

2020 ANNUAL WAGE REVIEW

SUBMISSION BY THE 'SHOP DISTRIBUTIVE AND ALLIED

EMPLOYEES' ASSOCIATION'

The SDA supports the submission of the ACTU and welcomes the opportunity to make a supplementary submission to the 2020 Annual Wage Review (AWR).

The Shop Distributive and Allied Employees Association (SDAEA) represents over 200,000 workers in the retail, fast food and distribution sectors in Australia. Each of these sectors is heavily reliant on continued, growing aggregate demand.

This is particularly acute in the retail sector – the industry which employs more Australians than any other. As of November 2019, the sector employed 1.275 million Australians. A decline in aggregate demand constrains the growth of the sector overall, limiting future opportunities for the existing workforce as well as potential entrants into the sector.

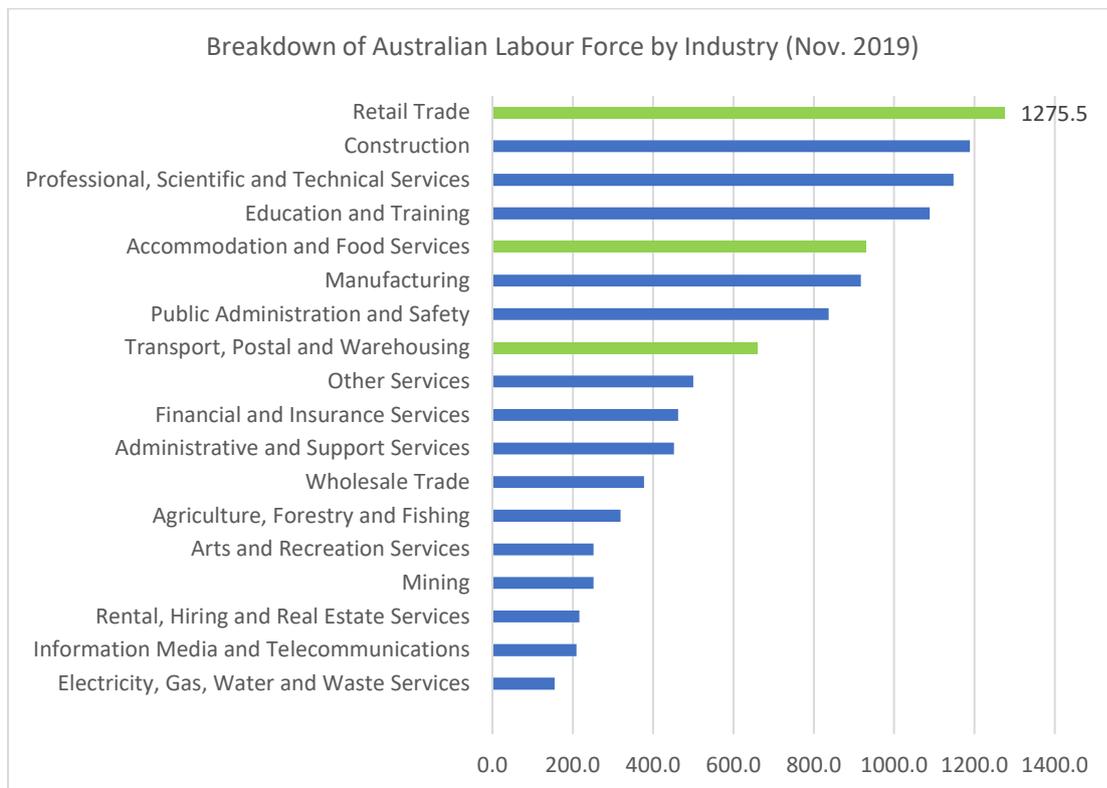


Figure 1: Source: ABS Cat. 6291.0.55.003; Labour Force, Australia, Detailed Quarterly. ⁱ

Almost 10% of the Australian workforce are engaged in the retail industry and the General Retail Industry Award (GRIA) covers the majority of people working in the industry.

The retail and fast food sectors have a high proportion of casual and part-time employees.

