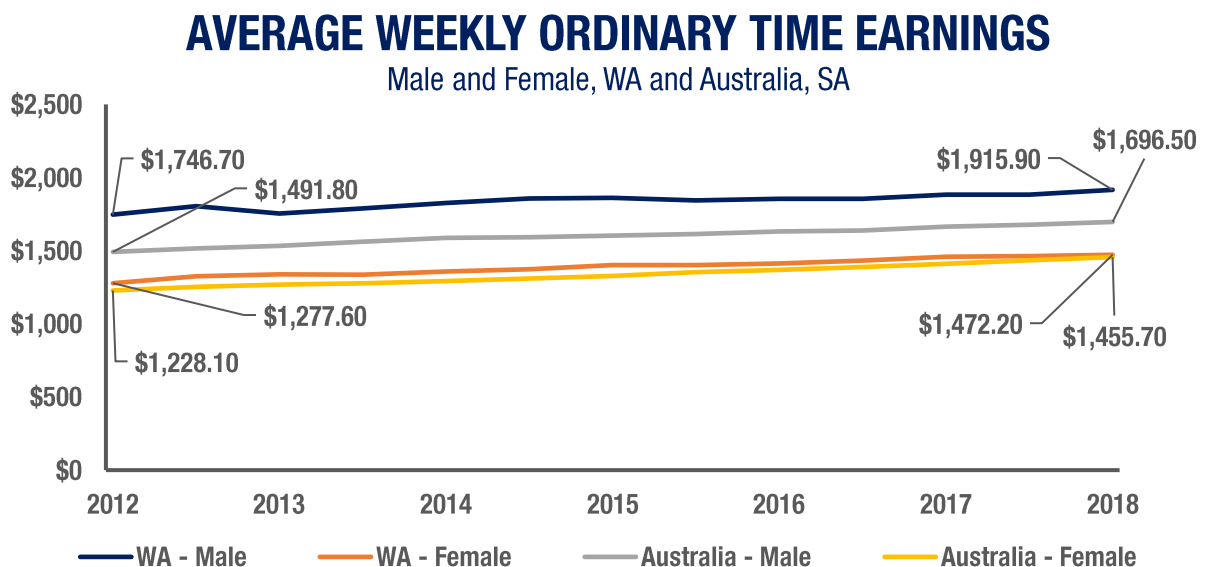
at \$1,472.20, then Victoria (\$1,468.80) and Australia (\$1,455.70). Chart 23 identifies the movement in relation to AWOTE for males and females since 2012 for Western Australia and Australia.

Chart 22: Western Australia, Other States and Australia, Average Weekly Ordinary Time Earnings, November 2017 and November 2018, Original



Source: ABS, Cat. No. 6302.0, Average Weekly Earnings, Australia, November 2018, Original

Chart 23: Western Australia and Australia, Male and Female, Average Ordinary Time Earnings, Seasonally Adjusted



Source: Source: ABS, Cat. No. 6302.0, Average Weekly Earnings, Australia, November 2018, Seasonally Adjusted

Table 20: Average Weekly Ordinary Time Earnings, Seasonally Adjusted

Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
All Persons								
\$1,605.50	\$1,622.10	\$1,563.30	\$1,570.80	\$1,461.10	\$1,757.10	\$1,399.20	\$1,643.30	\$1,811.30
Males								
\$1,696.50	\$1,717.30	\$1,614.40	\$1,684.40	\$1,514.10	\$1,915.90	\$1,452.10	\$1,762.90	\$1,762.90
Females								
\$1,455.70	\$1,479.80	\$1,468.80	\$1,389.80	\$1,371.00	\$1,472.20	\$1,299.80	\$1,500.80	\$1,657.80

Source: ABS, Cat. No. 6302.0, Average Weekly Earnings, November 2018, Seasonally Adjusted

- 171 Wage growth in the full-time AWOTE for Western Australia was subdued over the twelve months to November 2018. However, the full-time AWOTE remains higher than the full-time AWOTE for Australia and other states. The higher AWOTE reflects Western Australia's project-based economy where large businesses operating often in remote and regional areas pay large amounts and increase pay year on year to incentivise workers and attract specialised skills.

