

LOCATION

Turrbal Country
Level 3, 67 St Pauls Terrace
Spring Hill QLD 4000

POST

Turrbal Country
PO Box 48
Spring Hill QLD 4004

3 June 2022

Fair Work Commission
Annual Wage Review 2021-22
GPO Box 1994
Melbourne VIC 3001

By email: awr@fwc.gov.au

Dear Members of the Expert Panel,

**Annual Wage Review 2021-22
Submissions of the National Retail Association Limited, Union of Employers regarding the National
Accounts March quarter 2022.**

In accordance with the timetable of the Annual Wage Review 2021–22, the National Retail Association Limited, Union of Employers (**NRA**) makes these submissions regarding the National Accounts March quarter 2022.

1. THE NATIONAL ACCOUNTS MARCH QUARTER 2022

- 1.1. The NRA notes that GDP and household consumption continued to grow in the March quarter 2022 while the household saving ratio continued to decline.¹
- 1.2. However, this data does not reflect the expected impacts of the interest rates increase that occurred from 3 May 2022. As the NRA submitted previously, this change in monetary policy can be expected to result in reduced household spending and increased household saving over the coming year.²
- 1.3. The NRA therefore urges the Panel to treat the further positive indications of economic recovery from the National Accounts March quarter 2022 with caution.

2. TIMING OF WAGE INCREASES

- 2.1. In its Statement of 26 May 2022, the Expert Panel (**Panel**) of the Fair Work Commission (**Commission**) for the Annual Wage Review 2021-22 (**Review**) invited participants in the Review to comment on the timing of wage increases in their submissions regarding the National Accounts.

¹ ABS, *Australian National Accounts: National Income, Expenditure and Product* (1 June 2022) accessed 3 June 2022 at <<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>>.

² National Retail Association, submissions in reply (6 May 2022).

- 2.2. Under the *Fair Work Act 2009* (Cth) (**Fair Work Act**), any determination varying one or more modern awards to set, vary, or revoke modern award minimum wages (**variation determination**) made by the Panel in this Review should ordinarily come into operation on 1 July 2022.³
- 2.3. The Panel may provide that any such variation determination will come into operation on a day that is later than 1 July 2022 only if the Panel is satisfied that there are ‘exceptional circumstances’ justifying the delayed operative date.⁴
- 2.4. Following the Panel’s invitation, the NRA seeks to comment on business conditions currently being experienced by our members in the accommodation and food services industry covered by the *Restaurant Industry Award 2020* (**Restaurant Award**) and the *Hospitality Industry (General) Award 2020* (**Hospitality Award**).⁵
- 2.5. As Australia’s economic recovery has progressed over the course of the current Review, more evidence has become available for how the pandemic and other external factors continue to impact specific industries. While significant uncertainty remains throughout the wider economy, it has now become clear that exceptional circumstances still exist for restaurant and hospitality businesses.
- 2.6. The NRA submits that the operative date for any variation determination made in this Review for the Restaurant Award or the Hospitality Award should be deferred to **1 November 2020**. The NRA joins with ACCI, AI Group, and ABI to the extent that those parties’ submissions relate to these modern awards.

3. EXCEPTIONAL CIRCUMSTANCES IN THE RESTAURANT AND HOSPITALITY INDUSTRIES

- 3.1. Employers covered by the Restaurant and Hospitality Awards are currently experiencing a labour shortage crisis that is creating extremely challenging business conditions and hindering the pandemic recovery despite continued growth in turnover.⁶ This reality is borne out by the data provided in the Commission’s information note of 26 May 2022 (**Information Note**).⁷
- 3.2. The number of jobs filled in the accommodation and food industries is currently 12.5% lower than before the pandemic but total employment including filled and vacant jobs is 3.6% higher and the

³ *Fair Work Act 2009* (Cth) ss 286(1) (*Fair Work Act*).

⁴ *Fair Work Act*, ss 286(2).

⁵ See [2021] FWCFB 3500, [242]-[246] (*2021 Decision*); see Jeff Borland, *An assessment of the economic effects of COVID-19 – Version 5* (Research Report No 5/2021, 4 June 2021) 1.

