

ARA SUBMISSION

2023-24 ANNUAL WAGE REVIEW

MARCH 2024

EXECUTIVE SUMMARY

The Australian Retailers Association (ARA) welcomes the opportunity to make a submission to the Fair Work Commission (FWC) in respect of this year's Annual Wage Review (AWR). We support an equitable increase in the minimum wage that helps Australian households address cost-of-living pressures, without increasing business costs beyond what is necessary to ensure that wages keep pace with higher prices.

This increase in wages should be based on the underlying rate of inflation at the time the FWC hands down its decision - using the Trimmed Mean Inflation (TMI) rate - less the impact of increases in superannuation. We also believe that this year's increase should be considerate of the impact of the Stage Three Tax Cuts.

The ARA therefore recommends an increase of 3.1% in the minimum wage to take effect from 1 July 2024. This recommendation is a function of the Reserve Bank of Australia (RBA) forecasts for TMI in June 2024¹ (3.6%) less the increase in superannuation to take effect from 1 July 2024² (0.5%).

An increase of this magnitude would be broadly in-line with RBA forecasts for inflation through 2024-25 and would complement other measures that aim to provide cost-of-living relief - such as the Stage Three Tax Cuts, which are estimated to increase disposable income by 1.5% - 1.9% for retail workers on the minimum wage.

While we recognise the cost-of-living pressures impacting many Australian households, we believe consideration must also be given to the higher cost of doing business to ensure a balanced and sustainable increase in the minimum wage. From a recent ARA member survey³, 82% of respondents indicated that higher costs are being absorbed by retailers, with detrimental impacts on margins and cashflow. Given that 89% of respondents also agreed their business would be under more financial pressure next year, the importance of considering the business impacts of this year's AWR cannot be understated.

These pressures are most keenly felt by small business, who represent 95% of the ARA's membership.

From the ARA Small Retail Index⁴ released in November 2023, only 17% of respondents said they felt optimistic about financial performance and just 34% reported that they felt confident about the year ahead. The rising cost of doing business is a recurring theme for small business, with key cost pressures coming from increases in labour costs, the cost of goods and services, energy costs and leasing costs. The Index confirmed that 91% of respondents had seen cost increases, with 32% saying their costs have increased by more than 10% - well above the level of inflation - which has resulted in small business absorbing cost increases by reducing margin.

The other key issue for business is labour productivity, which fell by 3.7%⁵ for the whole economy in the last financial year. With the Wage Price Index (WPI) and Consumer Price Index (CPI) both at 4.1% in December 2023,

¹ RBA Forecast Tables | rba.gov.au/publications/smp/2024/feb/outlook.html#table31

² Australian Taxation Office, Super Guarantees | ato.gov.au/tax-rates-and-codes/key-superannuation-rates-and-thresholds/super-guarantee

³ ARA Member Pulse Survey, March 2024

⁴ ARA x American Express Small Business Index, 2023 | retail.org.au/wp-content/uploads/ARA-American-Express-Small-Retail-Index.pdf

⁵ Productivity Commission, Annual Productivity Bulletin 2024 | pc.gov.au/ongoing/productivity-insights/bulletins/bulletin-2024/productivity-bulletin-2024.pdf

and the RBA forecasting that wages will grow faster than prices through 2024-25, it is important that any increase in the minimum wage that exceeds the underlying rate of inflation be offset by measures that improve productivity and flexibility.

We believe that the proposed increase strikes a balance between an employer's ability to sustainably manage higher costs while helping to provide cost-of-living relief to employees. While there is strong support for the government's objective to continue driving wages growth, we believe there must also be consideration to addressing the imbalance between higher wages and lower productivity; the macro-environment impacting the retail sector and broader economy; and the objectives of the minimum wage.

INTRODUCTION

The ARA is the oldest, largest and most diverse national retail body, representing a \$420 billion⁶ sector that employs 1.4 million⁷ Australians - making retail the largest private sector employer in the country. As Australia's peak retail body - representing more than 120,000 retail shop fronts and online stores - the ARA informs, advocates, educates, protects and unifies our independent, national and international retail community.

