



Annual Wage Review 2019-20

Australian Retailers Association response to supplementary questions on notice

The Australian Retailers Association ('ARA') welcomes the opportunity to respond to the Annual Wage Review 2019-20 supplementary questions on notice dated 13 May 2020.

The ARA represents nearly 8,000 independent and national members and, since 1903, has been the trusted voice for Australia's \$325 billion retail sector.

Responses to questions 1.1 and 1.2 are set out below for the Expert Panel's consideration.

Question 1.1

The Fair Work Commission ('Commission') Discussion Paper on *What can and can't be done in the Annual Wage Review 2019-20* ('Discussion Paper') states that the Commission may be able to delay the introduction of any minimum wage increase beyond 1 July 2020, provided it is justified by exceptional circumstances.

The COVID-19 pandemic is an exceptional circumstance, and an event which is widely acknowledged to have created unprecedented disruption to business and the global economy. These effects are ongoing.

The ARA does not support an increase to minimum wages due to the significant impact of COVID-19 and the inability for retailers to absorb additional labour costs at this time. In an ARA member survey conducted in May 2020, nearly 74 per cent of respondents were either somewhat or very concerned about retaining current staff and 72 per cent were either somewhat or very concerned about financing wages after the JobKeeper payment scheme finishes at the end of September.

However, if the Expert Panel determines that an increase to minimum wages should occur, the ARA seeks that the increase be delayed for retail business until 1 February 2021. Given the uncertainty of COVID-19 over the next 12 months, the ARA does not believe any decision to delay a potential wage increase should only apply to businesses who are currently eligible for JobKeeper. Assessing the impact of COVID-19, and which employers would qualify for a delay, at a point in time is unwise given the rapidly changing nature of the virus.

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The Discussion Paper also acknowledges that under exceptional circumstances, the Commission may be able to exempt some or all employers and employees from the increase or reduce the amount of the increase for some or all employers and employees. While the ARA does not support an increase to minimum wages at this time, should the Expert Panel disagree, the ARA asks that a minimal increase of no more than CPI be awarded, appreciating most retailers would not achieve the sales increase to justify the pay increase.

Stabilising costs is critical to retailers' ability to maintain jobs and hours for their existing staff. Increasing costs during a time when revenue is under unprecedented pressure is likely to create a significant reduction in jobs or hours for current employees.

Question 1.2

ARA POSITION

In the ARA initial submission dated March 2020, the ARA recommended that the Expert Panel defer any decision on minimum wages until after the March quarter GDP figures are available on 3 June, with any subsequent decision to be limited to the rate of CPI growth over the preceding 12 months (approximately 1.8 per cent) or less.

While the ARA maintains that a determination should not be made until after the release of the March quarter GDP figures, the economic impact of COVID-19 on business and employees has been significant and sufficient to justify an update to the ARA's initial recommendation.

It is the position of the ARA, and its members, that minimum wages should remain at current levels until mid-2021. The COVID-19 crisis has made it economically unfeasible for businesses to absorb additional cost pressures through an increase to the minimum wage and modern award minimum wages. Any increase in costs is likely to have a detrimental effect on employee headcount and/or hours, as well as impact future job opportunities.

However, it is important to recognise that maintaining existing minimum wages does not preclude businesses who have been less affected by COVID-19 from passing on wage increases to their employees.

Maintaining current wages will help ensure a strong and sustainable retail recovery and promote employment and wage growth, which is imperative to Australia's economic recovery.

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JUSTIFICATION

Many aspects of the retail sector have been severely impacted as a result of COVID-19. The social distancing and travel restrictions imposed since March 2020, while necessary to reduce the spread of the outbreak, have placed a significant financial strain on businesses, particularly small to medium-sized retailers.

While the various government support measures have provided businesses with a temporary buffer to withstand the immediate shock of the crisis, it is likely that many retailers will not recover and be forced to permanently shut their doors. This reality can be seen in the preliminary figures released from the Australian Bureau of Statistics ('ABS') which showed that retail trade suffered its worst-ever monthly decline on record, collapsing by 17.9 per cent in April 2020, seasonally adjusted.¹ For clothing, footwear and personal accessory retailers, turnover in April 2020 was around half the level of April 2019.²

The uncertainty of the pandemic, and the potential for a 'second wave', is likely to continue to influence the spending decisions of consumers and therefore, business certainty. The fourth ABS survey on the *Business Impacts of COVID-19* showed that 7 out of 10 businesses have experienced a decrease in their revenue as a result of COVID-19 and that almost three-quarters have accessed support measures, with 55 per cent accessing wage subsidies.³ As wages are typically the largest expense for a retailer, a decision to increase labour costs will compromise the future of many retailers and result in further job losses.

In addition, it is important that a decision on minimum wages takes into account the other non-labour related costs retailers have had to absorb as a result of COVID-19. Retailers have had to retrain existing workers on enhanced hygiene practices and re-think their store layout in order to comply with social distancing requirements, such as through the installation of safety screens at checkout counters. For some, this has also resulted in additional costs to increase security presence at stores.

Examining the Australian economy more broadly, it is clear that there has been a significant contraction arising from the measures to limit the spread of COVID-19. The Reserve Bank of Australia ('RBA') recently projected that the Australian economy is expected to record a contraction in GDP of approximately 10 per cent over the first half of 2020 and a decline in

¹ ABS, *Preliminary Retail turnover falls 17.9 per cent in April*, 20 May 2020, Media Release.

² ABS, *Preliminary Retail turnover falls 17.9 per cent in April*, 20 May 2020, Media Release.

³ ABS, *Business responds to COVID-19 challenges*, 28 May 2020, Media Release.

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total hours worked by around 20 per cent.⁴ The RBA also noted that the unemployment rate is forecast to rise to around 10 per cent in the June quarter.⁵

Increasing minimum wages during this economic downturn will inhibit businesses' ability to boost employment, particularly once the JobKeeper payment scheme ends on 27 September 2020. With around 2.7 million Australians either having left employment or had their hours reduced between March and April 2020, maintaining current minimum wages will help accelerate business recovery and place them in a position to retain their workforce, bring back employees that may have been stood down or return workers to their normal hours of employment.⁶

The ARA recognises that COVID-19 and the Australian bushfires have impacted our members, and businesses more broadly, in different ways and to varying degrees. While a decision to maintain existing minimum wages does not mean that those businesses who have done relatively well during COVID-19 will not award their employees with a wage increase, it will ensure that businesses who continue to experience significant financial hardship are provided a reasonable opportunity to bounce back.

⁴ RBA, *Statement on Monetary Policy – May 2020*, p.85.

⁵ RBA, *Statement on Monetary Policy – May 2020*, p.85.

⁶ ABS, *Employment falls 594,300 in April to 12.4 million*, 14 May 2020, Media Release.

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