



**Minimum Wage Review 2015**

**THE AUSTRALIAN RETAILERS ASSOCIATION**

**SUBMISSION**

**MARCH 2015**

**Australian Retailers Association**

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**Australian Retailers Association**

**- Voice of the Retail Industry**

For over 110 years, the Australian Retailers Association (ARA) has been the peak industry body in Australia's \$265 billion retail sector which employs over 1.2 million people. As an incorporated employer body under the Fair Work (Registered Organisations) Act 2009 and with a range of member services including employment relations, policy development, advocacy and education, the ARA promotes and protects over 5500 independent and national retailers throughout Australia.

The ARA provides leadership and solutions to improve the long-term viability, productivity and visibility of the retail industry by proactively dealing with government, media and other regulatory bodies on behalf of our members. ARA members comprise a diversity of sizes and types of retailers reflecting the profile of the retail industry, ranging from large national chain retailers to one-person operators throughout the nation.

## OVERVIEW

Retailers in Australia are continuing to face a difficult operating environment. In the last ten years, the structure of the retail sector has shifted and evolved as a result of globalisation, advances in the digital economy and changes to business practice policies (such as employment). In addition, the retail sector has experienced various economic environments with the Global Financial Crisis and fluctuating Australian dollar having a significant effect on the performance of the industry. The ARA offers support, information and representation to around 5500 retailers across the nation, and works closely with government and other industry participants to ensure the long-term viability and position of the retail sector as a leading contributor to Australia's economy.

The ARA and its members have a strong vision for the retail industry – based on well regulated markets and growth, productive and innovative businesses, responsible collective initiative supported by government where appropriate but removing regulatory burden where possible.

We are committed to promoting retail as a viable and exciting career choice for young people, and to retaining and developing the highest standards of practice within individuals and groups at all levels of our industry while assisting members to deal with new technologies and a changing trading environment.

We are focused on providing members with the information, knowledge and skills necessary to operate more effectively in Employment Relations and skills growth in an increasingly competitive retail environment exposed to international competition.

Our members range from small sole operator enterprises to medium, large, independent, chain and franchise stores of all types and sizes. Over 80 percent of our membership consists of businesses ranging from one to five stores with most of that number employing less than 200 staff.

ARA membership and retailers in general have experienced significant cost pressures through international competition, reduced margins, falling growth and wages costs well above our international competitors.

## EXECUTIVE SUMMARY

### ARA POSITION

The ARA strongly recommends Fair Work Commission (FWC) hand down a minimum wage increase that is realistic and reasonable and one that considers weak economic trading conditions, current and imminent wage bill increases for industries undergoing structural adjustment and underemployment levels.

