

4 April 2025

Fair Work Commission
Annual Wage Review 2024-25
GPO Box 1994
Melbourne VIC 3001

By email: awr@fwc.gov.au

Dear Members of the Expert Panel,

**Annual Wage Review 2024-25 Submissions of
The Australian Retailers Association Limited, Union of Employers and
The National Retail Association Limited, Union of Employers**

The Australian Retailers Association Limited and the National Retail Association Limited make the **enclosed** submissions concerning the Annual Wage Review 2024-25.

Yours sincerely,



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Australian Retail Council



**The Australian Retailers Association and
The National Retail Association Limited
Annual Wage Review 2024-25**

Initial Submissions

April 2025

1. WHO ARE WE?

- 1.1. The Australian Retailers Association (**ARA**) and the National Retail Association (**NRA**) are the leading peak industry bodies representing the Australian retail sector. Achieving a uniformed voice for retail has been a compelling focus for our industry for many years. In the spirit of this endeavour, the ARA and NRA will amalgamate later this year to become the Australian Retail Council.
- 1.2. We collectively advocate for one of the country's largest and most diverse employers. With over 100 years of combined experience, the ARA and NRA jointly represent more than 120,000 shop fronts across Australia, with nearly 1.4 million¹ Australians employed within the sector.
- 1.3. We represent the full spectrum of Australian retail, from small, medium and family-owned independent businesses, which account for approximately 80% of our membership, to large multi-national retailers. The retail sector engages a diverse range of employees, providing opportunities to all Australians. Our members are often the first employers of young Australians, providing opportunities and growth to those who seek careers in retail, and providing variable and ad-hoc work to those who seek flexibility.
- 1.4. In supplying Australians with the goods and services they need, our members' operations - from their retail shopfronts to their head offices and fulfilment and distribution centres - see them employ a wide range of individuals who are covered by a number of modern awards. Our sector's primary modern award, the *General Retail Industry Award 2020* (**Retail Award**) is the largest modern award by coverage, followed closely by associated awards, such as the *Fast Food Industry Award 2020*, the *Restaurant Industry Award 2020*, and the *Clerks - Private Sector Award 2020*.²

2. EXECUTIVE SUMMARY

- 2.1. The ARA and NRA both welcome the opportunity to make submissions to the Fair Work Commission (**Commission**) in respect of this year's Annual Wage Review (**Review**). We support an equitable, modest increase in the minimum wage that helps Australian households address cost-of-living pressures, while ensuring that wage adjustments do not place an unsustainable financial burden on retail businesses. Striking this balance is essential to maintaining a strong, resilient retail sector that continues to provide jobs and economic stability.
- 2.2. In supplying goods and employing such a large and broad range of employees, our members are at the forefront of dealing with both supplier and consumer trends. They are immediately impacted by changes or volatility in either. The 2024-25 fiscal year has seen economic uncertainty remain, where persistent operating cost pressures continue to challenge retail businesses. Rising rent, wages, energy, logistics and insurance costs are weighing heavily on retailers, particularly those unable to pass these costs through to consumers. These pressures have been compounded by a marked slowdown in productivity growth, where retailers are expending more to maintain the same level of output. This growing disconnect between input costs and productivity is placing further strain on business viability across the sector.
- 2.3. In developing our submission for this year's Review, the ARA and NRA have taken a principles-based approach, as outlined below:

¹ Australian Bureau of Statistics ('ABS'), *Labour Force Survey* (November 2024)
<<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/nov-2024>>.

² Fair Work Commission, *A profile of employee characteristics across modern awards* (March 2023)
<<https://www.fwc.gov.au/documents/wage-reviews/2022-23/profile-of-employee-characteristics-across-modern-awards-2023-03-03.pdf>>.

- (i) Wage increases should not unnecessarily exceed the rate of headline inflation, in order to balance wage growth with broader increases in the cost of doing business, and to not inadvertently add to existing inflationary pressures within the economy.
- (ii) Committed increases to the Superannuation Guarantee, of which 0.5% will be effective from 1 July 2025, should be taken into consideration for this Review; and
- (iii) Wage growth must be linked to productivity growth, ensuring that any increases in real wage growth are sustainable.