Monthly Working Hours

- 172 As noted in table 21, all states recorded increases in total monthly working hours over the period from January 2018 to January 2019. Victoria recorded the highest increase for the states while the Northern Territory and the Australian Capital Territory recorded decreases total monthly working hours. For Western Australia, this increase is a turnaround after it recorded a decline in total monthly working hours for the period January 2017 to January 2018.
- 173 Nevertheless, over the five years from January 2013 to January 2019, Western Australia was the only state or territory to record a decline in total monthly working hours, falling by 2.08 per cent. While there was an increase in the number of monthly working hours to January 2019 the overall reduction over the longer-term points to continued spare capacity in the labour market.⁸⁴
- 174 For Australia, the increase in monthly working hours from January 2013 to January 2019 was 8.83 per cent, surpassed by Victoria (14.75%) and New South Wales (10.35%).⁸⁵

Table 21: Percentage Change in Monthly Hours Worked in all Jobs (All Persons, Seasonally Adjusted)

Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Percentage Change – January 2018 to January 2019 (1 year)								
3.17%	3.98%	4.51%	1.56%	2.40%	3.20%	0.21%	-0.70%	-3.72%
Percentage Change – January 2013 to January 2019 (5 years)								
8.83%	10.35%	14.75%	7.11%	3.43%	-2.08%	5.62%	3.70%	3.98%

Source: ABS, Cat. No. 6202.0, Labour Force, January 2019

- 175 For Australia, over the year January 2018 to January 2019, monthly working hours worked in all jobs for males increased by 3.09 per cent while there was an increase of 3.29 per cent recorded for females. For

⁸⁴ ABS, Cat. No. 6202.0, Labour Force, January 2019

⁸⁵ Ibid, Table 19 Seasonally Adjusted

full time employment, male working hours increased by 3.16 per cent and females increased by 3.25 per cent and in part time employment male working hours increased by 2.40 per cent while females increased 3.42 per cent.⁸⁶

176 For the period from January 2013 to January 2019, for Australia the total monthly hours in all jobs for males increased by 6.20 per cent and for females increased by 15.20 per cent. The change in full-time hours for males increased by 4.55 per cent and in part-time hours increased by 27.46 per cent. For females, full-time hours increased by 13.24 per cent while part-time hours increased 20.37 per cent.⁸⁷

177 The data suggests that working hours worked by female employees in both full-time and part-time employment has increased significantly, indicating an increase in female workforce participation.

Enterprise Bargaining Agreements

178 Many workers in Australia have their earnings determined in accordance with enterprise bargaining agreements, and the terms of these agreements provide another useful source of information and data regarding wage outcomes. The Commonwealth Department of Jobs and Small Business surveys all enterprise bargaining agreements registered and approved by the Fair Work Commission and reports aggregate data regarding average wage increases specified in the enterprise bargaining agreements. The enterprise agreement data is reported quarterly in *Trends in Federal Enterprise Bargaining Report*.

179 The deceleration of wage outcomes in enterprise bargaining agreements, which has been documented recently, has seen averages of around 4 per cent down to around 2.5 per cent in recent years.⁸⁸

180 The decline of the number of workers in the private sector covered by enterprise bargaining agreements has also been documented recently.⁸⁹ The number of current agreements in the private sector has halved, and the number of workers covered by agreements has dropped by 34 per cent since the end of 2013, a decline of 662,461 workers. Only 12 per cent of Australians employed in the private sector are now covered by enterprise bargaining agreements.⁹⁰

181 Small enterprise bargaining agreements covering less than 20 workers had the most rapid decline in the number of enterprise agreements approved since 2013, whereas the loss of a small number of large agreements (500 workers or more) made up the majority of the decline in the number of employees covered. Only 5 per cent of workers in businesses with less than 20 workers are paid under enterprise bargaining agreements.⁹¹ A greater proportion of the private sector now rely on awards for pay adjustments.⁹²

182 Chart 24 shows the quarterly average annualised wage increase (**AAWI**) for private sector agreements approved (in the nominated quarter) the since September quarter 2015, and the AAWI for private sector current agreements (not expired or terminated) at the end of each quarter.