The Importance of The AWR to Wages In Retail and Fast Food

The 'Trends in Federal Enterprise Bargaining – September Quarter 2019' report found that:

- In total, enterprise agreements (including federal and state) covered 37.9 per cent (rounded) of all Australian employees in May 2018. (latest data). This figure was 41.1% in 2014.
- Federal enterprise agreements (examined by the Sept QTR 2019 report) covered 30.4 per cent of all Australian employees as at May 2018. (latest data)
- Numbers of agreements have dropped. There were 10,877 current (not expired or terminated) agreements as at 30 September 2019. This is lower than the 11,335 agreements current as at 30 June 2019 and is lower than the 10,996 agreements current at 30 September 2018.

Whilst enterprise bargaining continues to decline across the economy the majority of SDA members continue to work under SDA negotiated Enterprise Agreements. However, the majority of these SDA negotiated Enterprise Agreements contain wage increases linked to the Annual Wage Review, so the AWR is critical to the overwhelming majority of employees (both Award and Agreement covered) in the retail and fast food industries.

Point 3.2 of the National Retailers (NRA) Recovery Plan will undermine the industry

In February 2020 the NRA released an Industry Recovery Plan which submitted that any AWR increase should not apply in those areas ravaged by the Summer bushfires.

This thinking should not and cannot be entertained by the panel determining the AWR. Those communities have suffered enough and to have the employees (ie consumers) in those communities punished a second time by a wage freeze would be unconscionable. Not only would it be unconscionable, it would display a poor understanding of how economies work.

Retail and fast food jobs are heavily dependent on the broader Australian community being able to freely participate in consumption. The challenges facing retailers across Australia are many, including the stubbornly low rate of wage growth that has impacted gross demand across the Australian economy for over a decade.

The less money workers have in their back pockets, the less money they are likely to spend in their local economies. This dynamic places downward pressure on the wages and conditions of the workforce the SDA represents.

Bushfire and Virus Recovery Can't Depend on Burdening Workers

The NRA's proposal to exempt business in bushfire affected areas, and those affected by Coronavirus (COVID 19) from minimum wage increases is impractical and administratively burdensome, deeply unfair to workers, and opens the door to Government abrogating its responsibility to utilise fiscal policy to expedite the economic recovery in affected communities.

The NRA's proposal would, in effect, lead to a two-tiered system where some businesses must oblige by certain obligations while others adhere to a different set of rules. Such a framework is administratively complex, not to mention unfair. There is, of course, a genuine and challenging burden placed upon all businesses in communities impacted by natural disasters – especially this summer's atrocious bushfires across South Australia, Victoria, New South Wales and Queensland. Simply excluding businesses in these communities from National Minimum Wage Orders (NMWOs) is not a sensible approach, particularly when more immediate measures are available to communities to alleviate economic distress.

The Commonwealth Government has announced a \$2 billion recovery effort aimed at restoring bushfire affected communities to full economic health. It is in the interest of both businesses and workers that the available fiscal stimulus is quickly deployed to ensure that businesses struggling to meet their existing obligations are supported, and their staff are able to remain employed. Allowing businesses to avoid complying with NMWOs may provide a disincentive for State and Commonwealth Governments to distribute stimulus assistance to those businesses.

The NRAs proposal to exclude bushfire affected businesses from NMWOs effectively shifts the burden of recovery from the Commonwealth and State Governments to workers themselves. The SDA notes that the NRAs proposal is, in fact, not specific to bushfire-affected businesses – but all retail businesses affected by the indirect economic impact of the Coronavirus (COVID 19) outbreak in 2020. Given the economic impact of Coronavirus is national, this proposal is, in effect, an argument in

favour of suspending a rise in the NMWO. It is the SDA's view that such a step will not only undermine the livelihoods of SDA members, but further constrain aggregate demand and, in fact, worsen the economic challenges already facing the retail sector.

Further, the NRA puts forward no exit strategy to this proposal. While it might be simple to propose a policy where NMWO increases are avoided for certain businesses due to an economic shock, this will set a permanent precedent. Such a proposal leaves many unanswered questions, such as:

1. When will the businesses impacted be asked to comply with the original NMWO?
2. Will all businesses impacted by coronavirus nationwide be eligible to avoid complying with NMWOs?
3. Will such a policy be utilised in all future economic shocks, including downturns, and other natural disasters?
4. Will allowing affected businesses to avoid complying with the NMWO impact that business' ability to seek other forms of compensation associated with State and Commonwealth Government stimuli in the wake of the crises?

