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28 March 2024

Fair Work Commission
Annual Wage Review 2023-24
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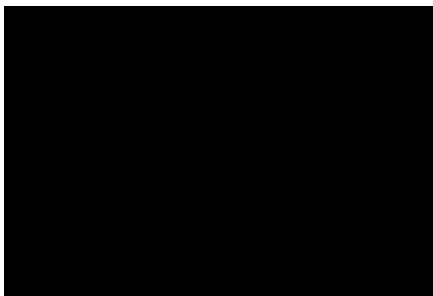
By email: awr@fwc.gov.au

Dear Members of the Expert Panel,

Annual Wage Review 2023-24
Submissions of the National Retail Association Limited, Union of Employers

The National Retail Association Limited, Union of Employers makes the **enclosed** submissions concerning the Annual Wage Review 2023-24.

Yours sincerely,





**National Retail Association Limited,
Union of Employers**
Annual Wage Review 2023-24
Initial Submissions

March 2024

1. THE NATIONAL RETAIL ASSOCIATION – WHO ARE WE?

- 1.1. The National Retail Association is a peak industry body which has been representing businesses across the retail and associated sectors for close to 100 years. Retail is one of Australia’s largest employers, with over 1.3 million Australians employed in the sector.
- 1.2. The retail sector engages a diverse range of employees, providing opportunities to all Australians. Our members are often the first employers of young Australians, providing opportunities and growth to those who seek careers in retail, and providing variable and ad-hoc work to those who seek flexibility.
- 1.3. In supplying Australians with the goods and services they need, our members’ operations (from their retail shopfronts to their head offices and fulfilment/distribution centres) see them engage a wide range of employees who are covered by a number of modern awards. Our sector’s primary modern award, the *General Retail Industry Award 2020* is the largest modern award by coverage, followed closely by associated awards, such as the *Fast Food Industry Award 2020*, the *Restaurant Industry Award 2020*, and the *Clerks - Private Sector Award 2020*.¹

2. EXECUTIVE SUMMARY

- 2.1. In supplying goods and engaging such a large and broad range of employees, our members are at the forefront of dealing with both supplier and consumer trends. They are immediately impacted by changes or volatility in either. The 2023-24 year has seen economic uncertainty remain, where unfolding international events and inflation have resulted in supply chain disruptions, a tighter labour market, and increasing interest rates. These events have caused disruption to our members’ operations and has ultimately resulted in hesitation and reduced spending by consumers.
- 2.2. The National Retail Association submits any increase to the minimum wages under the 2023-24 Annual Wage Review (**Review**) should be reflective and considerate of current (and predicted future) impacts of both supply issues and waning consumer demand and as such, should increase by no more than 2.5%.

3. LEGISLATIVE FRAMEWORK

- 3.1. Under the *Fair Work Act 2009* (Cth), the Fair Work Commission (**Commission**) must conduct an annual wage review each financial year.²
- 3.2. The minimum wages objective requires the Commission to establish and maintain a safety net of fair minimum wages, considering factors such as:
 - (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.
- 3.3. The modern awards objective further requires the Commission to consider a number of factors, including:
 - (a) The likely impacts of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and
 - (b) The likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance, and competitiveness of the national economy.³

¹ Fair Work Commission (2023) *A profile of employee characteristics across modern awards*, March 2023.

² *Fair Work Act 2009* (Cth) s 285(1) ('Fair Work Act').

³ *Fair Work Act*, s 134(1).

- (c) the likely impacts of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden;

...

- 3.4. In the absence of any statutory indication, the Panel may determine the weight to be given to the above and other factors at its discretion.⁴
- 3.5. The National Retail Association submits in light of the current economic climate, that significant weight should be given to the above factors and the likely significant impact a substantial increase to minimum wages will have on retailers' ability to compete and engage employees in the retail sector.

