

12 May 2023

Fair Work Commission
Annual Wage Review 2022-23
GPO Box 1994
Melbourne VIC 3001

By email: awr@fwc.gov.au

Dear Members of the Expert Panel,

**Annual Wage Review 2022-23
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 2022-23.

Yours sincerely,



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National Retail Association



National Retail Association Limited
Union of Employers
Annual Wage Review 2022-23
Final Submissions

May 2023

1. INTRODUCTION AND SUMMARY

- 1.1. The National Retail Association (**NRA**) provides the following submissions in light of our consultations with our members and the 2023-24 Federal Budget (**Budget**).
- 1.2. As outlined in our initial and reply submissions, the NRA submits any increase to the minimum wages under the 2022-23 Annual Wage Review (**Review**) should be reflective and considerate of the current economic climate, with specific regard to the increasing costs to do business and waning consumer spending (and their underlying causes).
- 1.3. The NRA submits any increase to the National Minimum Wage (**NMW**) and modern award minimum wages this Review should not exceed **3.25%**.

2. NRA MEMBER CONSULTATIONS

- 2.1. Ending 5 May 2023, the NRA undertook a survey of its members to assess viability and what impacts an increase would have on them.
- 2.2. Further to our survey we held consultative meetings with our members. The aim of our survey and consultations were to understand:
 - (a) What increase to the NMW and modern award minimum wages our members are budgeting for;
 - (b) What is the highest increase to the NMW and modern award minimum wages our members could accommodate;
 - (c) What impacts increases will have on our members; and
 - (d) What are the factors that impact our members ability to compete and recruit/retain employees.
- 2.3. In terms of the survey, we had a total of 193 respondents. Of these respondents the majority (79%) were small businesses, 13% had 20-199 employees, and 8% had over 200 employees.
- 2.4. In terms of our consultations, we engaged directly with approximately 20 individual businesses. These included small, medium, and large employers, as well as franchisors and their franchisees.

Factors impacting ability to compete and recruit/retain employees

- 2.5. Our members are not only impacted by rises to the NMW and modern award minimum wages. It is important to consider ancillary costs and barriers which our members are faced with in determining an appropriate increase this Review.
- 2.6. Ultimately, our members have competing costs rising across the board, and an increase to the NMW and modern award wages will amplify these.
- 2.7. Our members have reiterated to us that costs outside of wages that they are dealing with (and increases to these) extend to:
 - (a) Continually increasing interest rates;
 - (b) Increased guaranteed superannuation contributions;
 - (c) Increases to workers' compensation premiums (as they are directly linked to wages);
 - (d) Supply chain costs; and
 - (e) Stock costs.
- 2.8. Further to these costs, our members have outlined that they face barriers to recruiting new staff including:

- (a) Consumer confidence;
 - (b) Labour shortages; and
 - (c) Revenue/cashflow impacts.
- 2.9. Our members are overwhelmingly saying that, by virtue of the above factors, they are already seeing decreased spending by consumers, increased costs to do business, reduced ability to recruit new staff, and, ultimately, more difficult conditions to successfully operate their businesses.
- 2.10. A significant increase on top of these factors will see our members be required to turn to measures to ensure their viability. This will undoubtedly mean cost saving actions, including reductions in staffing and increasing prices of goods and services.