Commonwealth and State Governments have fiscal and policy mechanisms at their disposal to ensure businesses and workers affected by both bushfires and coronavirus are supported. These are serious economic challenges that demand sensible responses from all stakeholders. Now is not the time to utilise the bushfire disaster and Coronavirus outbreak to lower the wages of workers in the retail sector – wherever they may live.

Penalty Rate Cuts Continue to Impact Retail Workers

After lengthy proceedings, the Penalty Rate case decision was handed down by the FWC on 23 February, 2017. Workers in the sector are already feeling the consequences of lower pay as a result of this decision.

The Decision dramatically reduced Sunday penalty rates and Public Holiday Rates in the SDA's key awards.

On the 7th June a decision by FWC was issued that provided the following transition for Sunday rates:

Fast Food Industry Award

Full-time and part-time employees – Level 1 only

1 July 2017 150 per cent → **145** per cent

1 July 2018 145 per cent → **135** per cent

1 July 2019 135 per cent → **125** per cent

Casual employees (inclusive of casual loading) – Level 1 only

1 July 2017 175 per cent → **170** per cent
1 July 2018 170 per cent → **160** per cent
1 July 2019 160 per cent → **150** per cent

General Retail Award

Full-time and part-time employees

1 July 2017 200 per cent → **195** per cent
1 July 2018 195 per cent → **180** per cent
1 July 2019 180 per cent → **165** per cent
1 July 2020 165 per cent → **150** per cent

Casual employees (inclusive of casual loading)

1 July 2017 200 per cent → **195** per cent
1 July 2018 195 per cent → **185** per cent
1 July 2019 185 per cent → **175** per cent

Pharmacy Award

Full-time and part-time employees

1 July 2017 200 per cent → **195** per cent
1 July 2018 195 per cent → **180** per cent
1 July 2019 180 per cent → **165** per cent
1 July 2020 165 per cent → **150** per cent

Casual employees (inclusive of casual loading)

1 July 2017 225 per cent → **220** per cent
1 July 2018 220 per cent → **205** per cent
1 July 2019 205 per cent → **190** per cent
1 July 2020 190 per cent → **175** per cent

No transition occurred for the Public Holiday Rate decrease from 250% to 225%.

As set out in the schedule above, permanent employees in the retail industry will suffer a further 15% reduction to their Sunday hourly rate on 1 July 2020.

Wages in SDA covered sectors central to national aggregate demand

The SDA covers workers in the retail, fast food and warehousing sectors. Collectively, this cohort of the labour market constitutes over 2.5 million workers, or around one fifth of the Australian labour market. In the retail sector alone, 1.25 million Australians are employed, constituting around 10 per cent of the Australian labour market.

Therefore, it is clear that the decisions impacting the livelihoods of workers in these industries plays an outsized role in shaping aggregate demand throughout the Australian economy.

Demand has been modest in the retail sectors over recent years, as a result of a confluence of economic trends and policy decisions that have diminished the purchasing power of the Australian consumer. Wages are barely growing above CPI, billions are being removed from the back-pockets of workers due to wage theft, and for many, including workers in SDA covered sectors, a reduction in penalty rates for three successive years has resulted in a real loss in take home pay. The macro-economic impacts of these phenomena cannot be ignored when setting NMWOs. It is important that this is taken into consideration – especially when considering alternative proposals, such as those put forward by the National Retail Association, to delay any minimum wage rise for workers in areas impacted by bushfires (which can be pinpointed to specific post-codes) or Coronavirus (the entire national economy).

Lowering the pay of those within the retail sector doesn't only impact their immediate livelihoods, but poses a threat to the health of their employers. For those already employed in the sector, lower demand can result in fewer hours and a lower overall income – itself then resulting in less demand nationally.