4. ECONOMIC AND RETAIL CONTEXT

- 4.1. The legislative framework set out above expressly requires consideration to be given to the wider socio-economic context in which the Review is undertaken. Past Reviews have affirmed that industry conditions are relevant to this broad economic context.⁵
- 4.2. In preparing submissions for this Review, the National Retail Association consulted with its members, across all sub-categories of retail, via survey (**Member Sentiment Survey**) (see **Appendix A**), to assess business viability in the current economic climate.
- 4.3. The Member Sentiment Survey engaged with approximately 350 participants who ranged from small, family-run businesses to some of Australia's largest and most recognisable retail brands. Specifically:
- (a) approximately 67% of survey participants identified as a small business (1-20 employees);
 - (b) approximately 13% of survey participants identified as a medium business (21-200 employees); and
 - (c) approximately 20% of survey participants identified as a large business (201-1000+ employees).
- 4.4. Following the significant increase to wages which followed last year's Review, coupled with rising interest rates, our members have indicated that they are facing uncertain and difficult times.
- 4.5. The National Retail Association submits that the matters set out below should be given due consideration and weight given their specific impacts on retail businesses.

Inflation, Increased Cash and Interest Rates, and Tax Cuts

- 4.6. Since the Reserve Bank of Australia (**RBA**) initially lifted the cash rate from a historical low of 0.10% to 0.35% per annum in May of 2022, it continued to announce incremental cash rate increases throughout 2023.
- 4.7. The RBA has since announced 12 more rate rises (four 0.50% increases and eight 0.25% increases), with the total rate increase in 2023 being 1.25%, taking the current cash rate to 4.35%.⁶

⁴ *Shop, Distributive and Allied Employees' Association v Australian Industry Group & Ors* [2017] FCAFC 151 at [95]; see also *Bat Advocacy NSW Inc v Minister for Environment Protection, Heritage, and the Arts* [2011] FCAFC 59 at [44].

⁵ [2020] FWCFB 3500 at [122].

⁶ Reserve Bank of Australia, *Cash Rate Target* (accessed 17 March 2024) <<https://www.rba.gov.au/statistics/cash-rate/>>.



Source: Trading Economics

While these continual rate increases have had a significant impact on consumer confidence and spending, they have been effective in continuing to moderate inflation in line with the RBA's recent forecasts, with the Consumer Price Index currently sitting at 4.1%.⁷ In addition, cost of living pressures are set to slowly decline with central forecasts showing that inflation should gradually return to the RBA's target range of 2%-3% in 2025.⁸

- 4.9. The National Retail Association submits that, in determining any increase to the minimum wages this Review, the Panel ought to consider not only hesitant consumer behaviour and rising interest rates across 2023, but the outlook over the next 12-months with cost-of-living pressure forecasted to ease.

Performance of Retail Trade and Consumer Spending

- 4.10. The past 12 months has proven to be a turbulent time for retailers as consumer confidence and household spending has fallen.
- 4.11. The retail sector hoped that Christmas trade would boost revenue. However, December 2023 retail sales fell short of those expectations, not only dropping by 2.7%, but unwinding the 2.2% increase in sales that the retail sector witnessed in November 2023.⁹
- 4.12. The impacts of the Christmas trade slump were felt deeply by our members, with 77% of participants who engaged in the Member Sentiment Survey expressing that they expected sales in the coming 12 months to remain the same or be significantly worse in comparison to the previous 12 months, with a further 84% of participants anticipating that profitability over the next year would remain the same or be significantly worse than the last year.
- 4.13. To further support our members' sentiments, a survey conducted by KPMG showed that 63% of retailers indicated that consumer confidence was one of the biggest challenges they faced going into 2024, closely followed by 57% of retailers citing concerns with the level of inflation.¹⁰ Further, the RBA has foreshadowed that the outlook for consumption will remain a significant source of uncertainty for 2024 as consumer spending continues to be relatively weak.¹¹

⁷ Australian Bureau of Statistics, Consumer Price Index, Australia (31 January 2024) <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>>.

⁸ Reserve Bank of Australia, 'Statement by the Reserve Bank Board: Monetary Policy Decision' (Media Release, 2024-05, 19 March 2024).

⁹ Westpac, *Australian Retail Sales: Christmas Flop* (30 January 2024) <<https://www.westpaciq.com.au/economics/2024/01/aus-retail-sales-dec-2023>>.