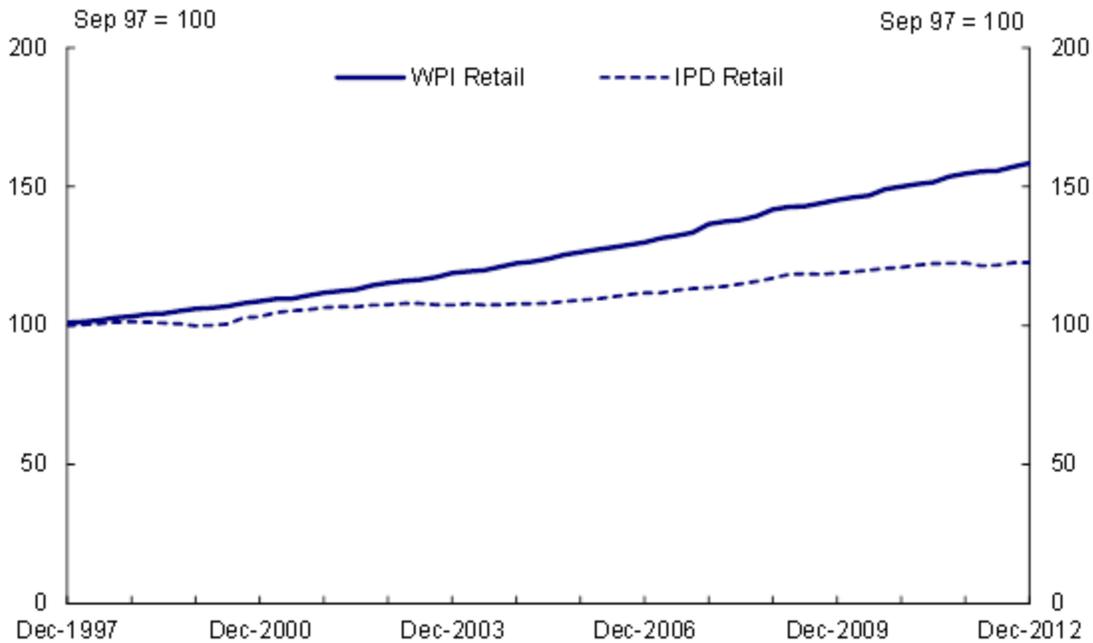
The major concern for retailers and those involved in the services industries which will confront FWC is to ascertain the best approach for determining a federal minimum wage increase during a period where large sectors of the economy are either in decline or registering minimal growth. What also must be taken into account is that the retail sector could hold potential wages growth if costs through wages are kept under control.

FWC decisions have been generous (see wages to earnings chat), given the faltering economy and slow pace of growth across key sectors, rising unemployment, weak jobs market, global risks, rising business costs and increased global competition through the rising dollar. We seek the FWC to consider high minimum wage increases over recent years as compensation that the economy, employment levels and businesses can no longer afford.

The ARA recommends that the Fair Work Commission adopt the 2014-2015 Annual Wage Review and award an increase **no greater than \$5.70 per week**. ARA has arrived at this figure working with the nations peak business group the Australian Chamber of Commerce and Industry (ACCI) and our membership. We also recommend that any increase is applied as a fixed dollar amount.

The ARA's position preserves the value of the minimum wage over the last recent years and payments introduced to compensate for the impact of the carbon tax:

Wages have been outstripping selling prices in the retail industry for an extended period.



The ARA supports the ACCI position in outlining the economic risks and the state of the national economy capacity to pay within the sector:

Our members and the ACCI membership have taken the below factors into account:

- Softening labour market conditions have impacted low-paid, low-skilled workers most significantly and we have seen our youth unemployment rate reach unsustainably high levels (currently 13.9%).
- The minimum wage function must not exacerbate the risk of unemployment for those most vulnerable in the labour market.
- Wage growth across the economy is at a record low showing that employers don't have the capacity to pay large increases. This is consistent with weak labour market conditions.
- Census data shows that small business employers in the most award-reliant industries have, on average, lower income than the people they employ.
- Inflation was just 1.7 per cent compared to last year's minimum wage increase of 3 percent.

Economic growth has tracked below trend over the past year and is expected to remain below trend in the year ahead. That disappointing growth outcome has seen labour market conditions continue to deteriorate. The Australian economy is facing a difficult period of transition in the near term. It is expected the sharp downturn in resource sector investment will weigh heavily on growth and it remains unclear the extent to which expansion in other sectors of the economy will be sufficient to offset the drag on growth.

Labour market conditions are weak and the job opportunities for the low paid are diminished as a result. The modest pace of employment growth has been driven by below trend growth and weakness in activity in the non-mining sectors of the economy. The unemployment rate has continued to rise over the past year and is forecast by Treasury to worsen. Underemployment has also increased and remains particularly acute in award-reliant industries. There are in excess of 1.6 million people in the labour market without work or without sufficient hours of work. The ARA is in full agreement with ACCI's proposed \$5.70 increase in the National Minimum Wage which seeks to minimise employment losses in a weak labour market.

The ARA has also collated wages growth information from research partner Roy Morgan Research as part of our submission to indicate real wages movements over the last 14 years.

