The Australian Retailers Association and The National Retail Association Limited

Annual Wage Review 2024-25

Reply Submissions

May 2025

1. INTRODUCTION

1.1. The Australian Retailers Association (**ARA**) and the National Retail Association (**NRA**) both welcome the opportunity to make reply submissions to the Fair Work Commission (**Commission**) in respect of the 2024-25 Annual Wage Review (**Review**), following our initial submissions on 4 April 2025 (**Initial Submissions**).

2. RECOMMENDATION

2.1. The ARA and NRA jointly reaffirm our support for an equitable and modest 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.

2.2. As outlined in the Initial Submissions, the ARA and NRA have taken a principles-based approach and broadly view that:

a) any increase to wages should not exceed the rate of headline rate of inflation;

b) any increase to wages should take into account the impending 0.5% increase to the Superannuation Guarantee (effective 1 July 2025); and

c) any increase to wages should be linked to productivity growth.

2.3. As outlined in the Initial Submissions, the ARA and NRA's position reflects a principles-based approach, that we believe strikes a careful balance between sustainable wage growth and the risk of further inflationary pressure.

2.4. Since late-March to early-April 2025, newly published data has provided more clarity as to the state of the retail sector and overall economy. In light of this new data, the ARA and NRA jointly recommend an **increase of no more than 2.5% (in addition to the 0.5% Superannuation Guarantee increase)** to the minimum wage, effective 1 July 2025.

3. DATA PUBLISHED POST-MARCH 2025

3.1. As foreshadowed above, new data has been released since our Initial Submissions which further supports our recommendation.

CPI increase, cash rate remains unchanged and cost-of-living support continues

3.2. The Reserve Bank of Australia (**RBA**), in their most recent monetary policy board meeting, decided to leave the cash rate unchanged at 4.1%.[1]

3.3. Recent data published by the Australian Bureau of Statistics (**ABS**) has highlighted that the Consumer Price Index (**CPI**) rose by 0.9% in the March 2025 quarter, and 2.4% over the last 12 months, well below wage growth of 3.3%.[2]

3.4. Further, the pre-election Federal Budget proposes additional cost-of-living relief measures into 2026, including further tax cuts and discounted energy bills.

3.5. The RBA's decision and the proposed cost-of-living measures will ultimately continue to assist in moderating inflation. Further, the RBA noted in their decision that the CPI was still on track to fall within the target range of 2%-3% in the March quarter.

[1] Reserve Bank of Australia ('RBA') *Statement by the Monetary Policy Board: Monetary Policy Decision* (31 March 2025-1 April 2025) <https://www.rba.gov.au/media-releases/2025/mr-25-10.html>.
[2] Australian Bureau of Statistics ('ABS'), 'CPI rises 0.9% in the March 2025 quarter' (30 April 2025) < https://www.abs.gov.au/media-centre/media-releases/cpi-rises-09-march-2025-quarter>.

3.6. Importantly, the Australian Council of Trade Unions (**ACTU**) contends in their submission that moderating inflation provides scope for a 4.5% minimum wage increase. However, this view ignores the risks of overshooting. As noted above, wage growth already exceeds inflation, and additional wage pressure risks reversing recent inflation improvements. CPI remains modest and is being further moderated by government relief. A balanced wage increase aligned with inflation is appropriate to avoid fuelling renewed price pressures and undermining the economic progress to date.

Labour market remains tight

3.7. Seasonally adjusted figures from the ABS illustrates that Australia's unemployment rate increased from 4% to 4.1% in March 2025.[3]

3.8. Although employment declined in February 2025, indicators of labour underutilisation remain relatively low. Since our Initial Submissions, the RBA has indicated that business surveys and industry feedback continue to indicate that labour availability is still a challenge for many employers. While wage pressures have eased slightly more than anticipated, productivity growth has yet to improve, and unit labour cost growth remains elevated. [4] Productivity gains cited by the ACTU in their submission are largely concentrated in specific non-commodity industries and do not reflect broader economic conditions. Retail sector productivity, in particular, remains stagnant.

Consumer confidence fell to 6-month low

3.9. Consumer confidence has declined since our Initial Submissions, particularly in light of the RBA's decision to leave the cash rate unchanged and the United States of America's (**USA**) announcement of reciprocal tariffs in early April 2025.

3.10. Recent data published by the Westpac-Melbourne Institute shows that the Consumer Confidence Index fell by 6% in April 2025, to 90.1 from 95.9 in March 2025.[5] This sharp dive in consumer confidence will be felt greatly by our members, who are already struggling with the effects of decreased consumer spending.

Global economic risks

3.11. The global economic outlook has worsened, the International Monetary Fund downgrading its global growth outlook for 2025 from 3.3% to 2.8%.[6]

3.12. The escalation of the USA's tariffs on Chinese goods and reciprocal retaliatory measures by China are expected to significantly dampen Chinese manufacturing output and domestic consumption. As China is Australia's largest trading partner, reduced Chinese demand will likely impact Australian exports across key sectors including agriculture, raw materials, and manufactured goods.

3.13. Retailers may face secondary effects from these global disruptions, including further declines in consumer confidence, reduced discretionary spending, and delayed supply chains. This global instability justifies a cautious approach to wage increases to limit adverse impacts on businesses.

