



Master Grocers Australia Limited

T/AS

MGA Independent Retailers

MGA Timber Merchants Australia
(MGA/TMA)

Submission to the Fair Work Commission
Wage Panel

Fair Work Australia Annual Wage Review
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MGA INDEPENDENT RETAILERS AND MGA TIMBER MERCHANTS AUSTRALIA (MGA/TMA)

1. MGA Independent Retailers (MGA/TMA) is a national employer industry association representing independent grocery, liquor, and other retail outlets including timber and hardware, in all States and Territories of Australia. These businesses range in size from small, to medium and large, and make a significant contribution to the retail industry, accounting for approximately \$16 billion in retail sales.¹

2. There are 2,700 branded independent grocery stores, trading under brand names such as: Drakes, Farmer Jacks, FoodWorks, Foodland, Friendly Grocers, IGA, IGA Xpress, Supa IGA and SPAR, with a further approximately 1,300 independent supermarkets trading under their own local brand names. In addition, there are numerous independent liquor stores operating throughout Australia and trading under names such as: Cellarbrations, The Bottle O, Duncans, and Local Liquor, which are either single or multi-store owners. Our members also own independent hardware stores trade under brand names including Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware. These stores which collectively employ more than 120,000 staff are comparatively much smaller when juxtaposed against the large supermarket and hardware chains of Coles, Woolworths, and Bunnings, which combined represent approximately 80 per cent of the retail supermarket and liquor industries and 65% of hardware industries.



¹ PricewaterhouseCoopers, *The economic contribution of small to medium-sized grocery retailers to the Australian economy, with a particular focus on Western Australia* (June 2007), p iv

3. Employees in the independent supermarket, liquor, timber, and hardware sectors are generally employed on the minimum award rates set by the General Retail Industry Award 2010 and the Timber Industry Award 2010. The majority of stores that operate in the independent sector are small, independent, family owned, community- based businesses that have established themselves in the retail/hardware sector and they make a significant contribution to the economy. These businesses face genuine difficulty in absorbing the costs of any wage increases as opposed to their larger chain counterparts, and they struggle to maintain viability when faced with increased wages costs. Between 2017 and 2019, the small business independent grocery, liquor and timber/hardware retail sectors underwent, what were for them, wage increases of significant proportions creating considerable damage to their future viability. It is acknowledged that in 2020/21 the wage increases were less onerous due to the economic effects of the coronavirus pandemic. The wage increases were significantly less than previous years, being delayed by 4 months in the case of the Timber Award and six months for the General Retail Industry Award. Those delayed increases were appreciated, and employers were grateful. However, in this submission we will submit that there have been further damaging effects from the pandemic over the last twelve months. Even though there is considerable optimism currently, arising from a recent increase in employment and the arrival of the long- awaited vaccine, there have been significant losses and there is still a long road to full recovery. MGA/TMA will therefore be seeking further restraint in respect of any wage increases in the coming year. Wage increases in 2021 would severely damage the continuing viability of many small businesses as they grapple with the recovery process. In this submission MGA/TMA intends to present evidence to the Fair Work Commission that will show there will be damaging consequences for many small businesses if wages are increased to a level that is unsustainable at this time.

4. MGA/TMA thanks the Fair Work Commission ('the Commission') for the opportunity to make this submission to the Minimum Wage Panel ('the Panel') on behalf of its members for the purposes of the Annual Wage Review 2021.

EXECUTIVE SUMMARY

5. This submission, presented on behalf of MGA/TMA, is intended to present the Fair Work Commission with facts, evidence and data that demonstrate the need for wage restraint if the independent retail sector is to survive. This division of retail consisting of mainly small, family-owned businesses employs thousands of employees in both city and regional areas all over the

country and collectively they make a vital contribution to the Australian economy.

6. Independent retailers are resilient and have survived the difficulties of engaging in business despite the significant wage increases of 9.8% during the period 2017-2019 and the recent 1.75% increase, they have survived the threats of competition even against their biggest rivals, that have grown in number over the last few years. They have faced threats from many sources, but they have managed to remain viable despite these obstacles. Small businesses service their local communities, they purchase product from local growers and generally regard themselves as important contributors to the retail industry despite their size. More recently they, like many other businesses, have had to deal with the impact of the coronavirus. Many independent retailers have managed to survive but others have not been so lucky. This has been largely dependent on their location. Generally, the need for food commodities has been the saving factor for the supermarket industry and the need for the ability to occupy time in lockdown has been the saving factor in the hardware industry. It remains a struggle particularly for retailers in country areas as for them the need to recover from bushfires and drought have also taken their toll.

