

Annual Wage Review 2020-21

Shop, Distributive and Allied Employees' Association Submission

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Introduction

The Shop Distributive and Allied Employees' Association (SDA) supports the submission of the Australian Council of Trade Unions (ACTU) and welcomes the opportunity to make a supplementary submission to the 2021 Annual Wage Review (AWR).

The SDA represents over 200,000 workers in the retail, fast-food and distribution sectors in Australia. The retail industry employs one of the largest proportions of Australian workers, accounting for 10 per cent of the nation's workforce.

Wages for Retail and Fast-Food Workers

Despite the effects of the COVID-19 pandemic, data shows that labour productivity per hour has risen by 2.5 per cent.¹ However, corresponding wage growth has not followed, with wages only increasing by 1.4 per cent.² Retail workers have experienced a greater stagnation in wage growth than workers in other industries – with wage growth for retail trade at 1 per cent compared to 1.4 per cent more generally.³

Citing the economic recession caused by the pandemic,⁴ the 2020 AWR decision did not result in the predicted wage increase for employees in the retail and fast-food industries. Regrettably, the outcome of the 2020 AWR for most retail and fast-food workers, was a significantly lower increase of 1.75 per cent, postponed to February 2021, whilst still preserving the scheduled 15 per cent cut to permanent retail workers' Sunday penalty rates.

The Impact of COVID-19 on Retail Workers

As 'essential workers,' countless retail employees were on the frontline of the pandemic, working hard to ensure that the nation's needs were met. They faced great uncertainty, characterised by government-imposed lockdowns, reduced trading and working hours and job losses. Additionally, many retail employees persisted in their customer-facing roles, with the increased threat of contracting the virus as well as heightened levels customer abuse and

¹ Australian Bureau of Statistics (ABS), Australian National Accounts: National Income, Expenditure and Product, Australia, December 2020 (Catalogue No 5206.0, 3 March 2021), accessed online: <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2020>.

² ABS, Wage Price Index, Australia, December 2020 (Catalogue No 6345.0, 24 February 2021), accessed online: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/dec-2020>.

³ Ibid.

⁴ Annual Wage Review 2019-20 [2020] FWCFB 3500, see for example [533]-[538], [547].

violence. During the height of COVID-19, these employees were instrumental in serving Australians on the frontlines of the pandemic, despite risks to their health and well-being.

However, retail workers were still met with a delayed and reduced increase to their minimum wage. This pay freeze was greatly felt by retail and fast-food workers. In a recent survey of approximately 2,300 SDA members, 80.5 per cent of respondents agreed that they had experienced financial hardship because of COVID-19.⁵ 85 per cent of respondents believe that a further delay in an AWR increase will result in further financial hardship. These are significant results, and show that a rise in wages, especially for these already low-paid workers is not just desirable, but critical. Retail workers have been working tirelessly⁶ during the pandemic – and yet, they are suffering the effects of stagnating wages. This has a negative impact on those individuals, and a negative impact on the broader economy.

Recovering Retail Trade Figures

Following the initial drop in retail trade that occurred after the onset of the pandemic in Australia,⁶ retail trade has been recovering and this is expected to continue. For the year to January 2021, retail trade grew 10.6 per cent.⁷ An estimated recovery of 95-98 per cent of COVID-19 related output and employment losses has been made,⁸ and despite domestic and global uncertainties, a strong recovery is anticipated for 2021.⁹

Retail trade has proven its resilience by responding to COVID-related restrictions, through the increased use of online means such as click-and-collect. From the outset of COVID-19 pandemic in Australia in March 2020, to December 2020, total online sales have averaged an annual rise of 65.8 per cent.¹⁰ Online retail trade rose 55.2 per cent for the year to December 2020. This is significant and reflective of retail's adaptability during the pandemic, where customers had to comply with social distancing regulations and limited store operations. As Australia becomes increasingly accustomed to navigating a COVID-19 economy, and retail continues to adapt, we are likely to keep recording strong retail trade figures. This should be reflected in the pay-packets of hard-working retail employees.

⁵ SDA AWR 2021 Survey (2021), figure refers to members who recorded 4 & 5 on a scale from Strongly Disagree (1) to Strongly Agree (5).

⁶ ABS, Retail Trade, Australia, April 2020 (6 April 2020), accessed online: <https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/apr-2020>.

⁷ ABS, Retail Trade, Australia, January 2021 (Catalogue No 8501.0, 4 March 2021), accessed online: <https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/jan-2021>.

⁸ CEDA, Economic and Political Outlook 2021 (Report, 2021) 10, accessed online: https://cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/researchcataloguedocuments/pdfs/ceda_2021-epo_report_final.pdf?ext=.pdf.