⁶ See ABS, *Retail trade, Australia* (27 May 2022).

⁷ Fair Work Commission, *Information note – industry analysis* (Report, 26 May 2022).

vacancy rate is 2.3% higher.⁸ Since the Commission's Decision in the Annual Wage review 2020-21 (**2021 Decision**),⁹ payroll jobs have decreased by 10.1% while vacancies have increased by 0.7%.¹⁰

- 3.3. The Information Note acknowledges that these labour market conditions are attributable to factors including the pandemic and other recent natural disasters but also to the current lack of skilled and migrant labour.¹¹ As Ai Group notes, there were only around 1.76 million temporary visa holders in Australia in February 2022 compared with around 2.41 million in December 2019.¹²
- 3.4. Employers in the accommodation and food services industries rely on migrant labour more heavily than most other industries. In 2016, temporary visa holders made up 9.4% of employed hospitality workers, 7.7% of employed food trades workers, and 5.6% of employed food preparation assistants, respectively the second, fourth and fifth highest of any industries.¹³
- 3.5. The temporary labour shortage has coincided with high input costs. From the June quarter 2021 to December quarter 2021, gross value added (**GVA**) decreased by 6.1%, the largest decline of any industry, and company gross operating profits (**CGOP**) by 22.7%, the second largest. In the March quarter 2022, GVA grew by 3.7%, but sales grew by 3.5% and CGOP fell by 43.7%.¹⁴
- 3.6. These labour market conditions have also driven up wage costs. WPI in the accommodation and food services industries increased by 2.6% in the March quarter 2022 but total wages increased by 3.9%.¹⁵
- 3.7. In these circumstances, increasing minimum wages in these industries now will have a significant negative impact on employment as businesses are forced to save costs by reducing jobs or hours worked, becoming even more short staffed, or risk business failure.
- 3.8. The NRA submits that these exceptional circumstances justify the exercise of the discretion to defer the operative date of any variation determination for the Restaurant and Hospitality Awards.

4. CONCLUSION

⁸ Fair Work Commission (n 7) 11; ABS, *Weekly Payroll Jobs and Wages, Australia* (16 April 2022); ABS, *Labour Accounts, Australia* (March 2022).

⁹ *2021 Decision* (n 5).

¹⁰ Fair Work Commission (n 7) 4; ABS (n 8); ABS, *Labour Force Survey, Detailed* (March 2022).

¹¹ Fair Work Commission (n 7) 5; citing ABS, *Payroll jobs growth continues to be slower in 2022* (Media release, 12 May 2022).

¹² Ai Group, Initial Submissions (1 April 2022) 58.

¹³ Robert Birrell and David McCloskey, *Australia's jobs and growth strategy: pathway to a low productivity economy* (Research Report, Australian Population Research Institute, 2019) accessed 3 June 2022 <<https://tapri.org.au/wp-content/uploads/2019/11/Jobs-and-growth-final-Nov-25.pdf>> 13; see Jeff Borland, *An assessment of the economic effects of COVID-19 – Version 2* (Report 1/2021, 17 February 2021).

¹⁴ ABS (n 1); ABS, *Business Indicators, Australia* (31 May 2022) accessed 3 June 2022 at <<https://www.abs.gov.au/statistics/economy/business-indicators/business-indicators-australia/latest-release>>.

¹⁵ ABS, *Wage Price Index, Australia* (18 May 2022) accessed 3 June 2022 at <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/mar-2022>>; ABS (n 1).

- 4.1. Employers under the Restaurant and Hospitality Awards are facing a labour shortage crisis due to the dearth of temporary migrant workers and high input costs driven by continuing supply chain disruptions that together are causing extremely difficult business conditions.
- 4.2. The NRA submits that these exceptional circumstances justify a deferred operating date of **1 November 2022** for any variation determination made in this Review for these modern awards.
- 4.3. The NRA submits that the positive economic indications from the National Accounts for the March quarter 2022 should be treated with caution since they do not reflect the expected impacts of recent interest rates rises.

Yours sincerely,



Lindsay Carroll
Deputy Chief Executive Officer
M| 0411 318 643
E| l.carroll@nra.net.au
National Retail Association