The ARA welcomes the opportunity to make a submission to the FWC's Minimum Wage Panel in relation to the 2015 Minimum Wage Review.

ARA/Roy Morgan data clearly shows much of the myth built around wages in the retail sector is due to the proportion of employees working within the sector because of lifestyle and flexible work hours through part time and casual employment. If measured as a full time employee wage within the sector this would reflect a very different story.

Chart showing the steady increase in wages over the last 14 years: ARA/Roy Morgan Research

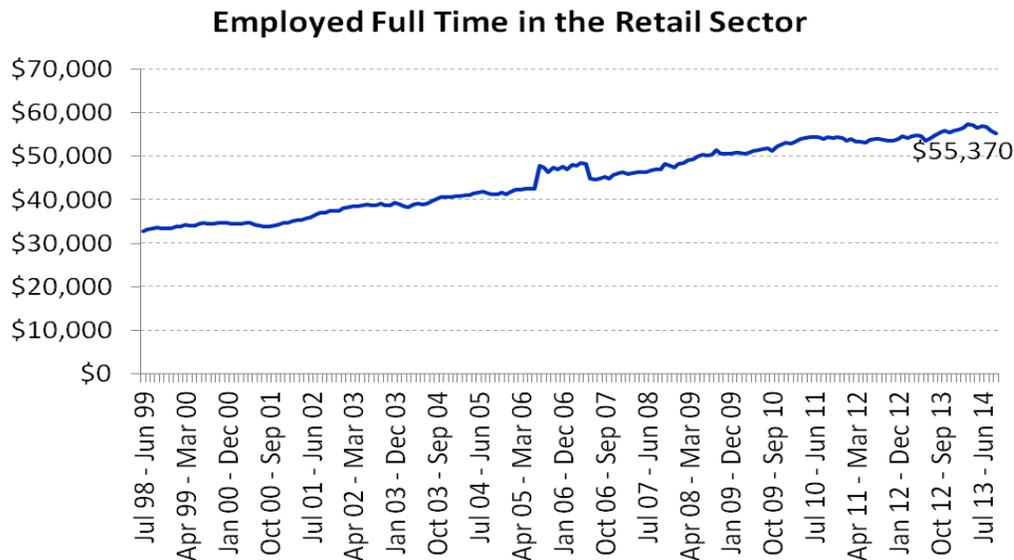
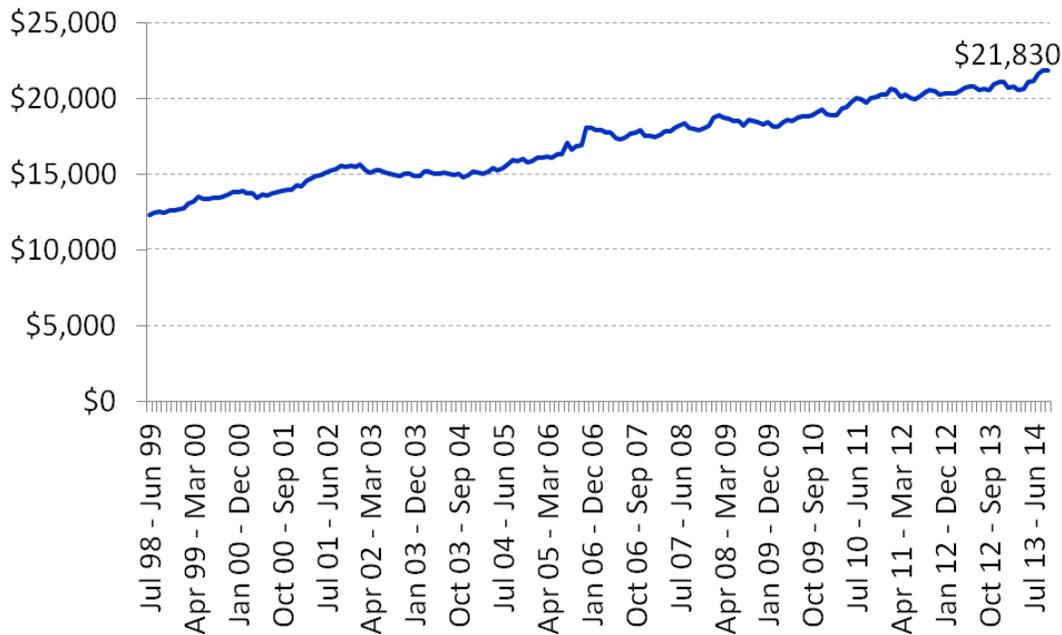


