

AUSTRALIAN RETAILERS ASSOCIATION (ARA)
SUPPLEMENTARY SUBMISSION TO THE FAIR WORK COMMISSION WAGE PANEL
FAIR WORK AUSTRALIA ANNUAL WAGE REVIEW 2020-2021

The Australian Retailers Association (ARA) is pleased to have the opportunity to contribute to the Annual Wage Review (AWR).

The ARA is the retail industry's peak body. The retail industry is a \$340 billion sector employing more than 1.2 million people¹. The ARA advocates for and supports around 7,500 independent, national and international retail members.

As a leading contributor to Australia's economy, ARA's membership ranges from the country's largest food and grocery retailers and department stores to specialty retail, electronics, food and convenience chains as well as independent operators – over 95 per cent of our membership are small and medium size businesses who depend heavily on Award-based workforces.

The retail sector experienced immense challenges throughout the COVID-19 pandemic, and the retail recovery continues to be uneven. The retail community was impacted by enormous business disruption and volatility during lockdowns, with significant variations in lockdown approach and duration between each state and retail sub-sector an ongoing risk.

With JobKeeper and JobSeeker helping to generate strong overall retail spending growth through 2020, and JobKeeper helping to keep many retail employees connected with their employer, the sector performed strongly overall. However, this performance has masked a two-tiered recovery, with most CBD businesses and travel retailers in a distressed state. We reiterate that, until there is sufficient data available to evaluate the impact of JobKeeper concluding, an evaluation on minimum wage changes would be premature.

We are yet to see any recorded impacts of the end of these programs by the Australian Bureau of Statistics (ABS) in its detailed labour force data and GDP figures, while preliminary findings elsewhere are only beginning to be released. We note that the wage price index in the retail sector has increased 1.5% in the twelve months to March 2021, and an increase of 0.6% in the last quarter. This increase exceeds the 1.1% increase in inflation recorded in official CPI figures over twelve months to March 2021.

However, there continues to be cause for concern, as weekly payroll jobs and wages data for the week ending 8 May 2021 reveals decreases in payroll jobs and wages in the last month across all industries. This includes a fall in retail wages paid of 4.9% in the month since 10 April, while retail wages paid have fallen 0.7% since the week ending 27 March 2021. Across all industries, the fall in payroll jobs is most drastic among small businesses, with the number of jobs falling 6.4% since 27 March 2021, indicating they have suffered the greatest impacts as a result of support measures concluding.

These preliminary findings provide the Commission with cause to remain circumspect until more detailed data becomes available. We note that the ABS Business Conditions and

¹ Australia Bureau of Statistics 2021, 6291.0.55.003, Labour Force (Quarterly), 'Table 04. Employed persons by Industry division of main job (ANZSIC)', February 2021.

Sentiments findings from May 2021 reveal that 22% of businesses have reduced staff hours as a result of support measures ending, with 11% reducing the number of staff. At the very least, defer planned increases to the minimum wage while businesses adjust to the post-JobKeeper trading environment.

While these early indicators offer some promise and we remain hopeful of a continued recovery, the overall economic climate remains fragile, particularly while the risk of snap lockdowns continues to hang over the sector amid a slow rollout of the vaccine program, as is reflected in the present situation in Victoria.

The Commission should also consider the increases to employment costs that are to be applied in the 2021 calendar year. The retail sector has already absorbed the cost of a 1.75% increase to the national minimum wage, effective 1 February 2021. Further, retailers will also incur additional cost pressures due to the 0.5% increase in the superannuation guarantee that will be operative from 1 July 2021. Given the two-tiered recovery observed in the retail sector, a further increase in wages in the calendar year would leave some retailers in a precarious position financially, to the potential detriment of jobs in these businesses.

Any change to the minimum wage should consider both the impact of increased superannuation contribution and the timing of previous wage increases. Given these risks, the ARA proposes that any changes to the minimum wage and award minimum rates be applied 12 months after previous increases, which would changes applied from 1 February 2021 for the retail industry.

As JobKeeper concluded end of March 2021, we are yet to see sufficient economic data which reveals the impact of the end of this program on challenged retailers within the sector. The conclusion of JobSeeker will also impact retail spending in the coming months.

ARA AMENDED POSITION

The ARA supports the Panel to make a decision about the National Minimum Wage prior to 30 June 2021, and recommends the Panel bring the timing of any change in line with the previous increase (1 February 2021), to take effect on 1 February 2022. Should the Panel decide to increase the NMW, the ARA recommends that the increase is no more than the current rate of inflation (1.1 per cent).

The ARA and its members appreciate the opportunity to assist the Panel in its consideration of the 2020-21 AWR. For further information or comment, please contact Paul Zahra, ARA's Chief Executive Officer, by email at paul.zahra@retail.org.au.

Yours sincerely



Paul Zahra

CEO, Australian Retailers Association