

IN THE FAIR WORK COMMISSION

MATTER NO. C2017/1

ANNUAL MINIMUM WAGE REVIEW 2016-2017

NATIONAL RETAIL ASSOCIATION AND HARDWARE AUSTRALIA  
JOINT SUBMISSION



National  
Retail  
Association



Prepared by the National Retail Association and Hardware Australia

13 April 2017

## 1.0 Background

- 1.1 The National Retail Association (**NRA**) is a not-for-profit industry association that provides professional services and critical information and advice to the retail, fast food and broader service industries throughout Australia. The NRA is built on strong relationships with its members and for almost 100 years have been helping businesses navigate and comply with a complex and evolving regulatory environment.
- 1.2 The NRA works actively with government to ensure the interests and needs of the retail and services sectors are protected and promoted. NRA's committees and engagement programs help to identify issues of concern for business and industry and direct NRA's policy and lobbying strategies on behalf of its members. NRA also undertakes its own industry research aimed to inform policy and practice in the retail, fast food and broader service sectors.
- 1.3 Additionally, NRA, as a nationally registered training organisation (**RTO**), provides an important advisory service to government regarding skilling, training and workforce development issues and needs.
- 1.4 Hardware Australia (**HA**) is the hardware and building supplies industry peak body representing independent operators and suppliers. HA provides a wide range of services that support members across industrial relations, employment matters, training, industry representation, lobbying and advocacy.

## 2.0 Overview

2.1 In 2017, retailers and fast food operators of all sizes are facing unprecedented difficulties in their operating environment. Over the past decade, the retail, fast food and broader service landscape has dramatically evolved to accommodate new challenges such as globalisation, advances in technology, changes to and increased regulation, and the fluctuating Australian dollar.

2.2 Nevertheless, the NRA and HA have consulted with their respective members, large and small, to determine a response and suitable percentage for this year's minimum wage review. A figure has been determined, that is, an increase to the National Minimum Wage of 1.5 per cent. This figure takes into account all key considerations including current market trends, unemployment and underemployment levels, and price inflation. This figure will ensure that the retail, fast food and general service sector remains an option for employment amongst low-skilled workers, whilst maintaining its viability and sustainability moving forward.

2.3 The NRA and HA takes this opportunity to remind the Fair Work Commission (FWC) of the retail sector's importance to the Australian economy:

- It contributes over 11% to the national economy;
- It employs more than 1.3 million workers (more than any other private sector industry);
- It comprises of the second largest workforce in Australia;
- It employs over 700,000 women; and
- It is the largest employer of youth and juniors.

## 3.0 Our Response

- 3.1 Both the NRA and HA fully support a minimum wage increase that is realistic and appropriate for the retail, fast food and broader service sector in today's economy. We respectfully emphasise the importance of the FWC considering all relevant issues affecting the industry, namely weak economic trading conditions, imminent penalty cuts, retail spending trends and rising underemployment levels, before making its decision.
- 3.2 In the past, the FWC has been mindful of Australia's shifting economy and several setbacks that have negatively impacted on the retail, fast food and broader service sector such as unemployment trends, stagnant market growth, new global competitors and rising regulatory costs. This has been addressed by offering modest wage increases as compensation and to encourage regular activity within the industry.
- 3.3 In light of this and the current uncertainty surrounding Australia's job market, we recommend that the FWC award an increase in the National Minimum Wage of 1.5 per cent (resulting in an increase of \$10.10 per week). This reflects the views of our membership.
- 3.4 The NRA and HA have reached this decision after considering the following key factors:
- a) Unemployment levels over the past year have risen from 5.7% to 5.9% in February 2017 (or 748,000 people). Underemployment is also an issue, reaching an historical high of 8.6% in February 2017<sup>1</sup>;
  - b) Overall employment growth (of 0.8% over the year to February 2017) has been attributed mostly to part-time jobs growth. This in turn fuels underemployment and labour force underutilisation<sup>2</sup>;
  - c) The soft labour market is having a significant impact on youth unemployment;
  - d) Some employers, particularly small businesses, do not have the economic capacity to pay significantly higher rates within the retail sector;
  - e) Australia's economy experienced the first growth contraction since the peak of

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<sup>1</sup> ABS 6202.0, *Labour Force Australia*, February 2017.

<sup>2</sup> ABS 6202.0, *Labour Force Australia*, February 2017.

- the global financial crisis in 2008, down 0.5% from June to September 2016;
- f) The average price inflation has risen, driven mostly by increases in the prices of alcohol, tobacco, clothing, footwear and restaurant meals (by 0.7% in September quarter 2016 and 0.5% in December quarter 2016). This brings the current consumer price index to 1.5%<sup>3</sup>;
  - g) The retail sector has experienced poor market performance in 2017, falling below expectations and resulting in the collapse of multiple retailers. The biggest impact was felt in the clothing, footwear and personal accessory segment where sales tumbled 2.5%<sup>4</sup>;
  - h) The rate of wage growth in the private sector has subdued, resulting in a record low of 1.8% in the year to December 2016.<sup>5</sup> This suggests there is capacity for firms to pay an increase to award reliant employees, though other economic indicators are also relevant.

3.5 We do not agree with the Shop Distributive and Allied Employees' Association's (SDA) submission of an increase to the minimum wage by 10 per cent in specific modern awards. This would render the determination of the four yearly modern awards review futile and jeopardise market growth, employment rates and business viability in the retail sector. It is also likely to add to the confusion surrounding the implementation of the penalty reductions. Both the NRA and HA would anticipate a devastating impact to small to medium businesses, which heavily rely on a minimum wage workforce. A wage increase of this proportion (as proposed by the SDA) will undoubtedly result in lower quantities of available work, highlighting the vulnerability of the low-paid workforce.

## 4.0 Conclusion

4.1 The state of the Australian economy is such that it is likely to trend below expectations in the year ahead. Despite performing better than any other G7 economy, it is in a period of transition which is likely to have negative impacts for the labour market (specifically, higher levels of part-time and casual work being offered).

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<sup>3</sup> ABS 6401.0, *Consumer Price Index Australia*, January 2017.

<sup>4</sup> D Palmer, *Retail sales drop in February, dashing hopes of rebound* (3 April 2017) The Australian <<http://www.theaustralian.com.au/business/economics/retail-sales-drop-in-february-dashing-hopes-of-rebound/news-story/37fda6483d306f13a7ac59c72ab8714e>>.

<sup>5</sup> ABS 6345.0, *Wage Price Index Australia*, December 2016.

- 4.2 In order to maintain retail, fast food and general service sector trade viability and improve unemployment figures, a move to increase wages must be proportionate to the variety of considerations mentioned above. Of course, an increase that unfairly favours vulnerable workers may have the effect of lower quantities of work being made available. The retail, fast food and general service industries, being award-reliant, have the capacity to create more jobs and should be accommodated to allow for this possibility.
- 4.3 As such, the NRA and HA recommend to the Annual Wage Review a 1.5% increase in the National Minimum Wage. This equates to an extra \$10.10 per week (bringing the total to \$682.80 per week).

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