183 The majority of agreements approved in the September quarter 2018 were private sector agreements (842 or 96%) down from 1321 agreements approved in the September quarter 2015 (36%).⁹³ Private

86 Ibid Table 19

87 Ibid

88 Stanford, J Charting Wage Stagnation in Australia, pp 21-40, p. 26, Ed. A, Stanford J and Hardy T, The Wage Crisis in Australia

89 Pennington, P. On the Brink, The Erosion of Enterprise Agreement Coverage in Australia's Private Sector, December 2018

90 Ibid, p. 4

91 Ibid, p. 5

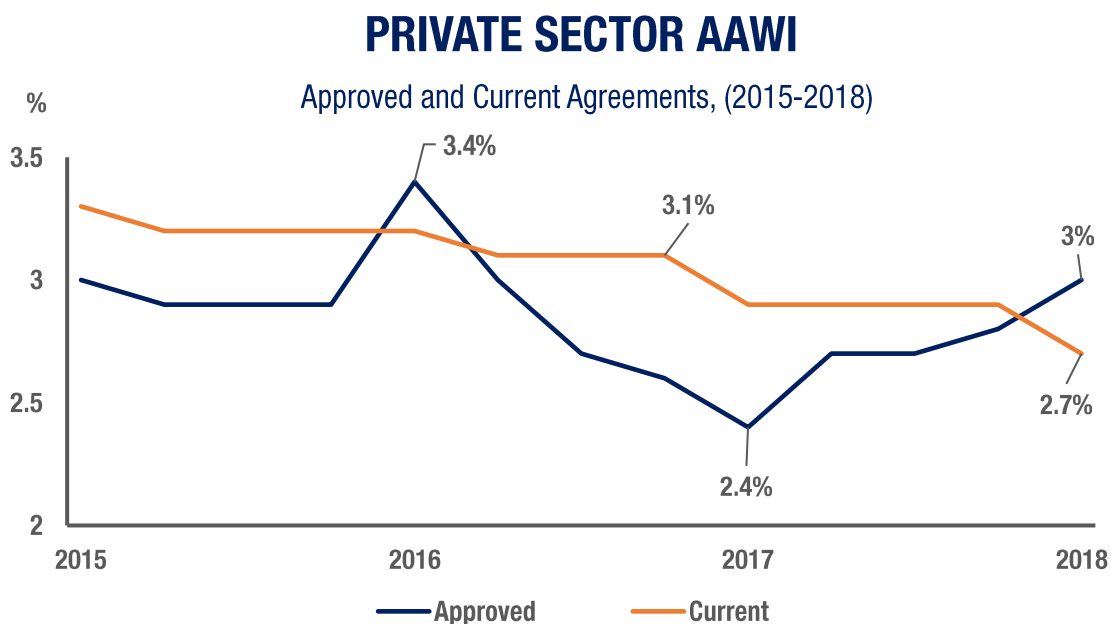
92 Ibid

93 Trends in Federal Enterprise Bargaining, September Quarter 2017, Department of Jobs and Small Business, Table 3

sector agreements approved covered 97,600 workers in the September quarter 2018 down by 40 per cent from the end of the September quarter 2015.

184 The AAWI for agreements approved in the September quarter 2018 was 3.2 per cent, up from 2.7 per cent in the June 2018 and up from 2.2 per cent in the September quarter 2017. The AAWI for private sector agreements approved finished at 3.0 per cent in the September quarter 2018 up from a low of 2.4 per cent in the September quarter 2017, and an average of 2.8 per cent over the period. The number of private sector agreements diminished by over a third (36%) from 1,368 in the September quarter 2015 to 873 in the September quarter 2018.

Chart 24: Private Sector AAWI – Approved and Current Enterprise Agreements



Source: Trends in Federal Enterprise Bargaining Report, Table 3 and 4 in Trend

185 The AAWI for agreements approved for rental, hiring and real estate sector was up from 1.8 per cent in the June quarter 2017 to a high of 7.9 per cent in the September quarter 2018. Other sectors with increases in AAWI's included construction, up from 3.1 per cent in the September quarter 2017 to 5.9 per cent in the September quarter 2018; and administration and support services up from 2.1 per cent in the June quarter 2017 to 4.5 per cent in the September quarter 2018. Industries with lower AAWI's included wholesale (2.0%), mining (2.2%) and telecommunications (1.9%).⁹⁴ The higher AAWI outcome in the September quarter 2018 was due to a rise in wage growth across most industries and high AAWI's in construction industry agreements.⁹⁵

186 Western Australia had 75 agreements approved in the September quarter 2018 covering 5, 800 workers, on agreements with an average duration of 2.5 years, with an AAWI of 1.8 per cent, lower than the average for all sector agreements approved and for agreements approved in other states. All states with the exception of Tasmania (2.5 years) had agreements approved for a longer average duration. The