Chart showing the steady increase in wages over the last 14 years: ARA/Roy Morgan Research

## Employed Part-Time in the Retail Sector



### FURTHER TO THE SUBMISSION

The ARA's submission addresses the key considerations of FWC when performing its wage setting function, which is to promote the economic prosperity of the people of Australia having regard to:

- The capacity for the unemployed and the low paid to obtain and remain in employment;
- Providing a safety net for the low paid;
- Providing minimum wages for junior employees.

The ARA has also conducted an online survey of ARA members to determine their current concerns in retaining their staff and hours.

The survey questions were formed to consider the FWC's minimum wage consideration along with economic data and the impacts of taxation increases, the carbon tax compensation for the low paid and consumer spending, superannuation and business costs.

The ARA is taking into consideration the substantial over-compensation package for minimum income earners due to the impost of the carbon tax. The low paid are the only area of the economy to be over-compensated, which would see some lower income groups better off as the government undertakes wealth redistribution through the tax from middle and higher income earners.

It is the ARA's contention throughout this submission that any consideration of the retail sector's capacity to pay must take into account the retail outlook.

The FWC should consider any increase on an award-by-award basis and provide an interim decision or statement prior to handing down a final decision, as well as reject extreme increases suggested by some to the national minimum wage case.

The 2013-2014 Annual Wage Review (AWR) resulted in the decision to increase the national minimum wage by three per cent up to \$16.87 per hour as well as increasing all modern award classification rates by three percent. The flow on from the increase to minimum wage classifications in awards has meant that total labour costs increased significantly with effect from 1 July 2014. To demonstrate the outcome of the AWR when flowing on to other award conditions such as penalty rates, the three percent increase has meant that:

- a casual, entry level, retail shop assistant is paid, at a minimum:
  - \$37.05 per hour on a Sunday;
  - \$50.94 per hour on a public holiday;
- a casual fast food employee (level 1) is paid, at a minimum:
  - \$32.42 per hour on a Sunday;
  - \$50.94 per hour on a public holiday;
- a casual food and beverage attendant (grade 2) is paid, at a minimum:
  - \$31.53 per hour on a Sunday;
  - \$49.55 per hour on a public holiday;
- a casual entry level pharmacy assistant (with no qualification or experience) is paid, at a minimum:
  - \$41.68 per hour on a Sunday;
  - \$50.94 per hour on a public holiday.<sup>[3]</sup>

The ARA also maintains that the increase to a 9.5 percent superannuation was an effective pay increase which has not been taken into account and did have a substantial economic impact on business viability, workers compensation and payroll tax are payable in addition to increases in minimum wages.

#### **RETAIL CONFIDENCE CONDITIONS**

The 2014/2015 Minimum Wage Review is happening within a context of continuing historically difficult trading conditions with flat or negative employment growth.

Consumer confidence remains in the doldrums by any measure and personal savings in these conditions are still at record levels as consumers brace for the perceived worse. Sales growth, where it has happened, has been minimal. We have seen recent significant deflation in consumer prices such as electronics being driven by deflationary pressure and overseas competition.

Retail trade viability in 2015 is directly related to Fair Work Commission's minimum wage considerations because it impacts on the capacity for an award-reliant industry to pay employees more, see more closures and greater unemployment within the sector as seen through consumer confidence.

