14 March 2008

Professor Ian Harper
Chairman
Australian Fair Pay Commission
Locked Bag 35003
Collins Street West
Melbourne VIC 8007

Dear Professor Harper

On behalf of the Australian National Retailers Association (ANRA), I wish to offer some comments for consideration in the 2008 minimum wage review.

As you know, retailing is Australia’s largest employer and has created more than 150,000 new jobs in the last five years. ANRA members employ more than 600,000 Australians or almost 40 per cent of the workforce in the retail sector.

Efforts to increase labour force participation, especially for people without post-school qualifications, must recognize the importance of the retail sector as a source of entry level jobs and the sensitivity of employment in the sector to real wage levels.

The retail sector is critical to labour force participation by young people and people re-entering the workforce. About half of all employees aged 15 to 19 and one in five of employees aged 20 to 24 work in retail. Retail is the second largest employer of women; 838,000 women work in the sector with more than 500,000 working part-time.

While the sector offers rewarding long-term careers, the sector is also important for giving employees skills and experience which can be transferred to jobs in other industries.

Decisions on the minimum wage are important for the retail sector. The Fair Pay Commission has noted that the sector has the largest share (22 per cent) of pay scale reliant employees of any industry. While ANRA members are employers of choice offering attractive terms and conditions, the minimum wage sets an industry-wide benchmark and influences the bargaining position of relevant unions.

The Commission’s first Economic and Social Indicators – Monitoring Report has returned important findings. The report shows that wages growth in the retail sector in the 12 months to the September quarter 2007 has been high by historical standards and by comparison to similar “pay scale reliant” industries. The retail sector reported strong wages growth at 3.1 per cent for low-skilled occupations (the annualized growth rate for the three years to September 2007 is just 0.6 per cent).
There is a possibility that this wages growth may have constrained employment creation in the sector. Employment in low-skilled occupations has not grown as quickly as for other occupations. Most of the employment growth in the retail trades has been in medium to high-skilled occupational groups. There is a risk that higher minimum wages may have discouraged some businesses from employing more people, especially people with limited skills.

As much as possible, ANRA members would prefer that higher wages are sustainable by being linked to negotiated productivity improvements in the workplace.

The macro-economic picture facing Australia also presents reasons for caution. Inflation is being fueled by a range of factors, including real increases in labour costs over the last 12 months. While unemployment has fallen to just 4 per cent, there are strong signals that economic growth will moderate in the next twelve months due to global and domestic pressures. Consumer and business confidence appears to be softening under the impact of higher interest rates, and the turmoil in equity and credit markets.

In such circumstances, ANRA would urge the Commission to settle on a responsible increase in the minimum wage reflecting the macro-economic risks and the significant income tax relief to take effect from 1 July. An increase in the minimum wage comparable to the 2007 decision would, in conjunction with the income tax cuts, deliver significant assistance to low income households without placing undue pressure on employers or inflation.

Thank you for your consideration. ANRA would be pleased to provide more detailed comments as required.

Yours sincerely,

Margy Osmond
Chief Executive Officer