94 Ibid, Table 7

95 Ibid, Table 3

average duration for private sector agreements approved in the September quarter 2018 was 2.4 years, and it was 2.8 years for all sector agreements approved for the same quarter.⁹⁶

- 187 Private sector agreements made up 96 per cent of all agreements (10, 989) current (not expired or terminated) as at 30 September 2018. The AAWI for private sector agreements current was 2.7 per cent down from 3.1 per cent in the end of the June quarter 2017. Private sector agreements current covered 1,197,600 workers (down by 25% from the end of the December quarter 2015) and had an average duration of three years.⁹⁷
- 188 The AAWI was highest for construction agreements (4.2%) current at the end of the September quarter 2018 and lowest in mining (2.0%) and retail (2.3%).⁹⁸
- 189 Western Australian agreements current made up 1,177 of the total of all sector agreements (10,989) current at the end of the September quarter 2018. The agreements covered 117,000 workers and the average AAWI for agreements current was 2.1 per cent, the lowest for agreements current in other states. The average duration of the agreements current for Western Australia was 3.1 years, surpassed by Victoria (3.7 years) and Queensland (3.3 years).⁹⁹
- 190 The lower AAWI for Western Australia in relation to other states and in relation to private sector agreements approved and current shows restraint in negotiated outcomes as the domestic economy works its way through cost pressures and challenging business conditions on the road to recovery. With the average duration of agreements approved in the September quarter 2018 at 2.5 years and for agreements current for the same quarter 3.1 years, businesses in Western Australia are committed to lower negotiated wage outcomes for a number of years ahead.

Table 22: Enterprise Agreements Approved in Quarter

Agreements Approved (in the nominated Qtr) September Quarter 2018				
Sector	No	AAWI (%)	Duration (Yr)	Workers
Agriculture, Forestry, Fishing	7	3.0	2.7	700
Mining	20	2.2	3.6	2,600
Manufacturing	145	2.7	2.7	10,300
Electricity, Gas, Water	34	3.2	3.3	4,900
Construction	328	5.9	2.5	7,300
Wholesale Trade	43	2.0	2.9	2,300
Retail	9	3.0	4.0	1,400
Accommodation, Food Services	3	3.8	4.0	100
Transport	89	2.6	2.7	12,900
Rental, Real Estate	9	7.9	1.8	200
Health and Community	48	3.9	3.6	29,700
Art and Recreation	8	2.7	3.2	1,500
All Sectors	873	3.2	2.8	132,900

Source: Trends in Federal Enterprise Bargaining Report, September Quarter 2018, Department of Jobs and Small Business

96 Ibid, Table 10

97 Ibid, Table 4

98 Ibid, Table 8

99 Ibid, Table 11

Table 23: Enterprise Agreements Current in Quarter

Agreements Current (on the last day) September Quarter 2018				
Sector	No	AAWI (%)	Duration (Yr)	Workers
Agriculture, Forestry, Fishing	137	2.6	3.4	12,500
Mining	324	2.0	3.3	37,200
Manufacturing	1706	2.5	3.0	108,700
Electricity, Gas, Water	319	2.9	3.0	45,300
Construction	3378	4.2	3.1	76,500
Wholesale Trade	414	2.6	2.9	25,900
Retail	153	2.3	2.3	105,000
Accommodation, Food Services	247	2.6	3.6	20,800
Transport	951	2.5	3.1	161,000
Rental, Real Estate	182	2.5	3.3	7,700
Health and Community	931	3.0	3.5	381,200
Art and Recreation	113	2.8	3.2	33,400
All Sectors	10989	2.7	3.2	1,890,000

Source: Trends in Federal Enterprise Bargaining Report, September Quarter 2018, Department of Jobs and Small Business

7. Summary and Concluding Comments

- 191 CCIWA supports responsible and sustainable wage adjustment through the national minimum wage and modern award minimum wages that considers productivity, and therefore business capacity, as a fundamental ingredient for growth and employment.
- 192 Caution and restraint in minimum wage setting is 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.
- 193 While the Expert Panel must consider the state of the Australian economy in the review of the national minimum wage, CCIWA would urge the FWC in its deliberations to have regard to the specific circumstances of the Western Australian economy.
- 194 CCIWA would summarise the following indicators of the Western Australian economy that should be considered by the Panel in its deliberations:
- a. **Business Investment** – CCIWA forecasts a decline of 15 per cent in 2018-2019 recovering to 6 per cent in 2019-2020 and 8 per cent in 2020-2021. The increase in business investment is expected to be supported by projects required to maintain the recent large increases in Western Australia's capital stock and corresponding outputs, particularly in iron ore, oil and gas.
 - b. **Gross State Product (GSP)** – GSP growth of 2.2 per cent is forecast by CCIWA for 2018-2019 driven by growth in exports. CCIWA predicts that the Western Australian economy will expand more strongly as a result of further investment in resources projects in 2019-2020 and 2020-2021.