¹⁰ KPMG, *Australian Retail Outlook 2024* (14 February 2024) <<https://kpmg.com/au/en/home/insights/2024/02/australian-retail-outlook.html>>.

¹¹ Reserve Bank of Australia, *Monetary Policy* (5-6 February 2024) <<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2024/2024-02-06.html>>.

- 4.14. As highlighted by Westpac’s Consumer Sentiment Index, consumer sentiment declined 1.3% to 81 in January 2024 from 82.1 in December 2023 – levels not seen since the pandemic and Global Financial Crisis (GFC).¹²



Source: Westpac Economics, Melbourne Institute

- 4.15. Further, household spending is on a downward trajectory due to a lack of disposable income, which has reduced by 5.5% since early 2022 – the largest decrease observed since the early 2000s.¹³ Consumption is at its lowest growth rate since the pandemic hit and consumer’s ability to save is also at the lowest level since the GFC.¹⁴
- 4.16. A reduction in consumer spending has been exacerbated by the steep increase in cost of retail products. By way of example, the food and non-alcoholic beverages group rose by 4.4% over the year, driven by inflation.¹⁵
- 4.17. The RBA has foreshadowed that inflation levels will remain for some time to come and as a result, consumers will continue to feel the crunch in the form of higher prices at the check-out going into 2024. As such, consumer spending is likely to remain reduced.¹⁶
- 4.18. The National Retail Association submits that the Panel should consider business survivability and competitiveness of the national economy in determining any increase to the national minimum wage.

Tight Labour Market and Decreased Productivity

- 4.19. Since the last Review, Australia’s labour market has remained tight, with many businesses, particularly in retail, struggling to fill job vacancies. This is despite a 0.5% increase to the unemployment rate since mid-2023 which is currently sitting at 3.7% - the lowest it’s been in 50 years.¹⁷

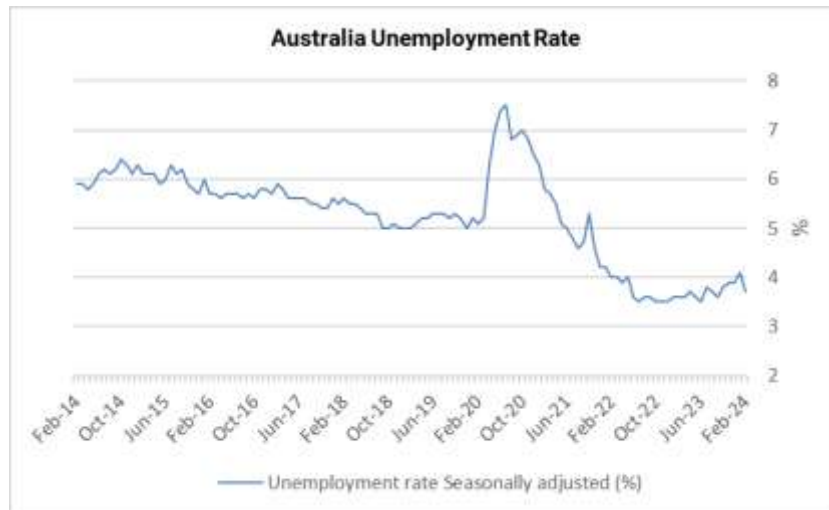
¹² Westpac, *Consumer Gloom Carries Into New Year* (16 January 2024) <<https://www.westpac.com.au/about-westpac/media/reports/australian-economic-reports/>>.

¹³ Reserve Bank of Australia, *Developments in Income and Consumption Across Household Groups* (25 January 2024) <[¹⁴ National Retail Association, *Quarter Insights Report \(Edition 6\)* \(December 2023\).](https://www.rba.gov.au/publications/bulletin/2024/jan/developments-in-income-and-consumption-across-household-groups.html#:~:text=This%20is%20primarily%20because%20real,three%20decades%20(Graph%202)>.>.</p>
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¹⁵ Australian Bureau of Statistics, *Monthly Consumer Price Index Indicator* (January 2024) <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/jan-2024>>.

¹⁶ National Retail Association, *Quarter Insights Report (Edition 6)* (December 2023).

