IN THE INDUSTRIAL RELATIONS COMMISSION
OF NEW SOUTH WALES

Matter: 2026/231285

State Wage Case 2026
Commission's Own Motion

PSA Outline of Submissions in reply

Paid rates adjustment

1. There is a fundamental tension in the Secretary's position in respect of the 2026 Paid Rates Adjustment, in that he seeks for the Commission:

   a. on the one hand, to only have regard to changes in the real value of money in respect of two awards which cover a minute proportion of the public sector workforce and have had significantly higher contemporary wage movement than most and adopt a restrained approach accordingly (RS[14]-[18]); but

   b. on the other hand, simultaneously to exercise restraint because of a (somewhat ambitious) proposition that the increase will almost '*inevitably*' flow on to the *rest* of the sector through bargaining (in the sense that union parties will make a claim based on whatever is set, and the employer will find that '*very difficult*' to resist: RS[21]-[24].

2. Leaving aside that the Secretary has not appeared to have particular difficulty resisting claimed wage increases in recent years, the difficulty with the two propositions is that if a Paid Rates Adjustment is set based on these two awards it will simply not be *apt* to address the impact of recent years on the bulk of the public sector.

3. The contentions advanced by the Secretary as to the impact on bargaining are expressed differently but remain essentially the same as those canvassed in 2025. It remains the case that:

The essence of the Secretary's concerns is that the paid rates adjustment mechanism would detract from bargaining. In our view, provided the quantum of any adjustment to rates is no higher than necessary to achieve its purpose, the mechanism provides an efficient and fair method to ensure awards are able to be adjusted in line with changes in the value of money, without discouraging parties from bargaining for multi-year awards.

It is not the paid rates adjustment mechanism itself that would deter parties from bargaining for multi-year awards, but rather the quantum of the particular paid rates adjustment in any year. The Secretary's submissions concerning the impact on bargaining have force in relation to a paid rates adjustment which is higher than union parties could reasonably expect to obtain through bargaining. Properly applied, the proposed paid rates adjustment mechanism will avoid this result.[1]

4. The contention as to the risk of flow-on to the private sector, and the corresponding economic and fiscal impact risk, is fairly described as flimsy. Ms Heath's opinion is based – it appears entirely – on three journal articles:

   a. one concerning the UK economy, in which a fifth of the workforce is in the public sector (viz 10%ish for NSW);[2]

   b. another specifically concerning health and education rather than the public sector at large, which is less useful here given the different transferability questions (and also the reality that these are settled awards here);[3] and

   c. a single graph, which does not contain any actual values, in an IMF working paper (not including similarly relied on in the *Firefighters Awards Case and Nurses Awards Case*, noting that figure 14 in Abdullah et al[4] simply does not show a 0.1-1% correlation for movements between the NSW private and public sector as being 'likely':

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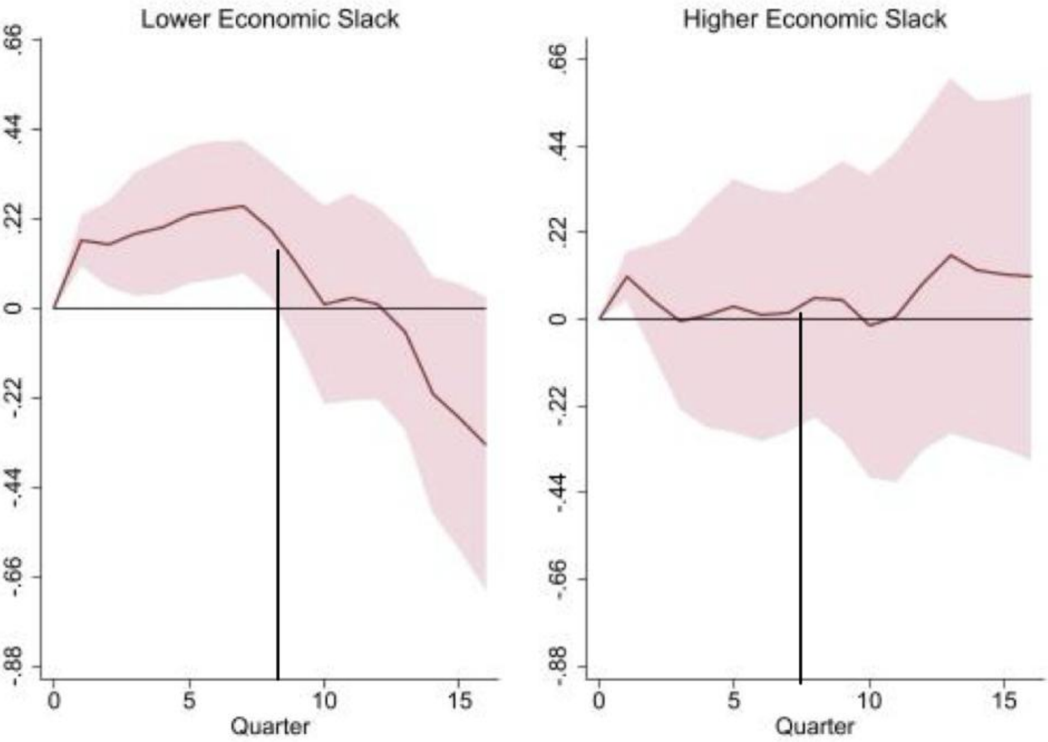
[1] *State Wage Case 2025 (No 2)* [2025] NSWIRComm 33 at [38]-[39]