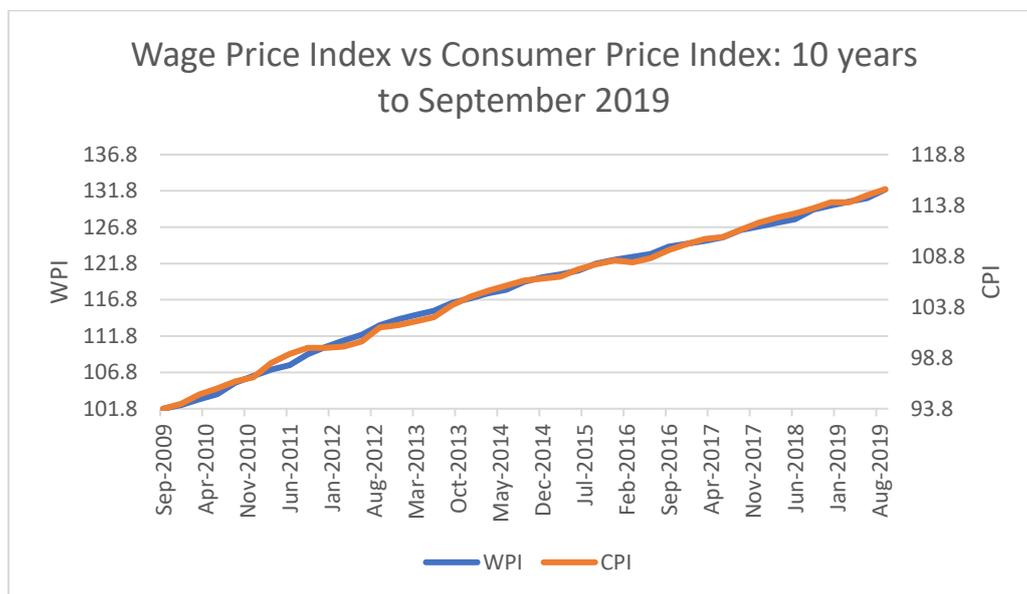


Figure 2: Wage Price Index vs Consumer Price Index, 2009-2019. Source: ABS Cat. 6345.0ⁱⁱ, ABS Cat. 6401.0ⁱⁱⁱ.

Since 2017, hundreds of thousands of retail workers have been subjected to reduced penalty rates, directly costing individual workers hundreds of dollars every year. The imposition of penalty rate reductions also occurred during the middle of an extended period of wage-stagnation. The flat lining of Australian wages over the past decade is

undeniable. While wages are nominally increasing, the pace of that increase is not outstripping the price of goods and services in the economy. The Wage Price Index, which measures wage growth, has grown in parallel with the Consumer Price Index (Figure 2) which measures the price of goods and services in the economy. Translated into the experience of a typical Australian household, it simply means most consumers feel like they aren't 'getting ahead', with many seeing no real increase in standards of living. This fundamentally limits the willingness of the Australian public to consume, directly impacting the opportunities and livelihoods of SDA members, and retail trade sector workers more broadly.

Consumer Confidence nearing GFC levels

This dynamic has led to the lowest levels of consumer confidence since the Global Financial Crisis of 2008/9. The ANZ/Roy Morgan and Westpac-Melbourne Institute Consumer Confidence indices both find a marked decline in consumer confidence. In 2009, consumer confidence reached a peak, before continuing to fall over the same period as wages have stagnated. There is a clear correlation between wage stagnation, and consumer confidence – again impacted the opportunities for those employed in sector's like retail trade, which are dependent on growth in aggregate demand. Per capita retail spending too has grown poorly over the past five years.