2.4. The ARA and NRA welcome an annual wage review process that gives careful consideration to these three principles in order to provide the appropriate balance for sustained real wages growth, productivity and efficiency improvements, and sustainable management of operating costs. In doing so, retailers will be well positioned to survive, grow, and invest into the future.

3. LEGISLATIVE FRAMEWORK

- 3.1. Under the *Fair Work Act 2009* (Cth), the Commission must conduct an annual wage review each financial year.³
- 3.2. The minimum wages objective requires the Commission to establish and maintain a safety net of fair minimum wages, considering factors such as:
 - (a) The performance and competitiveness of the national economy including productivity, business competitiveness and viability, inflation, and employment growth; and
 - (b) Promoting social inclusion through increased workforce participation.
- 3.3. The modern awards objective further requires the Commission to consider a number of factors, including:
 - (a) The likely impacts of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden;
 - (b) The likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance, and competitiveness of the national economy;⁴ and
 - (c) The likely impacts of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden.
- 3.4. In the absence of any statutory indication, the Panel may determine the weight to be given to the above and other factors at its discretion.⁵
- 3.5. The ARA and NRA jointly submit that, given the current economic climate, considerable weight should be given to the abovementioned factors and the likely significant impact a substantial increase to minimum wages would have on retailers' ability to remain competitive and retain employees in the retail sector.

4. ECONOMIC AND RETAIL CONTEXT

³ *Fair Work Act 2009* (Cth) s 285(1) ('Fair Work Act').

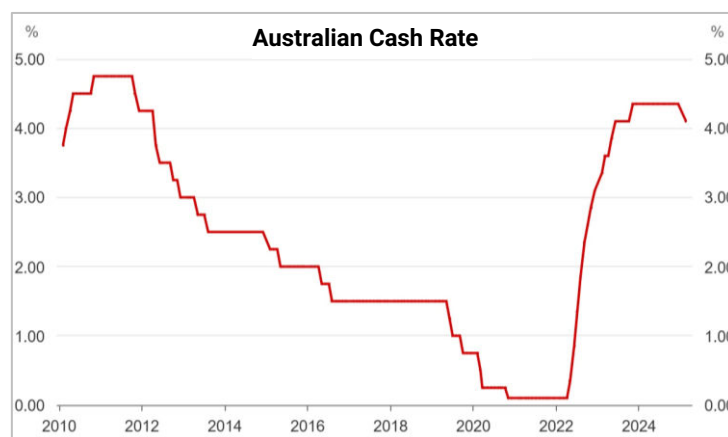
⁴ *Fair Work Act*, s 134(1).

⁵ *Shop, Distributive and Allied Employees' Association v Australian Industry Group & Ors* [2017] FCAFC 151 at [95]; see also *Bat Advocacy NSW Inc v Minister for Environment Protection, Heritage, and the Arts* [2011] FCAFC 59 at [44].

- 4.1. The legislative framework set out above expressly requires consideration to be given to the wider socio-economic context in which the Review is undertaken. Past Reviews have affirmed that industry conditions are relevant to this broad economic context.⁶
- 4.2. In preparing submissions for this Review, the ARA and NRA jointly consulted with their members, across all sub-categories of retail, via survey (**Member Survey**), to assess business viability in the current economic climate.
- 4.3. The Member Survey engaged participants who ranged from small, family-run businesses to some of Australia’s largest and most recognisable retail brands. Specifically:
 - (a) approximately 68.57% of survey participants identified as a small business (1-20 employees);
 - (b) approximately 15.71% of survey participants identified as a medium business (21-200 employees); and
 - (c) approximately 15.71% of survey participants identified as a large business (201-1000+ employees).
- 4.4. The ARA and NRA jointly submit that the matters set out below should be given due consideration and weight given their specific impacts on retail businesses.

Inflation, Increased Cash and Interest Rates, and Tax Cuts

- 4.5. Following 12 consecutive rate rises across 2022 and 2023, the Reserve Bank of Australia (**RBA**) held the cash rate at 4.35% in 2024,⁷ as it closely monitored economic conditions across Australia.
- 4.6. While the cash rate remained stagnant across 2024, significantly impacting consumer confidence and spending, it has been effective in continuing to moderate inflation in line with the RBA’s forecasts, with the Consumer Price Index currently sitting at 2.4%,⁸ within the RBA’s target range of 2%-3%.⁹ As a result, the RBA reduced the cash rate 0.25% to 4.10%¹⁰ in February 2025.