⁹ Ibid 14.

¹⁰ ABS, Online sales, December 2020 – Supplementary COVID-19 analysis (5 February 2021), accessed online: <https://www.abs.gov.au/articles/online-sales-december-2020-supplementary-covid-19-analysis>.

Retail Profit Outcomes

Some retailers have not just recovered but have greatly profited during COVID-19. While traditional retailers have had to close their stores at various stages because of government-imposed lockdowns, certain consumer patterns arising from COVID-19 has resulted in the increased profitability of businesses. As people spent more time at home, consumer spending has been redirected into purchasing furniture, technology, and appliances.¹¹ This trend is expected to continue for some time.

Furniture retailer, Nick Scali, reported a profit of \$42.1 million for the FY20¹² despite store closures during the second half of the year. Australian-based, multi-national retailer, Harvey Norman recorded 26 per cent increase in pre-tax profit to \$636 million in 2020.¹³ JB Hi-Fi reported a 33 per cent increase in net profit to \$332.7 million, the strongest profit growth in three years.¹⁴ These are only a few examples of phenomenal profit outcomes that followed the pandemic. Suppliers of essential goods, like major supermarkets also experienced profit growth.¹⁵ However, this has not translated into improved wages for retail employees.

The rise of online sales, both pure-play and omni channelling, has boosted the profitability of some retailers – and it is expected that this will continue even with easing restrictions. Providing retail employees with a decent take-home pay will encourage and sustain consumer spending back into the economy.

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The Fair Work Commission AWR Panel plays an important role in promoting national economic prosperity for all Australians. The delivery of ‘fair’ and ‘relevant’ wage increases promotes the economic prosperity of the nation by increasing consumer spending capacity. Ensuring that workers, especially low-paid workers, are receiving a decent wage is critical to boosting the economy. It is both ‘fair’ that retail workers receive a wage increase that acknowledges their hard work, especially during the pandemic, and ‘relevant’ given the financial strain on retail workers and the economic recovery that is well underway.

¹¹ ABS, Consumer Price Index, Australia, December 2020 (27 January 2021), accessed online:

<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>.

¹² Nick Scali Limited, Annual Report 2020 (2020) 12, accessed online: <https://www.nickscali.com.au/annual-reports>. Note: This is the exact same amount achieved in FY 19.

¹³ Harvey Norman Holdings Limited, 2020 Annual Report (2020) 3, accessed online:

<https://static1.squarespace.com/static/54803162e4b08e1b8a472201/t/5f7548b27a7dba1ef4c5bfb9/1601521983870/HVN+2020+Annual+Report+-+FINAL+for+upload+to+website+v2.pdf>.

¹⁴ JB Hi-Fi Limited, Annual Report 2020 (2020) 1, accessed online: <https://investors.jbhifi.com.au/annual-reports/>.

¹⁵ Coles Group Limited, Annual Report 2020 (2020) 36, accessed online:

<https://www.colesgroup.com.au/investors/?page=reports>; Woolworths Group Limited, Annual Report 2020 (2020) 3, accessed online: https://www.woolworthsgroup.com.au/page/investors/our-performance/reports/Reports/Annual_Reports.

The reality is that several forecasts made in 2020 did not come to pass. Unemployment was down to 6.6 per cent¹⁶ in December 2020 but was forecasted to be at 9 per cent.¹⁷ The RBA predicted growth to be minus 6 per cent¹⁸ at December 2020 but was at 3 per cent at year's end. The economy has been making a positive recovery. However, this has not resulted in corresponding wage increases for retail and fast-food workers, who are still suffering from the 2020 pay freeze. The responses of SDA members highlight the financial strain caused by low wages and high expenditure, which is exacerbated by the ongoing pandemic. This sentiment is undoubtedly shared by an overwhelming number of retail and fast-food workers. The unselfishness of these workers, who worked tirelessly during the height of the pandemic should not be ignored but rewarded. With much stronger economic conditions now, Australian workers should not experience any delay in receiving a pay increase.

¹⁶ ABS, Labour Force, Australia, December 2020 (Catalogue No 6202.0, 21 January 2021), accessed online: <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/dec-2020>.

¹⁷ The Hon Josh Frydenberg MP, 'Economic and Fiscal Update' (Media release, 23 July 2020), accessed online: <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/economic-and-fiscal-update>, cited in: <https://www.sbs.com.au/news/australia-s-unemployment-rate-is-expected-to-peak-at-9-25-per-cent-that-s-another-240-000-people-out-of-work>.

¹⁸ Reserve Bank of Australia (RBA), Statement on Monetary Policy, Forecast table – May 2020 (2020), accessed online: <https://www.rba.gov.au/publications/smp/2020/may/forecasts.html>.