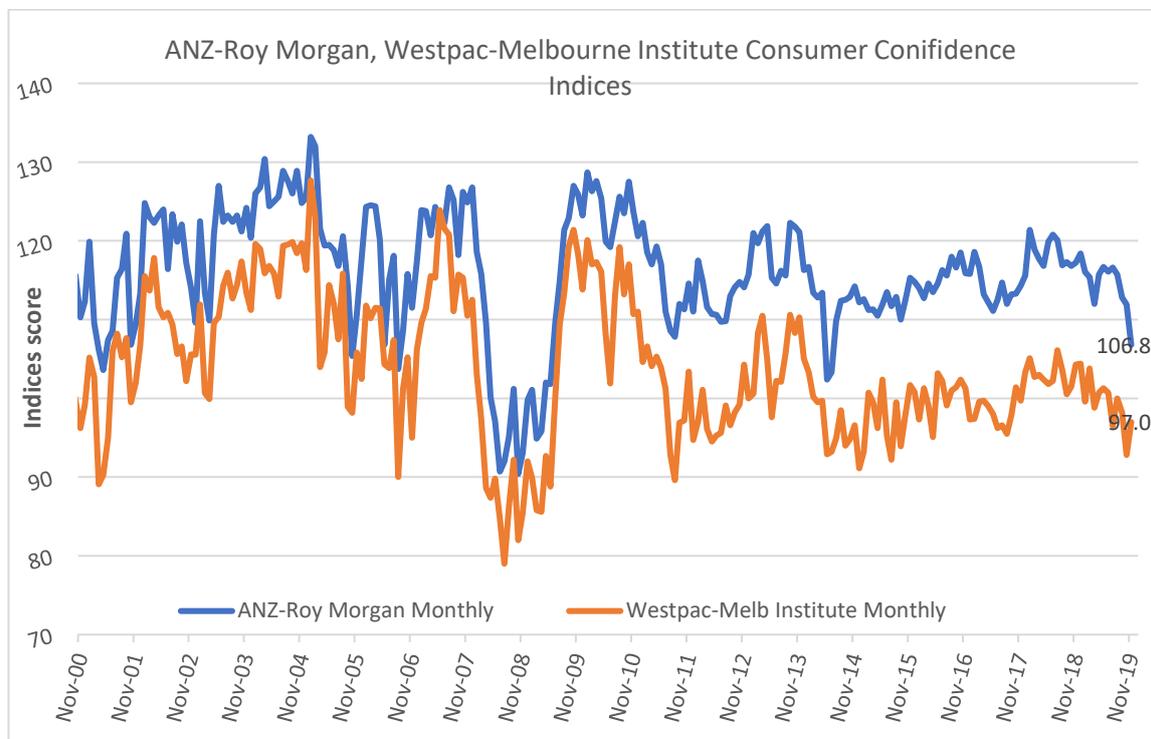


Figure 3: Consumer confidence is at levels similar to those seen during the GFC: Source: ANZ/Morgan Consumer Confidence Index^{iv}, WestPac/Melbourne Institute Consumer Sentiment^v index.

The decline in spending has damaged the sector

These macro trends have damaged the sector. Constrained consumer confidence and spending has led to the collapse of existing retail outlets and discouraged prospective investors in Australia's retail sector from establishing operations. In just the first weeks of 2020, news has already emerged of major retailer Harris Scarf closing some 21 outlets across Australia^{vi}, and international retailer Kaufland – which had already commenced construction at premises in Adelaide – withdrawing from the Australian market with 'no warning'^{vii}. This reflects the reality of a stagnant retail economy, driven by low wage growth, shallow consumer confidence, and exacerbated by the billions of dollars withdrawn from consumers' back-pockets as a result of unchecked wage theft.

