



**MGA
Independent
Businesses
Australia**

**Fair Work Commission
Annual Wage Review 2023-2024**

Submission of Master Grocers Australia Ltd

28 March 2024

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Executive Summary

1. Master Grocers Australia Ltd, trading as MGA Independent Businesses Australia (**MGAIBA**) considers the work of the Fair Work Commission (**the Commission**) in conducting the Annual Wage Review to be of critical importance to the prosperity and viability of its members' businesses. MGAIBA has consulted and surveyed its members and their collective feedback is the basis of this submission.
2. The majority of employees in MGAIBA member stores are employed on the minimum award rates set by the *General Retail Industry Award* (**GRIA**) and the *Timber Industry Award* (**TIA**).
3. MGAIBA members understand the cost-of-living pressures their employees face and have overwhelmingly supported increasing the minimum wages in the GRIA and TIA, however any increases must be within a range that is affordable, particularly in the context of other escalating business costs.
4. **MGAIBA recommends a wage increase of 2.7% in the *General Retail Industry Award* and the *Timber Industry Award* in 2024.**
5. Small and medium-sized businesses are the core constituent of MGAIBA membership and those businesses occupy a vital position in their communities. MGAIBA members proudly employ local people in their communities and support local (often small-scale) producers and suppliers who are dependent on those businesses.
6. Independent retailers are exposed to significant competitive threats from large established retail chains in the economy which are able to absorb both short and medium-term financial losses through their market and capital positions. Many independent retailers are unable to withstand the magnitude of losses that established large competitors are able to sustain. The independent retail sector, along with many other sectors in the economy, are facing an unexpected and unprecedented set of economic circumstances, particularly with escalating business costs, such as energy and insurance. The independent retail sector operates on thin margins which are increasingly coming under pressure due to factors outside of its control.
7. MGAIBA members proudly operate in metropolitan and regional areas. Regional independent businesses may be the sole essential goods supplier in a small community. The threat of the ongoing viability of those businesses could be an existential threat to some communities.

8. In accordance with member feedback, MGAIBA is concerned the imposition of additional significant costs on its members, such as by increasing the minimum wages in the GRIA and TIA beyond 2.7%, will likely lead to decreased employment opportunities, significant increases in the price of goods (thereby exacerbating inflation) and even business closures.
9. MGAIBA thanks the Commission for the opportunity to make this submission on behalf of its members.

About Master Grocers Australia Ltd

10. Master Grocers Australia Ltd, trading as MGA Independent Businesses Australia (**MGAIBA**) is a national employer industry association representing thousands of independent grocery, liquor, and other retail and supply outlets including timber and hardware, in all States and Territories of Australia. Those businesses range from small to medium and large in size and account for approximately \$19 billion in retail sales, of which \$16 billion are within supermarket and liquor businesses and \$3 billion within timber and hardware businesses. These businesses collectively employ more than 120,000 people and are much smaller in scale than other established large supermarket and hardware chains. Independent retailers represent approximately 15% of the supermarket and liquor retailing sector and 35% of the timber and hardware retailing sector.
11. In addition to trading under independent local brands, many MGAIBA members trade under various well known and respected banners including FoodWorks, Foodland, Friendly Grocer, IGA, IGA Xpress, Supa IGA, SPAR, Cellarbrations, The Bottle O, Duncans, and Local Liquor, Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware.
12. Although MGAIBA's members face similar industry challenges to the major supermarket and hardware chains, they have significantly less resources and face the fierce competition of those businesses. A significant portion of MGAIBA's members are family operated businesses who face the same economic and financial pressures of the average Australian.

Introduction

13. MGAIBA members understand the cost-of-living pressures their employees face and in a recent survey conducted by MGAIBA, members have overwhelmingly supported increasing the minimum wages in the GRIA and TIA.
14. Whilst MGAIBA members support an increase to minimum wages, they remain concerned about various escalating business costs and the need to ensure their businesses remain viable. On that basis, MGAIBA considers the Fair Work Commission should increase minimum wages by a fair and responsible amount which will safeguard the viability of MGAIBA members' businesses ensuring they are able to continue trading, serving their communities and employing workers.
15. Accordingly, MGAIBA supports and recommends to the Commission a 2.7% increase to the minimum wages contained in the GRIA and TIA. An increase beyond this is not economically feasible for MGAIBA members in the independent supermarket, liquor and timber and hardware sectors across Australia, particularly having regard to current economic conditions and the various pressures those businesses face which are further articulated in this submission.
16. The recent experiences of MGAIBA members, coupled with uncertain economic conditions which continue to impact members and the broader economy generally, provide a reasonable basis for MGAIBA to urge the Commission to demonstrate restraint in its upcoming decision regarding the setting of minimum wage rates in the GRIA and TIA.

Impact of previous wage increase

17. The minimum wage increase ordered by the Commission in 2023 was 5.75%.
18. The majority of employees in MGAIBA member stores are employed on the minimum award rates set by the GRIA and the TIA.
19. MGAIBA members report they were adversely impacted by last year's minimum wage increase.
20. As a consequence of last years' minimum wage increase, 73% of surveyed members reported they experienced a reduction in profit, 57% reported they were unable to increase the total number of people they employed and 50% reported they were forced to reduce the number of people they employed.
21. MGAIBA members have reported they have been required to take action to accommodate recent wage increases in the GRIA and TIA. Common experiences include:
 - a. Increasing the cost of goods and services;
 - b. Reducing staffing levels;
 - c. Reducing the number of hours worked by employees;
 - d. Reducing employment opportunities for permanent and casual staff; and
 - e. Reducing trading hours.
22. An overwhelming 94% of surveyed members reported that wage costs are the top challenge in managing their businesses.