[2] Follow the leader? The long-run interaction between public and private sector wage growth in the UK, Dolton and Hantzsche, *Economica* 27 April 2024

[3] Martin O'Brien & Paul Gollan & Florian Gerth, 2025. "Who's the boss? Exploring public and private wage growth leadership in state-level education and health industries in Australia," Applied Economics Letters, Taylor & Francis Journals, vol. 32(17), pages 2485-2489, October.

[4] Abdallah, Coady and Jirasavetakul,Public-Private Wage Differentials and Interactions Across Countries and Time', International Monetary Fund Working Paper 23/64, March 2023

Figure 14. The Response of Private Wages to Public Wages Shocks
(in percent by state of the economy)



5. Interestingly the data modelled here did include Australia somewhere within the red cloud: see annexure 1. It is not possible to tell where it falls and there is no real explanation as to why the Commission would rely on the international median instead.

6. It should be recalled that periods of lower economic slack tend to coincide with periods of greater labour demand and thus, at least in theory, stronger bargaining power: i.e. there are a range of factors at play which could see private sector wages moving more. Similarly ‘spillover’ is hardly automatic and is (as the first two studies demonstrate) highly variable depending on the nature of industry and transferability. The analysis is too limited

7. As to the proposition at [19] that the Commission ought not ‘chase’ inflation each year is disconnected from the orthodox approach to considerations of real

value of money as set out in the *Firefighters' Awards Case*[5] and summarised in the *Nurses Awards Case*[6] at [135]. In particular:

> *'(3) the usual approach is to have regard to the date on which the last wage increase for the relevant employees took effect, and the changes in the value of money since that date and which are forecast during the prescribed life of the award to be made'*

8. This does not involve a mechanistic 'chase' as suggested but instead is, correctly, directed at both restoring and protecting rates. To do otherwise leads inevitably to wages falling backward.

9. On the Secretary's figures, using firefighters and Australia CPI, excluding superannuation in 2025-2026, real wages grew by 1.4%. Australia CPI is projected to be 2.8% at June 2027. If a 3% increase was awarded, wages would theoretically grow for these workers over the whole period by 1.6%. By itself this is consistent, as the Secretary observes, with the proposition that wages ought to generally remain steady in the short term and grow modestly over time.

10. The problem with this analysis is that firefighters were awarded in 2025-2026 a 6% wage increase, with 3% *directly* attributable to a work value component. The fact that their actual real wage growth in this context is so small is an indicator of how challenging the contemporary inflationary environment is for workers. It is in that context plainly inadequate.

11. Additionally, the Secretary has simply ignored (or more fairly is perhaps proposing to address in reply) the reality of the last five years, which constitute circumstances sufficiently out of the ordinary to warrant departure from the ordinary course. Even if one considers Firefighters, the 2% 'catchup' they enjoyed plainly has not fully addressed the unfairness it was directed to.

12. The PSA agrees with the LGEA's position that it should continue to be excluded from the paid rates adjustment principle.

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[5] *Fire Brigade Employees' Union v Industrial Relations Secretary (on behalf of Fire and Rescue NSW)* ("*Firefighters' Awards Case*") [2025] NSWIRComm 1063 at [73]–[100].

[6] *New South Wales Nurses and Midwives Association v Health Secretary* [2026] NSWIRComm 4

The Award Making Principles

13. The only party that has addressed the Award Making Principles is LGEA. Most of its submissions distill to a concern that amendments to the Award Making Principles will cause destabilization to the local government sector. It is unclear how this would actually happen.

14. Change is not inherently bad. The Commission ought not retain outmoded and archaic principles simply because of an unexplored concern that something (undefined) bad might happen.

15. That said, the PSA does not wish to cause the local government sector – noting its long and storied history of bargaining, and its award said to be so bespoke that even an alteration to the order of clauses might cause destabilisation[7] – any distress. It has no difficulty with its exclusion from any (or all) of the proposed principles.

Leo Saunders
Greenway Chambers | leo.saunders@greenway.com.au

[7] *Award Review Principles Case 2025* [2025] NSWIRComm 1089 at [69]