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<sup>[3]</sup> Derived from the Fair Work Ombudsman's 'PayCheck Plus' tool as at 25 March 2015 <http://paycheck.fwo.gov.au/PayCheckPlus.aspx> . Rates relate to a Retail Employee Level 1 under the General Retail Industry Award 2010 (MA000004), Fast Food Employee Level 1 under the Fast Food Industry Award 2010 (MA000003), Food and Beverage Attendant Grade 2 under the Hospitality Industry (General) Award 2010 (MA000009), Pharmacy Assistant Level 1 under the Pharmacy Industry Award 2010.

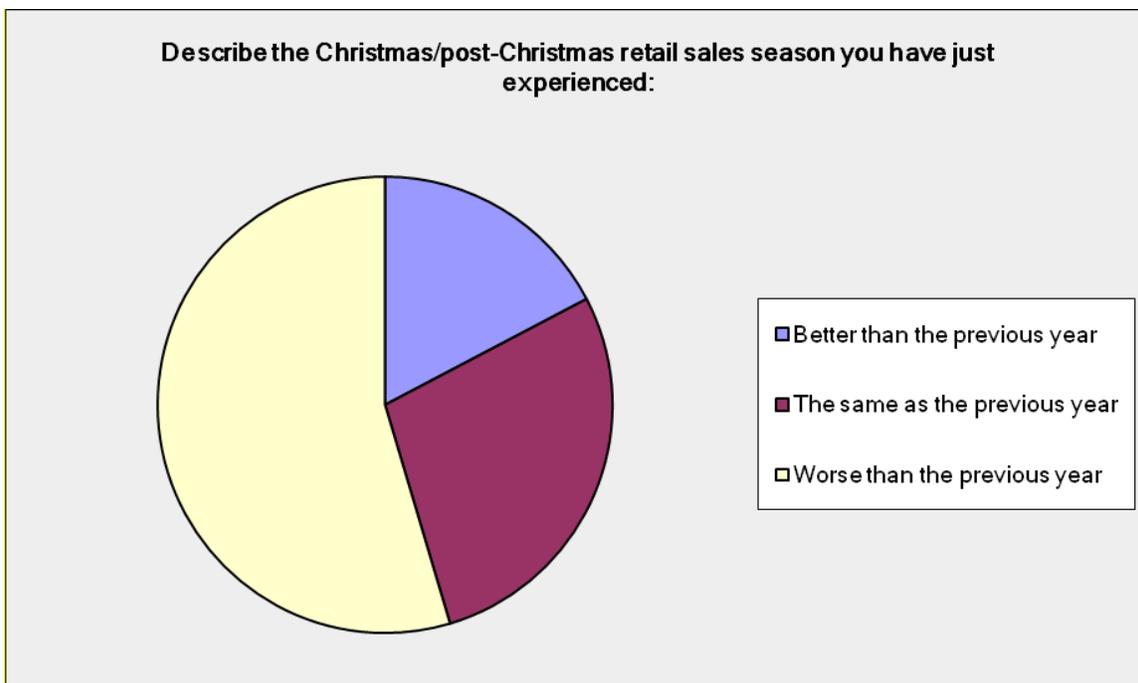
**FIGURE 2. CONFIDENCE BELOW LONG-RUN AVERAGE**