¹⁷ Reserve Bank of Australia, *Monetary Policy* (5-6 February 2024) <<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2024/2024-02-06.html>>.



Source: Australian Bureau of Statistics

- 4.20. In response, the Wage Price Index reflected that, in the December 2023 quarter, wages rose by 0.9%, equating to a 4.2% overall increase in 2023 as businesses ramped up their efforts to lure employees.¹⁸
- 4.21. However, despite an increase in wage and labour costs over the last 12 months, recent data from the Australian Government's Productivity Commission illustrates that productivity has in fact declined, falling by 3.7% in 2022-23.¹⁹ In essence, our members have signalled that they are being faced with increased costs to achieve same outcomes.
- 4.22. Unsurprisingly, the National Retail Association's Member Sentiment Survey found that 78% of participants highlighted wage costs as one of the top three constraints to their business's success in 2024.
- 4.23. The National Retail Association submits that the Panel ought to consider the increased underlying costs to employers and significant decrease in productivity, in determining any increase to the minimum wages this Review.

Supply Chain Disruptions and Increased Supply Chain Costs

- 4.24. In the last year, retailers have struggled to source and stock goods as a result of overseas conflict and domestic industrial action, creating pandemic-like trading conditions.
- 4.25. While it has been reported that businesses had seen a significant decrease (from 73% to 44%) in supply chain disruption in 2023,²⁰ 77% of participants who engaged in the Member Sentiment Survey expressed that they expected operational costs to be worse, or significantly worse over the coming 12 months.
- 4.26. Looking ahead, supply chain schedules and costs are projected to remain volatile following four months of industrial action on the waterfront of Australia, and in light of ongoing disruptions to major trade routes in the Red Sea.²¹

¹⁸ Australian Bureau of Statistics, *Wage Price Index, Australia*, February 2024.

¹⁹ Australian Government Productivity Commission, *Annual Productivity Bulletin 2024* (29 February 2024) <<https://www.pc.gov.au/ongoing/productivity-insights/bulletins/bulletin-2024>>.

²⁰ Australian Industry Group, *Australian Industry Outlook for 2024* (January 2024) <<https://www.aigroup.com.au/news/reports/2024-economics/australian-ceo-expectations-2024/>>.

²¹ Toll, *9 Supply Chain Trends to Watch in 2024* (January 2024) <<https://www.tollgroup.com/about/innovation-insights/future-logistics/9-supply-chain-trends-watch-2024>>.

4.27. The National Retail Association submits, where our members are impacted by inflated operational costs and delays to deliver their goods to consumers on time, the Panel ought to consider the impact any increase to the minimum wages in this Review will have on the viability of our members.

Impact of Recent IR Reform

4.28. Between December 2023 and February 2024, Parliament passed the *Fair Work Amendment (Closing Loopholes) Act 2024 (Closing Loopholes)* in which Australian businesses witnessed the most significant workplace relations reform in over a decade.

4.29. Amongst a large raft of changes, the Closing Loopholes legislation sought to provide minimum pay and conditions for gig-workers working as delivery drivers for digital platforms such as Uber and Door Dash.

4.30. In light of these new laws, Uber has already foreshadowed an 85% increase in the cost for food delivery.²² It is expected that other similar platforms, which engage gig-workers for delivery of goods, are likely to follow suit.

4.31. Further, our members in the fast food sector have indicated that they anticipate these legislative changes will have flow-on effects, likely increasing the cost of delivery of their goods and negatively impacting consumer spending.

4.32. The National Retail Association submits the Panel ought to consider the knock-on effects that the Closing Loopholes legislation will have on consumer spending and business profitability, particularly with respect to the changes pertaining to minimum entitlements for gig-workers.

Upcoming Superannuation Guarantee Increase

4.33. Later this year, employer superannuation contributions are set to increase from 11% to 11.5%.²³ As a result, employer labour costs per ordinary hour of work will increase by 0.5% from 1 July 2024, independent of any increase to minimum wages.

4.34. The National Retail Association submits that the Panel should consider the annual increase to superannuation when determining the extent of any minimum wage increase.

5. CONCLUSION

5.1. Ultimately, the above key factors, from a retail and wider economic perspective, mean that our members will be negatively impacted by any significant increase to national minimum wages and award minimum wages.

