

AUSTRALIAN RETAILERS ASSOCIATION (ARA)
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. This includes an Australian National University (ANU) study which indicates that employment does not appear to have continued its upwards increase in April 2021 as we emerge from last year's recession. The ANU indicates that, despite no apparent decline in employment in April 2021, overall and across all industries in Australia, average hours worked and overall employment are still well below what they were in February 2020.

Preliminary findings from the ABS' Weekly Payroll Jobs and Wages data reveal that, in the month since 27 March, payroll jobs were down 1.2% and wages paid down 2.7%. In the fortnight between 10 April and 24 April 2021, retail jobs increased 0.4% but wages paid fell 3.6% - indicative of a fall in employee hours despite the apparent jobs growth.

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.

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.

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 POSITION

The ARA recommends the Panel defer decisions of the National Minimum Wage (NMW) until 30 November 2021. The ARA will only be able to deliver a position on the NMW once there is sufficient economic data modelling of the changes to the retail industry as a result of JobKeeper having finished along with the removal of other government stimulus measures such as JobSeeker from the national economy. JobKeeper concluded at the end of March 2021, along with the wind back of many state-based leasing support schemes. The relevant data will not be available until the end of September 2021 and therefore the ARA is unable to make a fiscally sound recommendation at this time.

The ARA recommends the Panel defer decisions on the National Minimum Wage (NMW) until the two quarters of economic data following the conclusion of the JobKeeper and JobSeeker programs can be assessed to allow for a more informed judgement on Australia's economic health. The Panel should assess both the June quarter's GDP figures which are scheduled for release on 1 September 2021, and ABS retail trade figures up to the end of September, which will be available in the first week of November. The ARA recommends that unless economic data shows substantial GDP and retail trade growth then we believe any increase should be limited to CPI.

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, [REDACTED].

Yours sincerely



Paul Zahra

CEO, Australian Retailers Association