We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium sized members, who make up 95% of our membership. Our members operate across the country and in all categories - from food to fashion, hairdressing to hardware, and everything in between.

We believe that a contemporary employment relations system should provide mutually beneficial outcomes to employees and employers, enabling business to maximise productivity, improve market competitiveness and drive job creation, while providing employees with sustainable wages growth and employment pathways.

We also believe that the FWC's decision should be based upon the best-available information to ensure that the increase in the minimum wage keeps pace with higher costs-of-living, without exceeding the projected rate of inflation over the period that the determination will be in force.

This submission reflects these beliefs and adopts a principles-based approach to inform our recommendations, as outlined below.

PRINCIPLE 1	Wages growth should keep pace with higher prices, using the TMI rate as a measure of underlying inflation, removing volatile inputs from the CPI.
PRINCIPLE 2	Any increase in wages should be based on the rate of underlying inflation at the time the AWR decision is handed down, less the impact of increases in superannuation. This is in-line with the approach taken by the FWC in previous years.
PRINCIPLE 3	Any increase in wages should take into account the broader economic context and widely accepted forecasts for the year ahead, including the impact of other measures to provide cost-of-living relief. In particular, this year's AWR should give consideration to the impact of the Stage Three Tax Cuts.
PRINCIPLE 4	Any increase in wages that exceeds underlying inflation should be offset by productivity gains, to help retailers absorb higher labour costs without placing additional financial pressure on businesses.

⁶ ABS Retail Trade Data, 12 months to January 2024 | abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/jan-2024/850101.xlsx

⁷ ABS Labour Force Data, November 2023 | abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/jan-2024/6291004.xlsx

The recommendations outlined herein are based on currently available data, including actual data from the Australian Bureau of Statistics (ABS) and RBA forecasts for 2024-25. The ARA may outline more specific proposals in its Reply Submission, which will be informed by economic data to be published in April 2024.

This submission has been developed in collaboration with our panel of research partners and is informed by engagement with the ARA Employment Relations Advisory Committee and responses to member surveys.

RECOMMENDATION

In alignment with these principles, the ARA's recommendation is for a 3.1% increase in the minimum wage from 01 July 2024. This factors in a base position of 3.6% TMI less the impact of the 0.5% increase in the Superannuation Guarantee Rate (SGR) from 01 July 2024.

This recommendation equates to a 3.6% increase in labour costs for employers, including the impact of the next increase in superannuation that will take effect at the same time as the next increase in the minimum wage.

For retail workers on the minimum wage, or awards tied to the minimum wage, this increase would be in addition to the 1.5% - 1.9% increase in disposable income as a result of the Stage Three Tax Cuts.

Workplace Gender Equality Agency (WGEA) Pay Quartiles	Average total remuneration	ARA Recommendation		Increase in pre-tax remuneration from ARA Recommendation		Increase in post-tax remuneration from Stage Three Tax Cuts	
		Excl. 0.5% for superannuation	Incl. 0.5% for superannuation				
Lower Quartile	43,000	44,333	44,548	1,548	3.60%	653	1.52%
Lower Middle Quartile	60,000	61,860	62,160	2,160	3.60%	1,073	1.79%
Upper Middle Quartile	69,000	71,139	71,484	2,484	3.60%	1,282	1.86%
Upper Quartile	114,000	117,534	118,104	4,104	3.60%	2,327	2.04%
Total Workforce	71,000	73,201	73,556	2,556	3.60%	1,328	1.87%

The ARA believes this recommendation helps to address cost-of-living pressures without placing additional undue financial stress on employers and businesses, who are dealing with significant economic headwinds, as reflected in the following data points.