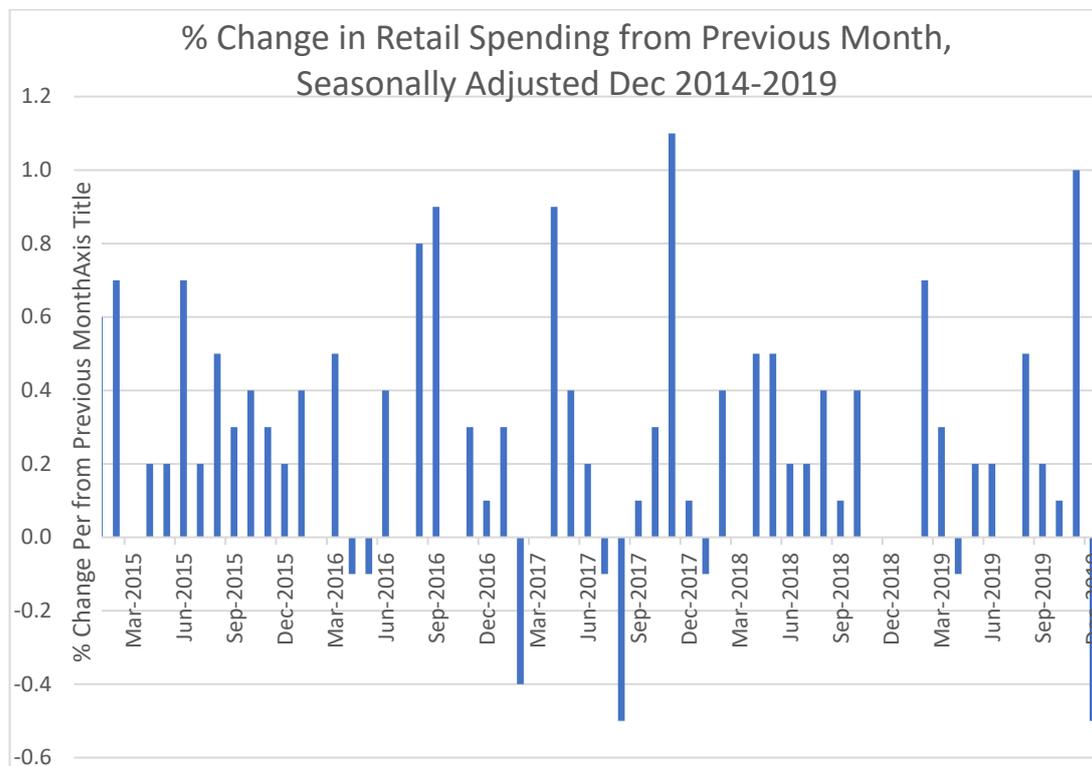


Figure 4: Change in retail spending month/month, 5 years to December 2019. Source: ABS Cat. 8501.0^{viii}

This is evident in the national sales data, such as that presented in Figure 4. But it is clear also when we look at per-capita retail spending. Since its apex in June 2018, retail spending per capita has steadily fallen (Figure 5).



Figure 5: Retail spending per capita has been trending downwards since 2019. Source: ABS Cat. 8501019^{ix}.

The consequences of this decline in consumption has been acutely felt by the Department Store sector, which has been impacted by volatile monthly spending. (Figure 6).

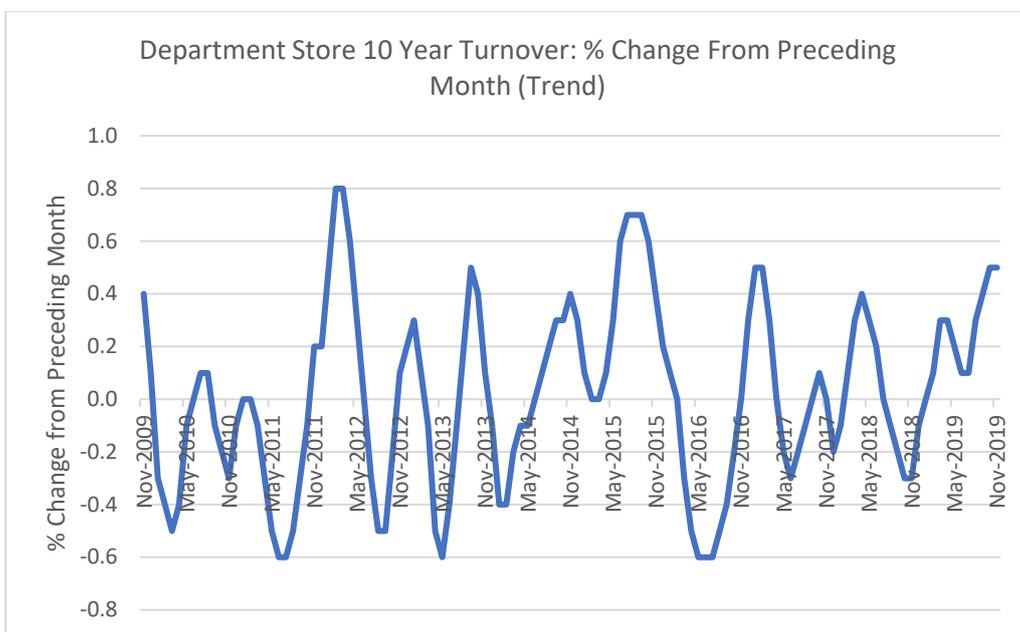


Figure 6: Department store turnover is volatile, with positive months only recording modest sales. This is leading to tumult in the sector, and is driven by the confluence of events highlight in Figures 1-3. Source: ABS Cat. 8501.0^x

More disposable income required to boost retail spending nationally

Australia's retail economy is struggling as a result of broader economic conditions that are constraining the public's appetite to engage in discretionary spending. Unfortunately, it has become common place to hear of major retailers entering administration or closing down. Further, prospective retailers who have considered entering the Australian market have decided against doing so, after assessing the economic landscape and eschewing the opportunity to enter what might be perceived as a challenging market. This was succinctly demonstrated with the withdrawal of Kaufland, a German retailer who had invested considerable resources in entering the Australian market, only to withdraw unexpectedly in January 2020.