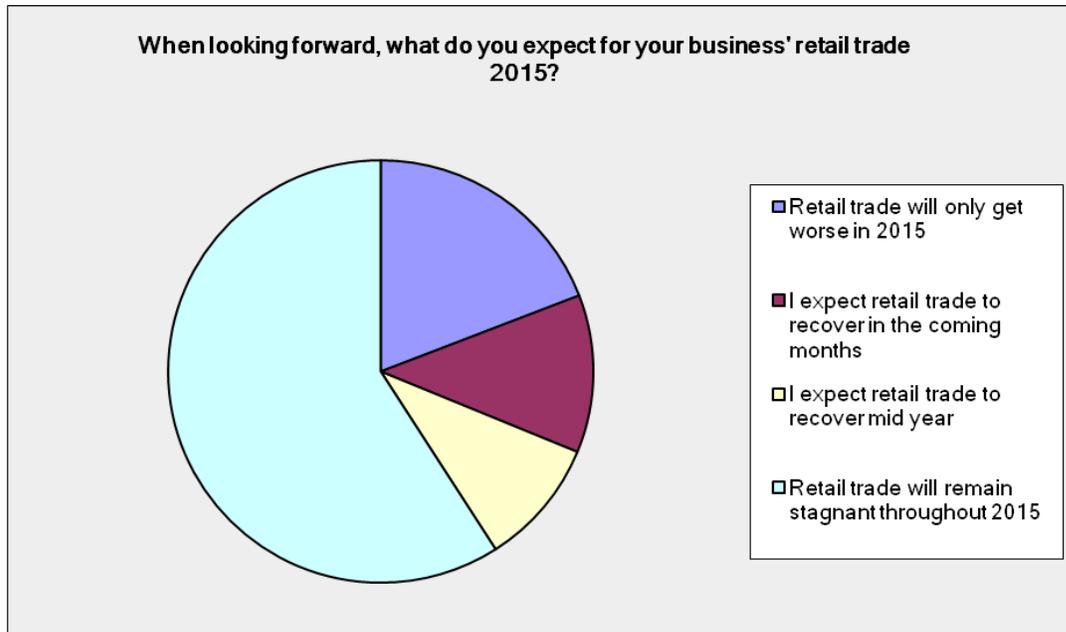
Source: ANZ-Roy Morgan

The Roy Morgan regular consumer confidence reading continues to show weak sentiment.

Over 54.6 percent of retailers described the 2014/2015 Christmas/post-Christmas season as worse than the year before (see chart below).



Over 81.5 percent of retailers described 2014/15 retail trade as being worse than the year before or stagnant (see chart below).



**ARA MINIMUM WAGE POLL (MARCH 2015)**

ARA member feedback (ARA Minimum Wage Poll, March 2015) confirmed employment intentions over the next 12 months. Of most concern are existing employment intentions excluding the impact of higher employee costs.

**Minimum Wage 2015 survey**

**Please indicate your plans for permanent employment over the next six to 12 months**

Please indicate your plans for permanent employment over the next six to 12 months.

Answer Options	Response Percent
Increasing normal permanent staff levels	10.8%
Decreasing normal permanent staff levels	26.3%
Keeping permanent staff levels the same	62.9%

## Minimum Wage 2015 survey

Please indicate your plans for part-time employment over the next six to 12 months.

Answer Options	Response Percent
Increasing normal part-time staff levels	10.7%
Decreasing normal part-time staff levels	33.6%
Keeping part-time staff levels the same	55.7%

## Minimum Wage 2014 survey

Please indicate your plans for casual employment over the next six to 12 months.

Answer Options	Response Percent
Increasing normal casual staff levels	13.8%
Decreasing normal casual staff levels	37.3%
Keeping casual staff levels the same	48.9%

## CONCLUSION

The retail industry's submission has outlined the difficult trading environment existing for the retail sector. With most small to medium retailers being reliant on a minimum wage workforce, any move to increase wages within the sector during this time of low consumer confidence and low to negative growth will only further job losses currently underway within the sector.

The retail industry:

- Makes a significant contribution to the overall state of the national economy;
- Employs more people in Australia than any other private sector industry;
- Employs more juniors than any other private sector industry;
- Is the most heavily reliant on pay scales than any other industry;
- Suffers a higher disproportionate effect in minimum wage increases than other industries due to deregulated trading hours and penalties across all retail awards;
- Is on a low to negative growth period during this time of low consumer confidence and low business confidence in the services sector.

The FWC should consider any increase on an award-by-award basis and provide an interim decision or statement prior to handing down a final decision.

The FWC should reject a percentage based increase to some or all wage classifications under modern awards or to the national minimum wage.