- Growth in retail trade has been below-trend for much of the past year and slowed to 1.6% in February 2024⁸, with increases driven by price not volume.⁹
- Ongoing and projected higher business costs and lower consumer spending continue to impact margin and cash flow for retailers, particularly for small and medium sized businesses.¹⁰
- Some businesses have incurred higher costs, while others have passed on higher costs as higher prices to consumers, reduced staff hours or reduced staffing levels to offset increasing costs.¹¹
- Wages are forecasted to continue increasing and outpace inflation, driving an increase in real wages.¹²
- Productivity remains volatile with an increase of 0.5% in the December 2023 quarter but a 0.4% decrease over the 12 months to December 2023¹³. Productivity in the retail sector also fell by 1.4% in 2022-23.¹⁴

⁸ ABS Retail Trade, February 2024 | abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release

⁹ ABS Monthly Consumer Price Index | abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/latest-release

¹⁰ Inside Retail, Australian Retail Outlook 2024 | insideretail.com.au/wp-content/uploads/2024/02/ARO2024-DIGITAL.pdf

¹¹ ARA Member Pulse Survey, March 2024

¹² RBA Statement on Monetary Policy, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html

¹³ Productivity Commission, Quarterly Productivity Bulletin, March 2024 | pc.gov.au/ongoing/productivity-insights/bulletins/quarterly-bulletin-march-2024

¹⁴ ABS Estimates of Industry Multifactor Productivity | abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release

SECTORIAL CONTEXT

Retail sector has broad reach and impact

The retail industry boasts a large community of small, medium and large businesses that play a critical role servicing the Australian community, creating employment opportunities, supporting local suppliers and contributing to Australia's overall economic growth.

The sector is responsible for employing 1.4 million Australians, making retail the largest private sector employer in the country. Retailers drive \$420 billion in economic activity and contribute to the success of other sectors such as agriculture, manufacturing, wholesalers, transportation and warehousing, and logistics.

Despite the prominence of the retail sector, economic challenges continue to impede a sustainable recovery after four years of intense disruption. While business costs have increased, consumer spending remains subdued, which has impacted the viability of some retail businesses, demonstrated by an increase in the number of business exits in recent years.¹⁵ These exits impact employees, consumers and suppliers.

For this reason, we believe that the FWC must consider how any increase in the minimum wage will impact the retailers, and by extension, the communities they serve and people they employ.

Retail trade slow to recover

Retail trade grew 1.6% in February 2024¹⁶ in comparison to a 3.4% increase in monthly CPI¹⁷ for the same period, pointing to below-trend growth in retail trade fuelled by higher prices not higher volumes. It is worth noting that growth in retail volumes fell to 1.6% in February 2024, with lower per capita volumes offset by strong population growth in 2023.

It is also worth noting that despite modest headline growth for the overall sector, slowing sales and uncertain trading conditions are impacting different retailers and categories differently.

Table 1: MST Marquee Bulletin, January 2024
Australian Retail Sales Long Term Trends

Category	1 month	3 months	12 months	25 years
Supermarkets	2.4%	2.7%	5.3%	5.2%
Liquor	-1.1%	0.2%	1.1%	7.6%
Other specialised food	0.2%	-2.6%	0.7%	2.9%
Pharmacy & cosmetics	9.9%	7.6%	6.8%	6.9%
Furniture, flooring & homewares	-4.5%	-2.8%	-4.7%	4.8%
Electronics	-3.1%	-1.6%	-5.9%	4.2%
Hardware & gardening	1.2%	-1.4%	-0.9%	6.0%
Clothing	1.2%	0.1%	1.9%	5.3%
Footwear and accessories	-5.9%	-2.5%	-0.4%	4.4%
Department stores & DDS	-0.9%	2.2%	2.2%	2.5%
Recreational goods	-4.1%	-1.7%	-4.0%	3.5%
Takeaway food	5.1%	5.2%	7.2%	5.2%
Cafes and restaurants	0.7%	1.0%	8.8%	7.1%
Total retail (Industry)	1.2%	1.1%	2.6%	5.1%
Online Food Retailing	13.5%	12.9%	9.2%	24.0%
Online Non-Food Retailing	-0.1%	-0.1%	1.0%	21.3%
Online Total (Industry)	3.7%	3.2%	3.3%	22.0%

Source: ABS, MST Marquee

¹⁵ ABS Business Entries and Exits | abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release

¹⁶ ABS Retail Trade, February 2024 | abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release

¹⁷ ABS Monthly CPI Indicator, February 2024 | abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/latest-release

Projections indicate this issue will persist as consumer spending remains soft¹⁸ as households mitigate cost-of-living pressures by spending on essentials rather than discretionary spending. Consumers are also increasingly budget-conscious, leading to an overall lower rate of actual revenue versus potential revenue for retailers.