Small businesses under pressure, increasing retail insolvencies and cost of doing business

3.14. New data from the Australian Securities and Investments Commission indicates that retail insolvencies have risen by 19.65% in the nine months leading up to 31 March 2025, compared to the same period in

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[3] ABS, *Labour Force Australia* (17 April 2025) <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/mar-2025>.
[4] RBA, *Statement by the Monetary Policy Board: Monetary Policy Decision* (1 April 2025) <https://www.rba.gov.au/media-releases/2025/mr-25-10.html>.
[5] Westpac-Melbourne Institute, *Consumer sentiment hit by tariff turmoil* (8 April 2025) < https://library.westpaciq.com.au/content/dam/public/westpaciq/secure/economics/documents/aus/2025/04/er20250408BullConsumerSentiment.pdf>.
[6] International Monetary Fund, The Global Economy Enters a New Era (22 April 2025) < https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era>.

the 2024 financial year. So far in the 2025 financial year, 804 retail businesses have entered administration.[7]

3.15. The RBA's Financial Stability Review[8], released in April 2025, has revealed that small businesses in Australia are facing heightened risk of insolvency due to challenging trading conditions, rising rental and operating costs, sustained inflation, high interest rates, reduced consumer spending, and growing competition from online and overseas retailers.[9] These pressures are further exacerbated by reduced cashflow and, unlike larger retailers, smaller retailers often lack the financial resilience to absorb prolonged downturns, making them particularly vulnerable.

3.16. The Australian Institute of Credit Management has highlighted that late payments are a forward indicator of insolvencies, and recent data illustrates that small-medium size businesses are struggling to stay afloat, with invoice payment defaults 42% higher this year, than in March 2024.[10]

3.17. Proposed wage increases not only raise direct labour costs but also amplify ancillary expenses, especially through higher payroll taxes. Every dollar of increased pay adds to employers' state payroll tax liabilities, while the scheduled rise in the Superannuation Guarantee to 12% from 1 July 2025 further inflates these costs. Superannuation contributions, treated as taxable wages for payroll tax purposes, will also increase payroll tax bases, further compounding employer liabilities. These additional costs must be considered in the annual wage decision.

3.18. Our members, like many other businesses in Australia, have indicated that they're struggling with the higher costs of doing business, leading to some having to directly absorb costs without being able to offset them. For this reason, we caution against the ACTU's assertion that businesses, especially in retail, are sufficiently profitable to bear a 4.5% wage increase. Retailers are facing sustained pressures from input cost inflation, interest rates, and declining discretionary spending. The notion of broad-based profitability masks industry-specific strain. The significant rise in insolvencies highlights the fragility of the sector and confirms that now is not the time for aggressive wage policy. Therefore, the ARA and NRA jointly submit that any wage increases which could further exacerbate labour costs should be considered cautiously.

Wages

3.19. The ACTU advocates for a substantial 4.5% increase in minimum and award wages, citing real wage declines and the rising cost of living. The ARA and NRA jointly submit that such a proposal fails to consider the prevailing economic conditions. Retailers, and indeed all employers, face margin compression, falling profits, and weak productivity growth. Implementing significant wage increases under these conditions would place unsustainable pressure on employers and risk unintended consequences such as reduced hours, job losses, or increased prices.

3.20. The ARA and NRA both support a balanced wage increase that aligns with measurable productivity improvements and encourages broader structural reforms, including simplifying the award system.

4. CONCLUSION

[7] Rag Trader, '*Silent depression: Retail insolvencies surge in FY25*' (10 April 2025) <https://www.ragtrader.com.au/news/silent-depression-retail-insolvencies-surge-in-fy25>.

[8] RBA, *Financial Stability Review (April 2024) <https://www.rba.gov.au/publications/fsr/2025/apr/pdf/financial-stability-review-2025-04.pdf>.*

[9] Australian Institute of Credit Management, *B2B payment defaults 42% higher than a year ago as cost pressures mount* (17 April 2025) <https://www.aicm.com.au/news-item/19031/b2b-payment-defaults-42-higher-than-a-year-ago-as-cost-pressures-mount-trump-trade-war-effects-looming?utm_source=chatgpt.com>.

[10] Australian Institute of Credit Management, *B2B payment defaults 42% higher than a year ago as cost pressures mount* (17 April 2025) <https://www.aicm.com.au/news-item/19031/b2b-payment-defaults-42-higher-than-a-year-ago-as-cost-pressures-mount-trump-trade-war-effects-looming?utm_source=chatgpt.com>.

4.1. Considering weak domestic growth, volatile global economic conditions, increasing business insolvencies, and poor productivity trends, the ARA and NRA jointly maintain that our members will be negatively impacted by any significant increase to national minimum wages and award minimum wages especially when ancillary costs associated with higher wages are taken into account. As highlighted in our Initial Submissions, inflation is forecast to decline, supply chain issues persist (and will likely become more challenging as a result of the USA tariff war), the cost of doing business remains high and consumer spending continues to be modest.

4.2. We urge the Commission to weigh carefully the risk of unintended consequences from significant minimum wage increases. The economic, sectoral, and global risks call for a cautious, evidence-based approach that preserves employment, promotes sustainable business conditions and supports productivity-linked wage growth.

4.3. Given these considerations, the ARA and NRA jointly submit that any increase to wages must not exceed **2.5% (in addition to the 0.5% Superannuation Guarantee increase)** in order to remain sustainable for business, while alleviating cost-of-living pressures for employees.