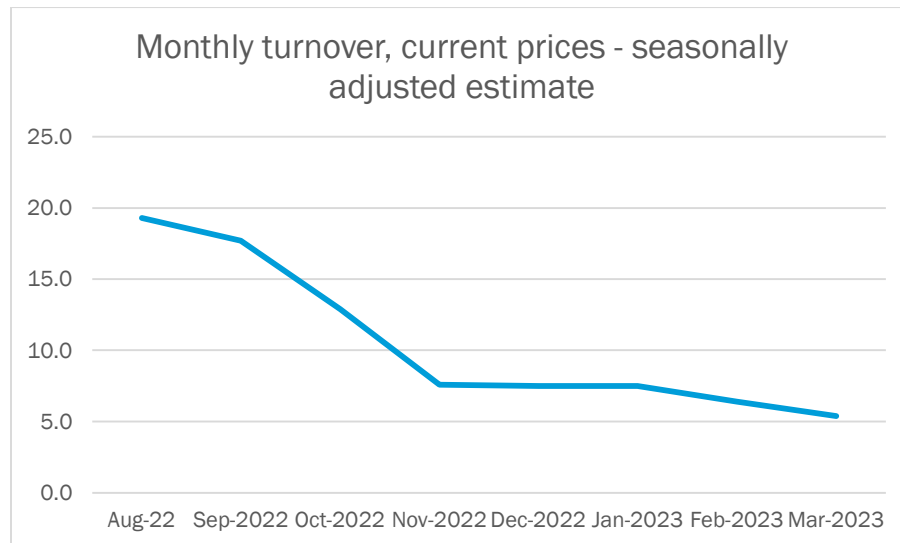
Highest accommodatable rise and impacts

- 2.11. In light of the above-mentioned costs and factors, any significant increase to the NMW and modern award minimum wages will have a compounding effect on our members' viability and profitability.
- 2.12. Of the 193 respondents to our survey:
- (a) 123 provided that they would only be able to accommodate a rise of less than **2.00%** without any impacts on staffing arrangements;
 - (b) 32 provided that they would only be able to accommodate a rise of **2.50%** without any impacts on staffing arrangements;
 - (c) 26 provided that they would only be able to accommodate a rise of **3.00%** without any impacts on staffing arrangements;
 - (d) 6 provided that they would be able to accommodate a rise of **3.50%** without any impacts on staffing arrangements; and
 - (e) Only 6 provided that they would be able to accommodate a rise of over **4.00%** without any impacts on staffing arrangements.
- 2.13. Our members value their employees and want to continue to see them thrive within their businesses, however, our members cannot accommodate or absorb the burden of increasing costs indefinitely and will ultimately need to implement measures to ensure their viability.

3. POST-28 APRIL 2023 DECISIONS AND DATA

- 3.1. Following our reply submissions, we have seen the Reserve Bank of Australia (**RBA**) further increase interest rates and the Australian Bureau of Statistics (**ABS**) release data confirming the ongoing impacts businesses are experiencing.
- 3.2. Significantly, on 3 May 2023, we saw the RBA decide to increase the cash rate by 0.25% to 3.85%. This is the highest the cash rate has been since 2012, and is the 11th increase in the past 12 months.
- 3.3. Further, we have again seen consumer spending and retail turnover drop in the month of March. From updated data from the ABS released on 3 May 2023, monthly turnover shows continued decreases through the year from August 2022:¹

¹ ABS, *Retail Trade, Australia*, May 2023: <https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release>



3.4. This decrease in turnover reflects the continued waning of consumer spending in light of further increases to the cash rate and increased cost of doing business.

4. 2023-24 FEDERAL BUDGET

4.1. Overall, the NRA has welcomed the Budget and its measures for both individuals and business.

4.2. The NRA notes the Budget provides \$14.6bn in funding purported to target cost-of-living relief. As part of this funding, the Budget provides:

- (a) Funding for the 'Energy Price Relief Plan', which aims to offer up to \$3bn in energy bill relief for households and small business;
- (b) Increases to the Commonwealth Rent Assistance scheme of 15 percent;
- (c) Lesser requirements for persons to be eligible for Commonwealth assistance (such as JobSeeker);
- (d) Increases to Commonwealth assistance (such as Youth Allowance);
- (e) Funding for increased wages for aged care workers; and
- (f) Increased funding for medical expenses through the Pharmaceutical Benefits Scheme.

4.3. Further, the Budget sets out that:

- (a) The economy's growth is expected to slow to 1.5% within the coming year; and
- (b) Wages are expected to grow 4%.

4.4. The NRA submits the above increases in funding to see cost-of-living pressures decrease for consumers need be taken into account in deciding on an increase this Review.

4.5. While the Budget provides some temporary measures for businesses (primarily small business), these measures are indeed temporary. With growth expected to slow and wages expected to increase, coupled with continuing increases to business costs, our members and the wider business community will still be faced with difficulties in ensuring their viability into the future.

- 4.6. The NRA submits in light of the Budget providing some targeted measures for individuals and only temporary measures for business, that no significant increase should be made this Review.

5. CONCLUSION

- 5.1. It is clear from our consultation with members that business, and indeed the economy as whole, is in a state of seeing a downturn.
- 5.2. Our members are dealing with continually increasing costs and continuing decreases in consumer spend. While the Budget has sought to provide temporary relief to both consumers and business, these are indeed temporary.
- 5.3. Any significant increase which would be coupled with these issues facing industry, will unfortunately lead to cost saving measures being required to be taken. This will ultimately lead to impacts on businesses being viable and competitive, and their ability to employ and retain staff.
- 5.4. The NRA submits in light of the above matters, an increase to the National Minimum Wage and modern award minimum wages should not exceed 3.25%.