Business costs, margins and cashflow under pressure

Insights from a recent ARA member survey reveal that 88% of respondents expect to be under greater financial stress in the next 12 months, than the previous 12 months.¹⁹ We believe that the following insights and data about trading conditions across the sector should inform the FWCs’ deliberations.

- Retailers are continuing to experience an increase in business costs attributed to the current economic climate (38%), a decrease in consumer demand (17%) and loss of key customers (9%).²⁰
- The costs of doing business also continue to escalate in many other areas, placing further pressure on retail businesses. Retailers report higher energy and fuel costs, higher leasing costs, and labour costs amongst the biggest contributing factors to higher business costs.²¹
- In the same survey, 82% of respondents indicated they had absorbed higher costs by reducing profit margins.²²
- Stock loss from theft is expected to represent an amount equivalent to 2-3% of sales, with incremental impacts on profit margins.²³

Cost pressures continue to be a significant challenge, with 46% of respondents reporting a 5-10% increase in labour costs; with 40% reporting a 5-10% in energy costs; and 37% reporting a 5-10% increase in fuel costs and supply chain costs.²⁴ Most businesses (56%) also reported a >10% increase in the cost for insurance premiums.²⁵ This data emphasises that labour costs continue to be a common contributor to business costs, while retailers simultaneously face significant, above-trend increases across most cost lines.

Table 3: ARA Member Pulse Survey, March 2024²⁶
Tracking cost increases against the previous year (2023)

Costs	0-2% increase	2-5% increase	5-10% increase	10-20% increase	>20% increase
Labour costs	7.27%	34.55%	45.45%	10.91%	1.82%
Cost of goods sold	7.41%	35.19%	33.33%	16.67%	7.41%
Leasing costs	14.29%	40.82%	30.61%	10.20%	4.08%
Energy costs	1.82%	20.0%	40.0%	20.0%	18.18%
Fuel costs	11.11%	24.07%	37.04%	25.93%	1.85%
Supply chain costs	12.96%	20.37%	37.04%	24.07%	5.56%
Insurance premiums	1.82%	16.36%	25.45%	47.27%	9.09%
Banking costs	18.18%	34.55%	36.36%	7.27%	3.64%

¹⁸ RBA Statement on Monetary Policy, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html#table31

¹⁹ ARA Member Pulse Survey, March 2024

²⁰ MYOB Business Monitor Report | [info.myob.com/hubfs/Media Centre/MYOB Business Monitor January 2024.pdf](https://info.myob.com/hubfs/Media%20Centre/MYOB%20Business%20Monitor%20January%202024.pdf)

²¹ MYOB Business Monitor Report | [info.myob.com/hubfs/Media Centre/MYOB Business Monitor January 2024.pdf](https://info.myob.com/hubfs/Media%20Centre/MYOB%20Business%20Monitor%20January%202024.pdf)

²³ Australian Institute of Criminology, Understanding and controlling retail theft | aic.gov.au/sites/default/files/2020-05/tandi152.pdf

²⁴ ARA Member Pulse Survey, March 2024

²⁵ ARA Member Pulse Survey, March 2024

²⁶ ARA Member Pulse Survey, March 2024

The retail sector remains concerned about future costs, forecasting higher business costs in relation to labour, costs of goods and energy costs for next financial year. Some retailers also report an expectation that insurance premiums leasing, logistics and energy costs will increase by 10-20% in the coming year.²⁷

In addition, to compete globally, meet customer demand and achieve necessary growth, retailers small and large are tackling an additional layer of cost required by an investment in innovation particularly within the areas of sustainable business practices and artificial intelligence.

