Submission of the National Retail Association to the
Australian Fair Pay Commission
March 20, 2009

NRA and the Retail Industry

1. NRA is Australia’s principal representative body for the retail sector, including in its membership coverage of over 3,700 businesses. Members range from sole operator enterprises to specialty, chain, and franchise stores of all types and sizes throughout Australia. NRA’s members collectively employ over 300,000 Australians.

2. The retail sector itself employs more Australians than any other industry and accounts for almost 20% of the Australian workforce. It follows that the retail sector is vitally interested in the work of the Australian Fair Pay Commission (“the AFPC”).

Current economic climate

3. The AFPC, in the brief period in which it has held responsibility for fixing minimum wage rates, has not been faced with economic circumstances that are currently being experienced. It is clear from all economic data that the global financial crisis is placing extreme pressure on Australian business. It is also clear that this is an economic crisis that has not been seen since the Great Depression. The retail sector is particularly
vulnerable to this severe economic downturn as consumers become increasingly cautious in relation to spending patterns in uncertain times.

4. ABS figures show that in the month of February 2009 the unemployment rate increased by 0.4% to 5.2%, with 47,100 Australians becoming unemployed. The figures deteriorate further when the circumstances of young people are considered. In February 2008 the unemployment rate for young males was 11.9%. In February 2009 the rate has increased to 17.9%. All indicators are that this trend towards increasing unemployment levels will continue in the foreseeable future.

5. The AFPC has, in its Economic and Social Indicators – Monitoring Report 03, noted that main business surveys report that there will be a significant weakening of the labour market through 2009.

6. Given the above information, the AFPC, in reaching its 2009 decision on minimum wage increases, must place the preservation of employment levels above all other considerations. This is particularly so given the parameters within which the AFPC operates requires consideration not only of employment levels generally but also specifically the competitive position of young people.

**Award Modernisation Implications**

7. The AFPC must also take into account the impact that the Australian Industrial Relations Commission’s (AIRC) process of award modernization will have on the labour costs imposed on business. In modernizing Australia’s award system the AIRC has imposed significant and unbudgeted labour cost increases on Australian businesses.

8. NRA members in the general retail and fast food industries have been particularly targeted by these increases, which in some circumstances will be as high as 25-30%. Given the high proportion of young people engaged in these industries, there is potential for this to lead to disastrous unemployment levels for these young people.

**AFPC Decision**

9. Given:
   a. The continuing decline in the Australian economy;
   b. The trend towards increasing unemployment and the forecast that this trend will continue;
   c. The need to place the protection of employment levels above all other considerations; and
   d. The impact of award modernization on labour costs.

   It follows that the only responsible outcome from the 2009 wage review is for the AFPC to decline to increase minimum wage levels. While it is recognized that there is a need to provide for an adequate safety net for the low paid, in our submission the current safety net adequately provides for the needs of the low paid. Further, there is little to be gained in raising that safety net at a time when employment levels are under extreme pressure.
10. In the event that the AFPC does provide for some increase in its 2009 wage review decision, it is our submission that there must be an opportunity for industries who are vulnerable to labour cost increases as a result of award modernization to present the AFPC with data in relation to this. The desired outcome of this would be that those industries able to demonstrate labour cost increases under award modernization would be granted an exemption by the AFPC from the 2009 decision, and would not be required to pay the 2009 increase.

11. In order to bring this issue into sharper focus for the AFPC we have attached to this submission a copy of our submissions to the AIRC on award modernization. Given that the retail and fast food industries are faced with significant cost increases through the introduction of these “modern” awards, increases that are unsustainable in the current climate and which will impact on employment levels, it is entirely inappropriate that these industries should also be subjected to a general minimum wage increase.

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