Source: Reserve Bank of Australia

⁶ [2020] FWCFB 3500 at [122].

⁷ Reserve Bank of Australia ('RBA'), *Cash Rate Target* <<https://www.rba.gov.au/statistics/cash-rate/>>.

⁸ ABS, *Consumer Price Index, Australia* (31 January 2024) <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>>.

⁹ RBA, *Inflation* <<https://www.rba.gov.au/inflation-overview.html>>.

¹⁰ RBA, *Minutes of Monetary Policy Meeting of the Reserve Bank Board* (17-18 February 2025) <<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2025/2025-02-18.html>>.

- 4.7. Over the past 12 months, Federal and State/Territory governments have rolled out a number of measures to ease cost-of-living pressures including reduced public transport fares, energy rebates, and Stage 3 tax cuts (effective 1 July 2024) (**Tax Cuts**).
- 4.8. These measures, coupled with forecasts that illustrate the cash rate is expected to gradually decrease over the next 12 months, mean that inflation is well on track to stay within the RBA’s target range.
- 4.9. The ARA and NRA jointly submit that, in determining any increase to the minimum wages this Review, the Panel ought to consider not only steady interest rates across 2024, but the optimistic outlook over the next 12-months with cost-of-living pressures forecasted to ease.

Performance of Retail Trade and Consumer Spending

- 4.10. The last 12 months has proven to be a turbulent time for retailers as inflation kept interest rates steady, prompting consumers to rein in their spending, further dampening already weak consumer sentiment.¹¹ These conditions have coincided with a period of sustained cost pressures on retail businesses, compounding the impact of reduced consumer activity.
- 4.11. While consumer confidence saw significant improvement in the latter half of 2024 (currently at 95.9,¹² in comparison to 81 in January 2024), momentum has stalled since December 2024. As highlighted in the graph below, consumer confidence remains below ‘favourable’ levels, indicating continued cautious spending due to persistent pressures on household finances.¹³



Source: KPMG, Retail Health Index (March 2025)

- 4.12. Retail spending in recent times has averaged growth of just 2.8%, significantly below the five-year trend. To put this in perspective, retail growth has historically been much stronger, with an average year on year growth of 6.1% between 2000 and 2009. Even in the following decade, from 2010 to 2019, growth averaged 3.4%.¹⁴ This sharp decline in consumer spending growth highlights a shift in the retail landscape, where current conditions seem less robust compared to the growth periods of the past two decades. While rate cuts have commenced, members note that any positive impact on discretionary spending will take time to materialise, and the current rate-cutting cycle is expected to be shallow.

¹¹ KPMG Australia, *Inside Retail - Australian Retail Outlook (2025)* <https://insideretail.com.au/wp-content/uploads/2025/02/Australian-Retail-Outlook-2025_DIGITAL.pdf>.

¹² Westpac, *MI Consumer Sentiment Bulletin* (11 March 2025) <<https://library.westpaciq.com.au/content/dam/public/westpaciq/secure/economics/documents/aus/2025/03/er20250311BullConsumerSentiment.pdf>>.

¹³ KPMG Australia, *Retail Health Index (2025)* <<https://assets.kpmg.com/content/dam/kpmg/au/pdf/2025/kpmg-retail-health-index-march-2025.pdf>>.

¹⁴ ABS; MST Marquee.