Table 4: ARA Member Pulse Survey, March 2024²⁸
Retailers projected business cost increases in the coming year

Costs	0-2% increase	2-5% increase	5-10% increase	10-20% increase	>20% increase
Labour costs	16.36%	34.55%	43.64%	5.45%	0%
Cost of goods sold	16.36%	36.36%	36.36%	10.91%	0%
Leasing costs	15.38%	44.23%	32.69%	3.85%	3.85%
Energy costs	14.55%	32.73%	38.18%	7.27%	7.27%
Fuel costs	18.52%	29.63%	42.59%	5.56%	3.70%
Supply chain costs	11.11%	40.74%	31.48%	12.96%	3.70%
Insurance premiums	3.64%	20.00%	52.73%	14.55%	9.09%
Banking costs	20.0%	50.91%	27.27%	1.82%	0.00%

The combined impact of lower retail trade and higher costs is putting retailers under substantial financial pressure, with small businesses particularly concerned. In the recent member survey, 98% of respondents agreed that their businesses is currently under significant financial stress, with 88% agreeing that they expected this pressure to continue into 2024-25.²⁹

The ARA Small Retail Index highlighted similar concerns with increases in energy, leasing and labour costs having the greatest impact on profitability and supply chain disruptions impacting both costs and operations.

Retail is critical to Australia’s labour market

Retail is the largest private sector employer in the country and second-largest employment sector overall, providing millions of Australians with opportunities to enter the workforce through entry level roles while simultaneously offering strong career development pathways for employees that choose retail as a career.

The impact of the retail sector on the labour force is significant and, for this reason, the performance of the retail industry has impactful ramifications on the labour market. Insights from members reveal that, in addition to lower margins, many businesses are being forced to offset higher costs by reducing hours or headcount.³⁰

The ARA supports the Government’s aim of promoting full employment, job security, sustainable wage growth, and productivity growth, alongside other objectives.³¹ We believe that the recommended increase in the minimum wage, in addition to cost-of-living relief through the Stage Three Tax Cuts, provide sufficient opportunity to drive wages growth without creating undue burden on employers that would threaten full employment or job security.

²⁸ ARA Member Pulse Survey, March 2024

³⁰ ARA Member Pulse Survey, March 2024

³¹ Australian Government White Paper on Jobs and Opportunities | treasury.gov.au/sites/default/files/2023-09/p2023-447996-working-future.pdf

In terms of increased productivity, the ARA has lodged an application to vary the General Retail Industry Award (GRIA) to provide for greater flexibility for employers and employees alike, with the aim of driving productivity growth. We also look forward to the outcomes of the FWC Modern Award Review, which we hope support employers in their efforts to drive productivity, wages growth and job creation.

GREATER ECONOMIC CONTEXT

Inflation is expected to continue moderating

Annual inflation excluding volatile items has slowed over the past 14 months from a high of 7.2% in December 2022.³² We note that the most recent data point for TMI was reported for the December 2023 quarter at 4.2%. With the next actual data point for TMI to be reported in April 2024, we have relied upon the RBA June 2024 forecast for TMI of 3.6% to inform our recommendation. This reflects our principle that the FWC's decision should be informed by the best-available information at the time the AWR decision is handed down.

Based on ABS and RBA data, we observe that TMI is forecast to fall from a peak of 4.2% in December 2023 to 3.1% in December 2024, and falling further to 3.0% in June 2025³³. Our recommendation of a 3.1% increase in the minimum wage (excluding the 0.5% increase in superannuation) is broadly in-line with these forecasts, with the Stage Three Tax Cuts to provide additional cost-of-living relief.

Wages growing faster than prices

We propose that any increase to the minimum wage needs to be considered in-line with the current economic position of wages and prices. We note that wage growth³⁴ was reported at 4.2% for the 12 months to December 2023 compared to the consumer price³⁵ rise of 4.1% for the same period.

For the retail industry, wages³⁶ rose to 0.8% in the December 2023 quarter and 4.3% over the year. Adult average weekly ordinary time earnings³⁷ increased by 4.5% in the 12 months to November 2023.