While this is promising, Western Australia's dependency on mining and exports leaves the domestic economy over-exposed to the global economy. The continuing uncertainty regarding the international trade tensions between the United States and China mean potential risks to the domestic economy exist if a tariff war resumes between the United States and China.

- c. **State Final Demand (SFD)** – SFD is forecast to decline in 2018-2019 before returning to growth in 2019-2020 of 2.5 per cent, and again in 2020-2021 of 3 per cent. Western Australia's SFD growth compares unfavourably nationally and with other States and Territories, except for the Northern Territory.
- d. **Gross Household Disposable Income** - Western Australia's gross household disposable income per capita rose by 0.7 per cent in 2017-2018 to reach \$53,681 and was the highest of all States (but behind both Territories).
- e. **Consumer Price Index (CPI)** – CPI in Western Australia remains low. In year-end terms, Perth's CPI increased by 1.3 per cent (0.8% in December 2017), and compared favourably against the national CPI and the CPI of other capital cities.
- f. **Household Consumption** – Household consumption rose 1.6 per cent in 2017-2018, above a rise of 1.0 per cent in 2016-2017, but was below the decade average annual growth of 2.7 per cent. Growth in household consumption for the past five years has been predominantly driven by spending on essential items, such as food and rent, as consumers have been, and remain cautious in their spending. Growth in household consumption is expected to remain subdued before gradually increasing, supported by predictions in relation to improvements in the domestic economy and forecast population growth.
- g. **Retail Trade** - 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 2017-18 has cycled between positive and negative growth, reflecting continued uncertainty in the economy. Looking ahead, retail growth is expected to remain slow amid strong competition from online platforms. According to the latest WA Super-CCI Business Confidence Survey, almost half of retail businesses anticipate conditions to worsen throughout 2019.
- h. **Unemployment** – Unemployment is high in Western Australia, with the second highest unemployment rate in the country, surpassed only by Tasmania. Youth unemployment in Western Australia is the highest in the country. Unemployment is expected to slightly decrease with corresponding increases in business investment, after a decline, and growth in SFD. Western Australia has pockets of extremely high unemployment in some regional areas and within the metropolitan area of Perth.
- i. **Job Vacancies** – Job vacancies have increased driven by increase job advertisements in the mining, resources and energy sector.
- j. **Labour Costs** – More than half of Western Australian businesses expect labour costs to remain stable but over a third are anticipating higher labour costs.

- k. **Youth Unemployment** – Western Australia’s youth unemployment rate has steadily increased. The Western Australian youth unemployment rate exceeds the national average. Providing opportunities for apprenticeships and traineeships are important to reducing youth unemployment.
- l. **Spare Capacity** - Remains a significant issue within the Western Australian labour market highlighted by a number of labour market indicators.
- m. **Wages Growth** - The WPI has been at or below 2 per cent in Western Australia since December 2014. The forecast indicate WPI will remain within that range for the forecast period (2018-2019 1.4%, 2019-2020 1.8% and 2019-2020 2%). Wage growth is likely to remain subdued and pick up with labour productivity growth.
- n. **Average Weekly Earnings** - In the twelve months to November 2018 the full-time AWOTE for Australia increased by 2.3 per cent. For Western Australia, the increase in the full-time AWOTE over the twelve months to November 2018 was 0.8 per cent.
- o. **Enterprise Agreements** - Private sector AAWI for agreements approved in the September quarter 2018 was 3.0 per cent, up from 2.4 per cent in the September quarter 2017. This is compared to an AAWI of 3.2 per cent for all sectors in the September quarter 2018.

The AAWI for private sector agreements current was 2.7 per cent down from 3.1 per cent in the end of the June quarter 2017. The lower AAWI for Western Australia in relation to other states and in relation to private sector agreements approved (1.8%) and current (2.1%) shows restraint in negotiated outcomes as the domestic economy.