- 4.13. Further, Australia's retail sector witnessed mixed performance in the lead up to Christmas 2024. In addition to weaker sales outcomes, many businesses have reported ongoing increases to core operating costs, making it more difficult to maintain viability during peak periods.
- 4.14. While businesses remained optimistic that the festive season would boost revenue, Australian retail turnover fell by 0.1% in December 2024, according to seasonally adjusted figures by the Australian Bureau of Statistics (ABS), reversing the 0.7% growth recorded in November 2024 and 0.5% growth in October 2024.¹⁵ Further, our Member Survey illustrated that approximately 51% of participants witnessed a worse, and/or significantly worse, peak Christmas trade period in 2024 than in the previous year.
- 4.15. The cost-of-living crisis has greatly impacted our members, with approximately 62% of participants who engaged in the Member Survey expressing that they are in greater financial stress now than in comparison to the previous 12 months.
- 4.16. To further support our members' sentiments, a survey conducted by KPMG illustrated that cost-of-living pressures are at the forefront of consumers' minds. Data from the survey revealed that 65% of consumers had changed their spending habits in response to economic conditions by actively looking for discounts or promotions. Further, 46% of consumers indicated that they had started to shop less, with a further 22% switching to home brands to save money.¹⁶
- 4.17. Although Tax Cuts increased disposable income, consumer spending did not experience a notable increase. For many Australians, the additional funds were put towards savings and used to pay down debts, particularly mortgages, rather than on discretionary purchases.¹⁷
- 4.18. While the ABS reported a 2.9% increase in household spending in January 2025 compared to January 2024, this rise was largely driven by increased spending on essentials, such as health care (up by 8.5%), rather than on goods (which only rose by 0.9%).¹⁸ Further, despite the increase in overall spending, it is likely that much of it can be attributed to inflation. Retailers have indicated that this pattern of essential spending - rather than discretionary - limits the benefit of this growth to the retail sector and reinforces the pressure on trading margins.
- 4.19. Despite recent changes to the cash rate, our members remain pessimistic about business performance over the next 12 months, with approximately 52% of participants citing they anticipate that business performance will be worse and/or significantly worse, in large part due to persistent input cost pressures and fragile consumer demand. In addition, it has been forecasted that household consumption will plateau across 2025 and is not expected to increase until 2026.¹⁹

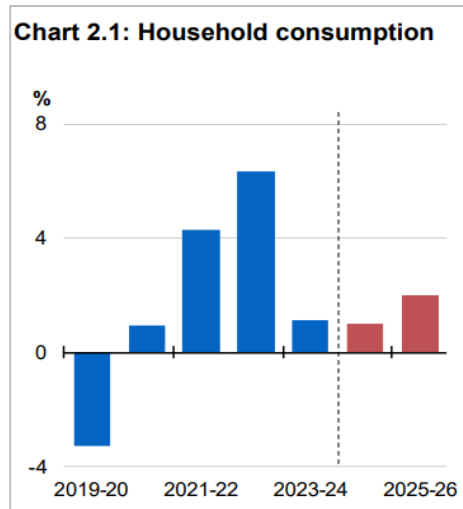
¹⁵ ABS, *Retail spending steady in December* (3 February 2025) <<https://www.abs.gov.au/media-centre/media-releases/retail-spending-steady-december#:~:text=Australian%20retail%20turnover%20fell%200.1,per%20cent%20in%20October%202024>>.

¹⁶ KPMG Australia, *Inside Retail - Australian Retail Outlook* (2025) <https://insideretail.com.au/wp-content/uploads/2025/02/Australian-Retail-Outlook-2025_DIGITAL.pdf>.

¹⁷ Westpac, *Stage 3 Tax Cuts - Preliminary Analysis* (23 August 2024) <https://library.westpaciq.com.au/content/dam/public/westpaciq/secure/economics/documents/aus/2024/08/23Aug24_stage3_prel.pdf>

¹⁸ ABS, *Household spending rises to start 2025* (7 March 2025) <<https://www.abs.gov.au/media-centre/media-releases/household-spending-rises-start-2025>>.

¹⁹ Australian Treasury, *Budget 2024-25, Mid-Year Economic and Fiscal Outlook* <<https://archive.budget.gov.au/2024-25/myefo/download/myefo2024-25.pdf>>.



Source: ABS Australian National Accounts: National Income, Expenditure and Product and Treasury

- 4.20. It is also important to note that there has historically been a lag in the effect that changes to monetary policy have on the wider economy. Ultimately, this means that the negative impact of past interest rate rises has continued to be felt by Australians, which has slowed consumer spending. Similarly, any positive impacts on consumer behaviour following the RBA’s decision to lower the cash rate in February 2025 likely won’t be seen for months to come.
- 4.21. The ARA and NRA jointly submit that the Panel should consider business survivability and competitiveness of the national economy in determining any increase to the national minimum wage.