These figures illustrate that wages are now growing faster than prices, which is a trend that RBA forecasts indicate is likely to continue into 2024-25. While this trend reflects the Government's objective of driving real wages growth, we believe that any increase in the minimum wage above 3.1% poses the risk of a harmful wage-price spiral, particularly when considered in the context of the additional inflationary pressure arising from the Stage Three Tax Cuts.

Broader economic indicators point to softer economy

With inflation trending downwards and wages trending upwards, cost-of-living pressures are likely to slowly ease. However, the RBA also forecasts consumer spending is expected to decline with the Gross Domestic Product (GDP) to decline to 1.3% in June 2024, down from 1.5% in December 2023³⁸.

³² ABS, Monthly CPI indicator rose 3.4% | abs.gov.au/media-centre/media-releases/monthly-cpi-indicator-rose-34-cent-year-february-2024

³³ RBA Statement on Monetary Policy, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html#table31

³⁴ ABS Wage Price Index, December Quarter 2023 | abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release

³⁵ ABS Consumer Price Index, December 2023 | abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

³⁶ ABS Wage Price Index, December 2023 | abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release

³⁷ ABS Average Weekly Earnings, November 2023 | abs.gov.au/statistics/labour/earnings-and-working-conditions/average-weekly-earnings-australia/latest-release

³⁸ RBA Monetary Policy Outlook, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html

Table 4: RBA Forecast Table, February 2024 Statement on Monetary Policy³⁹
 Percentage change over year to quarter shown

Measure	Dec-23	Jun-24	Dec-24	Jun-25	Dec-25	Jun-26
Gross domestic product	1.5	1.3	1.8	2.1	2.3	2.4
Household consumption	0.4	0.8	1.7	2.4	2.6	2.6
Consumer price index	4.1	3.3	3.2	3.1	2.8	2.6
Trimmed mean inflation	4.2	3.6	3.1	3.0	2.8	2.6

Labour market remains tight

With economic growth continuing to slow, the unemployment rate is forecasted to increase. The current unemployment rate sits at 548,300 or 3.7% as at February 2024.⁴⁰ The RBA has forecasted this rate to grow to 4.4% in June 2025⁴¹. Correspondingly, the participation rate has also lowered to 66.6% in February 2024.⁴²

In contrast, despite the unemployment rate rising, job vacancies in the retail sector remain stubbornly high, with 32,100 vacancies in the retail sector, and 16.3% of retail businesses reporting vacancies, in March 2024⁴³.

With many retail businesses operating without a full workforce, this creates strains on businesses trying to operate effectively or expand their enterprises. Simultaneously, with economic growth slowing, unemployment rates will continue to climb, burdening retail businesses to solve this problem by creating or filling more roles. A narrative that businesses will be hard-pressed to accommodate given current and future workforce insights, especially if subject to excessive legislative wage hikes.

REGULATORY CONTEXT

Addressing the gender pay gap through the Minimum Wage Objectives

The ARA is a strong advocate for gender equality in the retail sector, as evidenced by our [Gender Equality Position Statement](#). As such, we support the inclusion of social, economic and legislative considerations for the purposes of the AWR as outlined by s 284 & s134 of the Fair Work Act 2009 (*Cth*). Including the need to achieve gender equality introduced by the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022 (*Cth*).

We note a \$3,200 gender pay gap in front-line retail roles, as reported by WGEA in its latest report, released in February 2024. As a sector, we are committed to addressing gender pay inequity but we do not believe that the AWR is the best mechanism to effectively address this issue and suggest the other FWC processes – including the Modern Award Review - are better placed to meet the governments’ expectations in relation to gender equality.

An increase in the minimum wage will not address the gender pay gap, which is currently based on total average remuneration for people in similar roles, not the average hourly rate of pay paid to those employees. A recent ARA member survey confirmed that the most significant driver of the gender pay gap in retail is the number of hours worked by women, which is typically lower than the number of hours worked by men. Government, regulators and industry have other interventions they can pursue to address this imbalance in hours worked.