5.2. Increased operational costs, supply chain issues, and decreased consumer sentiment and spending simply means our members will see decreased performance and be less competitive in the national economy. While our members are hopeful consumer confidence will increase, the current predictions show consumer confidence is not expected to recover in the coming year.

5.3. The National Retail Association ultimately submits any increase to the minimum wages should not exceed 2.5%.

²² David Martin-Guzman, 'Doordash Fears Food Delivery Prices Could Triple Under Gig-Worker Laws', *Australian Financial Review* (online), 17 October 2023 <<https://www.afr.com/work-and-careers/workplace/doordash-fears-food-delivery-prices-could-triple-under-gig-worker-laws-20231017-p5ed09>>.

²³ *Superannuation Guarantee (Administration) Act 1992* (Cth), s 19(2).



6. APPENDIX A

Please refer to the results of the National Retail Association's Member Sentiment Survey below.



NATIONAL RETAIL SURVEY

Sentiment Report

MARCH 2024



NATIONAL RETAIL SURVEY

Sentiment Report

MARCH 2024

EXECUTIVE SUMMARY

This report provides an in-depth analysis of the current state of the retail sector in Australia based on data collected from a comprehensive survey conducted by the National Retail Association. The survey aimed to gauge retailer sentiment, outlook, and challenges for the year 2024, following a challenging sales period during Black Friday and Christmas.

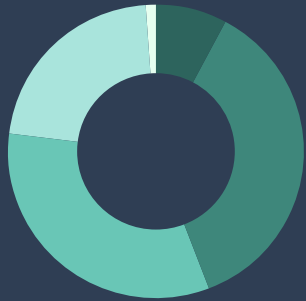
The National Retail Association calls upon Federal and State Governments to assist small and medium-sized enterprises (SMEs) with operational costs, promote sustainable practices, and enhance confidence in the retail sector. Specific recommendations include energy relief, insurance support, transportation cost control, and wage inflation management.

This report underscores the critical challenges facing Australia's retail sector in 2024 and highlights the urgent need for government intervention to support sustainability, reduce operational costs, and foster confidence in the industry's future growth and resilience.

The National Retail Association is a not-for-profit organization dedicated to supporting, informing, protecting, and representing the interests of retailers and quick-service restaurants across Australia. It aims to unite retailers and stakeholders for the industry's success now and in the future.

KEY FINDINGS

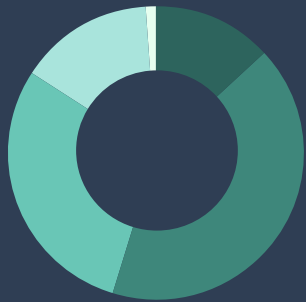
- **Sales Expectations:** A significant portion (**44%**) of retailers anticipate worse or significantly worse sales in 2024 compared to the previous year.
- **Profit Projections:** Over half (**55%**) of retailers predict lower profits for the current year.
- **Operational Costs:** The majority (**77%**) of retailers foresee increased operational costs in 2024, with energy, wage, and insurance expenses cited as major concerns.
- **Sustainability Spending:** Only a small fraction (**23%**) of businesses plan to increase spending on sustainability initiatives, potentially impacting national efforts to reduce carbon emissions.
- **Transportation Challenges:** Nearly half (**49%**) of retailers face high or extreme cost pressures related to transportation and logistics.
- **Defensive Measures:** Retailers are implementing defensive strategies such as cutting orders, reducing advertising spending, and focusing on customer loyalty, experience, and cybersecurity.
- **Regional Disparities:** Regional and rural areas are disproportionately affected, with lower ecommerce adoption rates and higher transportation costs.



SALES FORECAST

- Significantly Better
- Better
- About The Same
- Worse
- Significantly Worse

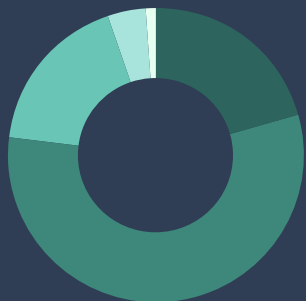
44% of retailers expect that sales will be worse or significantly worse in 2024 in comparison to 2023.