Tight Labour Market and Decreased Productivity

- 4.22. Since the last Review, Australia’s labour market has remained tight, with labour market conditions having only eased gradually over the past 12 months, with the current unemployment rate at 4.1%, in contrast to 3.9% this time last year.²⁰
- 4.23. As of November 2024, total job vacancies across all industries had increased by 4.2% compared to August 2024.²¹ Retailers are facing considerable challenges in filling vacancies, particularly with the post-pandemic shift toward hybrid working models in other sectors. This poses a challenge for retailers who often require in-person staffing.
- 4.24. Unsurprisingly, many of our members have expressed the view that there is growing reluctance amongst employees to commit to full-time positions, with a preference for casual roles that offer greater flexibility. Further, our Member Survey highlighted that approximately 57% of participants found shop floor retail employees the most difficult role to recruit for.
- 4.25. Our Member Survey found that approximately 42% of participants cited wage costs as one of the top three constraints to their business’s success in 2025. When asked how they planned to managed increase business costs over the next 12 months, 28% of participants responded that they would reduce hours of work and/or headcount.

²⁰ RBA, *Monetary Policy* (9-10 December 2024, and 17-18 February 2025) <<https://www.rba.gov.au/monetary-policy/rba-board-minutes/2025/2025-02-18.html>>.

²¹ ABS, *Job Vacancies Australia* (November 2024) <<https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/nov-2024>>.

- 4.26. Despite an increase in wage and labour costs over the last 12 months, recent data from the Australian Government's Productivity Commission revealed that labour productivity growth decreased by 0.8% for the whole economy in the June 2024 quarter. While hours worked grew by 1.1%, output only increased by 0.2%, leading to a decline in labour productivity.²² Our members have shared similar sentiments, noting that increased wage and operational costs are delivering the same, or in some cases reduced, output, thereby placing significant pressure on business profitability.
- 4.27. The ARA and the NRA jointly submit that the Panel ought to consider the increased underlying costs to employers and significant decrease in productivity, in determining any increase to the minimum wages this Review.

Impact of Ongoing Industrial Relations Reforms

- 4.28. Over the past two years, our members have had to navigate more than 33 industrial relations reforms, notably with the passage of the *Fair Work Legislation Amendment (Closing Loopholes) Act 2024*. These cumulative changes have imposed additional compliance and administrative burdens on retailers, contributing to rising business costs at a time when operational margins are already under pressure.
- 4.29. More recently, the ARA lodged an application with the Commission to make the Retail Award clearer, simpler and more flexible for all parties. This application was in response to the review of modern awards initiated by the Federal Government in November 2022.
- 4.30. The ARA and NRA jointly submit the Panel ought to consider the knock-on effects of potential future industrial relations reforms to the Retail Award will have on business operational costs and recruitment in determining any increase to the minimum wage this Review.

Increased Cost of Doing Business

- 4.31. Our members have indicated that they are facing rising operational costs, with one of the most significant factors being the increase in rent. In particular, rental cost growth is trending between 4%-6% for many specialty retailers. In addition, the limited new floor space available for rent will likely keep upwards pressure on rental costs, particularly in high performing shopping centres.²³
- 4.32. Insurance and energy costs have also continued to rise. Members have reported increased supplier costs, especially for overseas-sourced goods, due to currency fluctuations, higher import costs and global shipping pressures.
- 4.33. Consumer spending has been further strained by the sharp rise in the cost of goods. For instance, between the December quarters of 2023 and 2024, food and non-alcoholic beverages increased by 3%, while clothing and footwear saw a 1.3% rise, both driven by inflation.²⁴ Our Member Survey indicated that approximately 47% of participants experienced a 5-10% increase in cost of goods due to supplier price increases, shipping volatility and inflationary pressures.
- 4.34. Additionally, retail crime has been flagged as a growing issue, with members citing increasing stock loss, higher security spending and rising insurance premiums as further impacts on their bottom line.
- 4.35. Despite rising wage and input costs, retailers are not experiencing commensurate improvements in output, with many noting a decline in labour productivity and higher operating costs required to maintain existing levels of service.