³⁹ RBA Monetary Policy Outlook, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html

⁴⁰ ABS Labour Force, March 2024 | abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release

⁴¹ RBA Monetary Policy Outlook, February 2024 | rba.gov.au/publications/smp/2024/feb/outlook.html

⁴² ABS Labour Force, February 2024 | abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release

⁴³ ABS Job Vacancies, March 2024 | abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release

Our position is supported by the following observations.

- The AWR typically awards a standardised increase to wages across the economy – irrespective of gender. Any increase in the minimum wage will benefit men and women alike and could serve to exacerbate the gender pay gap in our sector because our members report⁴⁴ that men typically work more hours than women.
- The existence of a gender pay gap between individuals in the same role cannot, in theory, apply to award-reliant employees. Award wages do not discriminate based on gender, instead only on classifications and hours of work. In our sector, members report⁴⁵ that the gender pay gap (which WGEA relies on total remuneration, not average hourly rates of pay) arises from disparities in the number of hours worked and rather than the average hourly rate of award wages.
- Lack of access to flexibility in the workplace, particularly for those with caring responsibilities, disproportionately impact women⁴⁶ and, by extension, the gender pay gap. Some of these variables are set to be revised with the Modern Award Review of Work and Care⁴⁷, and the ARA's application to vary the GRIA - mechanisms which enable a more suitable and complete review of workplace conditions than the AWR.
- The retail sector boasts a pre-dominantly female workforce, with 85% of sales assistant roles held by women. The reported gender wage discrepancy in these front-line roles is \$3,200⁴⁸ which is much lower than other industries, such as professional roles (\$18,223), clerical and administrative workers (\$6,798) and non-managerial roles (\$6,263). As any increase to the minimum wage is unlikely to be industry specific, the AWR does not have sufficient flexibility to target gender pay gaps in those exclusive sectors with greater discrepancies, likely further exacerbating the gender-based pay differences.
- Australians are covered by a range of workplace relations instruments. Any increase in the minimum wage will have an impact on award-reliant employees but typically not on those employees covered enterprise agreements. It is worth noting that in December 2023, enterprise agreements drove half of wages growth⁴⁹ and that fewer than 25% of employees are paid under awards tied to the minimum wage.⁵⁰

CONCLUSION

While inflation is forecast to decline, retail spending remains subdued and business costs continue to increase, putting significant pressure on retailers. Given these considerations, any wage increase must be sustainable for business, while helping to address cost-of-living pressures for employees.

We believe our recommended increase in the minimum wage of 3.1% plus 0.5% for an increase in superannuation strikes this balance. We also believe that any increase in the minimum wage above this range would require productivity improvements that improve flexibility to offset the increasing cost of doing business.

The ARA appreciates the opportunity to provide this recommendation and our rationale to this year's review by the FWC. Please contact policy@retail.org.au for any questions relating to this submission.

⁴⁴ ARA Member Pulse Survey, March 2024

⁴⁵ ARA Member Pulse Survey, March 2024

⁴⁶ Western Sydney University, Literature Review | [fwc.gov.au/documents/sites/award-review-2023-24/am2023-21-literature-review-work-care-2024-03-08.pdf](https://www.fwc.gov.au/documents/sites/award-review-2023-24/am2023-21-literature-review-work-care-2024-03-08.pdf)

⁴⁷ Work and Care for the Modern Awards Review 2023-2024 | [fwc.gov.au/major-cases/modern-awards-review-2023-24/work-and-care-modern-awards-review](https://www.fwc.gov.au/major-cases/modern-awards-review-2023-24/work-and-care-modern-awards-review)

⁴⁸ WGEA Data Explorer | [wgea.gov.au/data-statistics/data-explorer](https://www.wgea.gov.au/data-statistics/data-explorer)

⁴⁹ ABS Wage price Index, December 2023 | [abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release](https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release)

⁵⁰ FWC Annual Wage Review Decision 2022-2023 | [fwc.gov.au/hearings-decisions/major-cases/annual-wage-reviews/annual-wage-review-2022-23](https://www.fwc.gov.au/hearings-decisions/major-cases/annual-wage-reviews/annual-wage-review-2022-23)