PROFITABILITY FORECAST

- Significantly Better
- Better
- About The Same
- Worse
- Significantly Worse

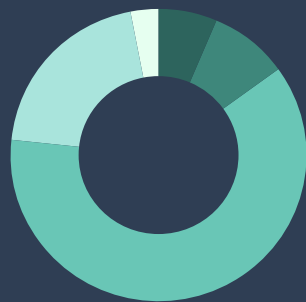
55% of retailers will make less profit this year.



COSTS FORECAST

- Significantly Better
- Better
- About The Same
- Worse
- Significantly Worse

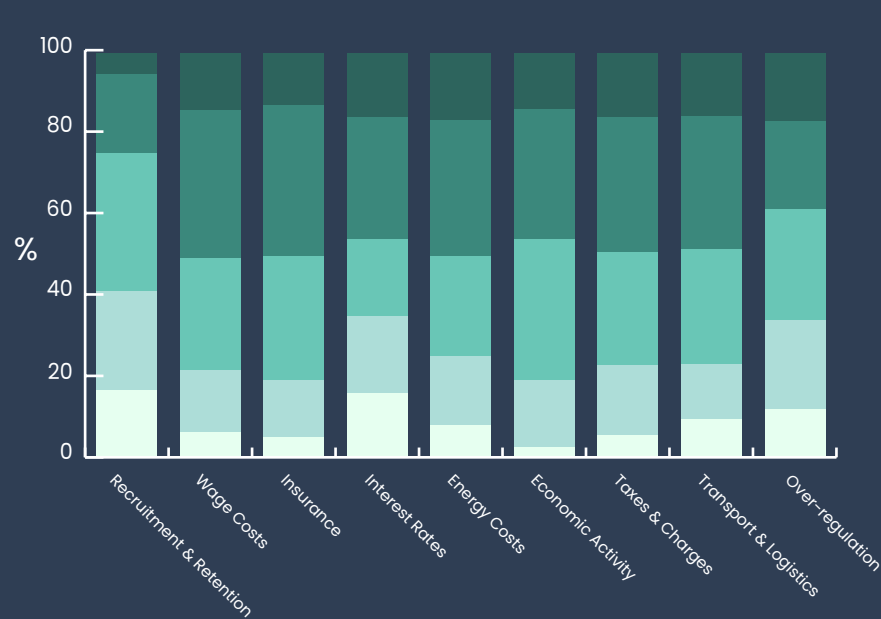
Operational costs for 77% of all retailers will be worse or significantly worse in 2024 with energy costs, wage costs and insurance being major constraints on business.



SUSTAINABILITY SPENDING

- Significantly Increase
- Increase
- Maintain
- Decrease
- Significantly Decrease

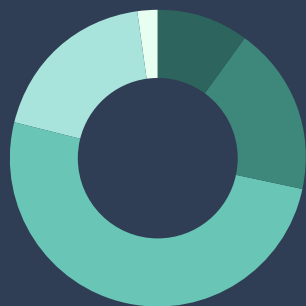
Concerningly, only 23% of business will increase spending on sustainability in 2024, putting pressure on the nations drive and desire to reduce carbon emissions by 2030.



OPERATIONAL CONSTRAINTS

- Extreme Constraint
- High Constraint
- Moderate Constraint
- Low Constraint
- Not A Constraint

Transportation & logistical costs are also concerning with 49% having high or extreme cost pressures.



ADVERTISING SPENDING

- Significantly Increase
- Increase
- Maintain
- Decrease
- Significantly Decrease

Retailers are going on the defence – cutting orders, reducing spend on customer acquisition and retention with 29% of retailers cutting advertising. This will have a knock on effect for manufacturers and suppliers throughout our economy



OF EMPLOYEES

- 0-5
- 6-20
- 21-200
- 201 - 500
- 501-1,000
- 1,001+

Of the 350 business surveyed - 2/3 were SMEs, with 43% in regional areas. Regional and rural areas are adversely affected with lower adoption rates of ecommerce (5% vs 18% for metro areas) and higher costs for transportation and limited staffing options.