²² Australian Government Productivity Commission, *Quarterly productivity bulletin* (September 2024) <<https://www.pc.gov.au/ongoing/productivity-insights/bulletins/quarterly-bulletin-september-2024/bulletin-september-2024.pdf>>; ABS, *Wage Price Index, Australia* (19 February 2025) <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release>>.

²³ MST Marquee, *Price Watch Issue 8 - The Outlook for Retail Rental Costs* (11 July 2024).

²⁴ ABS, *Consumer Price Index, Australia* (29 January 2025) <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/dec-quarter-2024>>.

Supply Chain Disruptions and Increased Supply Chain Costs

- 4.36. In 2024, supply chains continued to be impacted by ongoing conflicts in regions such as Ukraine and the Middle East, along with threats to shipping on one of the world's key maritime routes, the Red Sea, prompting a diversion to less efficient shipping routes.²⁵
- 4.37. Domestically, the cost of transporting goods in Australia remained high, with our Member Survey indicating that approximately 38% of participants saw a 5-10% increase in logistics costs. These increased costs have been exacerbated by rising fuel and energy costs, ageing infrastructure and vulnerability to natural disasters, such as cyclones and flooding, which has further disrupted supply chain reliability. These pressures are not only affecting delivery reliability but are also contributing to sustained increases in end-to-end costs for many retailers, particularly those operating national logistics networks or servicing regional areas.
- 4.38. Looking ahead, supply chain costs and scheduling disruptions are expected to persist, and costs are projected to remain volatile as the Australian retail sector braces for the impact of the economic and political actions of the United States of America (USA).
- 4.39. The USA administration's implementation of high tariffs, particularly on goods imported from China and Hong Kong, has caused disruption in global supply chains, increasing costs for Australian businesses dependant on these imports. This has undoubtedly played a role in driving inflation, affecting both production costs and consumer prices in Australia.²⁶ These costs will further exacerbate as a result of the Trump Administration's extraordinary tariffs regime, as further outlined in early April 2025.
- 4.40. In addition, the impending delay of the 'de minimis' trade exemption means that packages valued under \$800 will no longer be duty-free when shipped to the USA. Our members who are e-commerce retailers and who rely on low-cost fulfilment models, will be directly impacted by increased operational expenses.²⁷
- 4.41. The ARA and NRA jointly submit that, where our members are impacted by inflated operational costs and delays to deliver their goods to consumers on time, the Panel ought to consider the impact any increase to the minimum wages in this Review will have on the viability of our members.

Upcoming Superannuation Guarantee Increase

- 4.42. Later this year, employer superannuation contributions are set to increase from 11.5% to 12%,²⁸ adding to already rising labour cost pressures in the sector. As a result, employer labour costs per ordinary hour of work will increase by 0.5% from 1 July 2025, independent of any increase to minimum wages.
- 4.43. Following last year's Review, in which the Commission had regard to the increase to superannuation as a moderating factor, the ARA and NRA jointly submit that the Panel should again consider the annual increase to superannuation when determining the extent of any minimum wage increase in this Review.

5. CONCLUSION

- 5.1. In light of the abovementioned factors, our members will be negatively impacted by any significant increase to national minimum wages and award minimum wages. While inflation is forecast to decline,

²⁵ Rigby Cooke, *Welcome to 2025 and more challenges in the supply chain* < <https://www.rigbycooke.com.au/welcome-to-2025-and-more-challenges-in-the-supply-chain/>>.

²⁶ Grant Thornton, *The impact of US tariff changes on Australian businesses* <<https://www.grantthornton.com.au/insights/client-alerts/the-impact-of-us-tariff-changes-on-australian-businesses/>>.

²⁷ Grant Thornton, *The impact of US tariff changes on Australian businesses* <<https://www.grantthornton.com.au/insights/client-alerts/the-impact-of-us-tariff-changes-on-australian-businesses/>>.

²⁸ *Superannuation Guarantee (Administration) Act 1992* (Cth), s 19(2).

supply chain issues persist, the cost of doing business remains high and consumer spending continues to be modest.

- 5.2. Given these considerations, the ARA and NRA jointly submit that any increase to wages must be sustainable for business, while alleviating cost-of-living pressures for employees, and should not exceed the actual rate of headline inflation, while factoring in the impending increase to superannuation.