Expected impact of future wage increase

23. Whilst MGAIBA recommends a minimum wage increase of 2.7% in the GRIA and TIA, it is cognisant that an unaffordable increase would have a significant impact on its members, the retail industry generally and the Australian economy.
24. MGAIBA is concerned about the impact minimum wage increases will have on business competitiveness and viability, inflation and employment growth. Any increase to minimum wages will require businesses to either cut costs (which could lead to a reduction in employment opportunities), increase prices (which would contribute to greater inflation) or further reduce profit margins (which threatens the ongoing viability of businesses).
25. MGAIBA members have reported that if there were to be an unaffordable increase to minimum wages, they will consider a further reduction in staffing levels with owners of those businesses working increased hours in those business themselves instead of employing workers.
26. MGAIBA urges the Commission to consider its member's feedback when considering an increase to the minimum wages in the GRIA and TIA.
27. Notwithstanding the above, MGAIBA members appreciate the contribution their employees make to their businesses and communities and care deeply about being able to assist their employees to maintain financial security, so long as any minimum wage increases are sustainable, responsible and have careful regard to the challenges encountered in operating an independent business during challenging economic times.

Current business conditions and the economy

28. The Australian economy is still navigating a relatively high inflation and interest rate environment.
29. Members are responding to new and emerging challenges which represent unexpected and uncertain future costs.
30. MGAIBA considers that a significant degree of caution should be exercised in respect of increasing minimum wages within the next financial year, especially as regulators, businesses and consumers respond to rapidly evolving economic conditions.

Shoplifting

31. 33% of recently surveyed MGAIBA members have reported that recent escalations in shoplifting have resulted in an increase in the price of goods and 56% of surveyed members have reported a need to upgrade their security arrangements to protect their employees and attempt to mitigate stock loss. Shoplifting is reported to have resulted in reduced profits for 85% of surveyed MGAIBA members.

Industrial law change

32. Members have also reported the rapid pace of industrial law change has increased the cost and complexity of operating their businesses.
33. MGAIBA members proactively attempt to ensure they comply with all employment obligations, however recent amendments to the workplace and industrial relations landscape have meant a need for greater investment in compliance and education.
34. 76% of surveyed members reported that in circumstances where they were impacted by the termination of a 'zombie agreement' they experienced an increase in employment costs as a result of being required to pay entitlements under a Modern Award they were not previously required to pay. Affected MGAIBA members have had to recently adjust to higher employee remuneration in circumstances where their business expenses are also under pressure in other areas.

Economy

35. Inflation remains elevated, although at 4.1% as at the December 2023 quarter, it is lower than in the preceding 12 months.¹
36. The current rate of inflation is still relatively high and remains a source of significant financial pressure for MGAIBA members.
37. As at the time of this submission, the cash rate set by the Reserve Bank of Australia is at 4.35%, significantly adding to the financing expenses of some MGAIBA members compared to the same time in 2023.

Energy

38. MGAIBA members have reported increased energy costs to be one of their top concerns, with 56% of members responding to a recent survey reporting that increasing energy costs are a key challenge in running their businesses.
39. MGAIBA members are typically required to operate energy intensive equipment, such as refrigerators, on a constant basis and are vulnerable and sensitive to energy price increases.
40. MGAIBA urges the Commission to consider this substantial and recent cost increase being experienced by its members when undertaking the Annual Wage Review.

Insurance

41. MGAIBA members have reported insurance premium increases, including workers' compensation insurance, have significantly and unexpectedly increased in the preceding 12 months and are having serious adverse impacts on operational costs.

Cost of living for workers and consumers

42. Where MGAIBA members have increased the cost of goods and services they supply to consumers, this occurred in circumstances to offset increased input costs. By virtue of their inherent independence, MGAIBA members are not price leaders and have a deep commitment to provide members of their community with value.
43. MGAIBA members operate on thin margins which are constantly under pressure from established large chain retailers which can afford to absorb reduced margins through large volume turnover. Any suggestion MGAIBA members

¹ As published on the Australian Bureau of Statistics website.

artificially inflate profit margins to capitalise on broad price inflation is unsustainable.

44. MGAIBA is concerned that an unaffordable wage increase will likely result in business operators having to reluctantly increase the price of goods and services they sell to consumers to be able to fund wage increases. Through a recent survey, 60% of MGAIBA members indicated this would likely occur if the Commission were to order an unaffordable increase to minimum wage rates.
45. Whilst MGAIBA supports an increase to the minimum wage rates in the GRIA and TIA of 2.7% to assist workers with the cost of living, MGAIBA urges the Commission to carefully consider the impact a wage increase in excess of 2.7% would have on inflation and economic stability.

Small Regional Businesses

46. MGAIBA members operate across Australia, including in small regional and remote communities. Many larger and dominant retailing chains do not have a presence in small regional and remote communities and an independent retailer may be the only retailing option in that community. In some instances, a MGAIBA member may be the main employer in a community and the sole supplier of essential goods.
47. Regional and remote communities are especially sensitive and vulnerable to the ongoing viability of the independent supermarket and other retailing sectors.
48. Regional and remote retailers generally encounter greater transport and other input costs in providing their goods and services. Further increases to the cost of operations - including wages - may directly threaten the viability of those businesses and the economic prosperity of the communities which rely on them.
49. MGAIBA urges the Commission to have particular regard to the essential role retailers have in communities across Australia and how an increase in business costs can threaten the provision of essential goods and employment opportunities in those communities.

Conclusion

50. Having regard to the above, MGAIBA considers a 2.7% increase in minimum wages in the GRIA and TIA in 2024 to be an appropriate and proportionate course especially in the current business and economic climate.
51. MGAIBA thanks the Commission for the opportunity to make this submission.

MASTER GROCERS AUSTRALIA LIMITED

28 March 2024