This dynamic presents a challenge for the retail sector – but also for the economy overall. As noted, retail workers constitute around 10 per cent of the labour market, with 1.25 million Australians employed in retail. The decisions that determine the income of this cohort have an outsized impact on aggregate demand throughout the economy. Unfortunately, the recent past has seen downward pressure placed on retail workers' wages, as well as workers in other SDA covered sectors. The imposition of penalty rate reductions has seen real wages for many retail workers decline, while ongoing wage stagnation and an increase in the cost of living has dissuaded retail workers from engaging in consumer spending. Further, the ongoing prevalence of wage theft on the Australian workforce, including in the retail sector, has placed downward pressure on wages overall. The SDA estimates that major wage theft scandals in the retail sector alone has cost retail workers over \$600 million in recent years.

The result has been, expectedly, an increase in volatility in the retail sector, risking employment placing downward pressure on wages and conditions, leading to lower retail spending. This is evidenced by the inadequate retail spending data, released monthly, that demonstrates growth in retail spending is insufficient to sustain growth in the sector. In 2019, the highest monthly increase in retail spending from the previous month was 1 per cent, with the calendar year recording two negative months. Alarmingly, one of these negative months – when looking at seasonally adjusted retail spending data compiled by the ABS - was December, when the opposite would be expected – and is required – by retailers.

Wage restraints can't drive bushfire and virus recovery

Proposals to utilise wage restraints to drive the recovery, such as those put forward by the National Retailers Association, risk further damaging an already fragile economy. Key to Australia's post-bushfire and coronavirus recovery is the return to consumer spending seen prior to the dual economic challenges of the bushfires and coronavirus.

Many of the workers who would be asked to sacrifice a minimum wage increase are also those who, currently, have no access to paid leave or remuneration should they be asked to enter quarantine as a result of the coronavirus. It is irresponsible to ask these workers – who are already facing weeks without pay under worse case scenarios – to sacrifice any wage increase.

The Australian economy will not bounce back by delaying or avoiding increases in NMWOs. A well targeted fiscal stimulus is a much more sensible approach.

End Notes

ⁱ Australian Bureau of Statistics, 2019. Labour Force, Australia, Detailed, Quarterly, Nov. Accessed online: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.003>

ⁱⁱ Australian Bureau of Statistics, 2019. '6345.0 Wage Price Index, Australia, Dec 2019'. Accessed online: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0>

ⁱⁱⁱ Australian Bureau of Statistics, 2019. '6401.0 - Consumer Price Index, Australia, Dec 2019.' Accessed online: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6401.0>

^{iv} ANZ Roy Morgan, 2020. 'ANZ-Roy Morgan Australian CC Monthly Ratings 1973-2000'. Accessed online: roymorgan.com/morganpoll/consumer-confidence/consumer-monthly-results

^v WestPac, 2019. 'WestPac Melbourne Institute Consumer Sentiment'. Accessed online: <https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/aw/economics-research/er20191009BullConsumerSentiment.pdf>

^{vi} Blake, D. 2020. 'Harris Scarfe closing 21 stores'. *Inside Retail*. Accessed online: <https://insideretail.com.au/news/harris-scarfe-closing-21-stores-202001>

^{vii} Mitchell, S. 'Warning' as Kaufland pulls plug on Australia'. Accessed online: <https://www.afr.com/companies/retail/kaufland-pulls-plug-on-australia-without-firing-a-shot-20200122-p53tqa>

^{viii} Australian Bureau of Statistics, 2019. '8501.0 - Retail Trade, Australia, Nov 2019. Accessed online:'<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8501.0Nov%202019?OpenDocument>

^{ix} Australian Bureau of Statistics, 2019. '8501.0 - Retail Trade, Australia, Nov 2019. Accessed online:'<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8501.0Nov%202019?OpenDocument>

^x Australian Bureau of Statistics, 2019. '8501.0 - Retail Trade, Australia, Nov 2019. Accessed online:'<https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8501.0Nov%202019?OpenDocument>