7. The small business community has undergone considerable strain during the last twelve months. 2020 started off with massive destructive bushfires which were followed by a pandemic of epic proportions. Despite the delay in the usual July 1st wage increase 2020, which was appreciated, it was nevertheless for some retailers a struggle for survival. It was a question of coping with a range of factors from the fear of business losses and possible store closure to managing the fear that employees have experienced as they witnessed the spread of the disease. It is acknowledged that most businesses have survived although some have not been so fortunate.

8. Despite the setbacks that have occurred, the outlook is promising in the long term. However, recovery at this stage does not mean a massive step forward to huge profit making or an overwhelming increase in the number of jobs. What it does mean is some semblance of resuming the struggle to improve the business and provide sufficient work to current staff, with the hope of better times ahead.

9. The MGA/TMA industry sector has dealt with many problems during the past year. The difficulties for small businesses include their size – the struggle to maintain a competitive edge is ongoing. During the pandemic customers wanted to buy goods in large quantities for several

reasons. One was the stockpiling of goods and the consequent hoarding of certain commodities by the public and this was a massive source of income for bigger retailers. Therefore, the bigger retailers were targeted by consumers. Another challenge was location, whether they were in a city or in a suburb, or in country towns, each area carried its challenges for survival and of course the lack of availability of on- line retailing was an issue for most small businesses.

10. However, there was one significant point of difference for independent food retailers which is that they were able to continue offering their services to the public, so they did not have to establish working from home arrangements. However, they faced challenges of a different kind as there was the emphasis on keeping their staff safe from the effects of the virus. There was also the constant challenge of coping with members of the public who resented their enforcement of the obligations to keep the store COVID -safe and there was the additional fear of having workers compensations claims being against the business. 2021 looks more promising and there may be “light at the end of the tunnel”.

11. It was evident that although many small businesses were able to cope with the impact of the pandemic there is no doubt that it has been a struggle and there is no immediate solution to the difficulties that the year has been for the small business sector. Whilst the economic outlook if improving there remains much to be done and that will take time. Some retailers will rebuild and jobs recovery if on the horizon but there is a considerable way to progress before that happens.

INTRODUCTION

12. MGA/TMA does not support any increases to the modern award rate in the General Retail Industry Award (the GRA) and the Timber Industry Award (the TIA) in 2021. It is appreciated that the wage rate increases in late 2020 and early 2021 in respect of the GRA and TIA were significantly less than in previous years, due to a range of factors mainly arising from the impact of the Covid 19 pandemic, but these reductions provided a desperately needed respite for employers in the related industries.

13. During the three years prior to the reduced weekly wage rates awarded in 2020/2021 the independent retail sector had struggled to cope with an overall 9.8% increase. They had envisioned there may have been a similar 3% increase or higher last year, so the 1.75% was welcomed although we know that the circumstances were significantly different in 2020.

14. All industries have struggled throughout the year to protect the jobs of their employees. The

supermarket industry has been in the fortunate position of being a supplier of food and other retail goods, which are essential commodities to the public. Furthermore, home building supplies were increasingly popular as lockdowns resulted in many home renovations being in demand and this fuelled a welcome survival in the retail and hardware supply area. This enabled some small businesses to maintain their survival in their respective industries as they continued to protect current jobs and maintain hours of work.

15. The need for constant vigilance in respect of ensuring the safety of staff against the coronavirus has been an additional demand on small to medium sized businesses. This is not just in terms of providing the necessary protection instore, such as mask wearing and the sanitising precautions that were required, but also coping with the fear that many employees had and still have of working in a potentially endangered, public environment.

16. One major disadvantage for small grocery, liquor and hardware businesses is the use of online shopping that has not been, in most cases, an easily available resource. Many larger retail stores have been operating their online grocery businesses for years, but unfortunately smaller retailers and businesses have not had that luxury. There is a considerable cost to establishing and maintaining an on- line shopping service and, although subject to the size of the store, even if it was a viable option, the cost to a business may be simply unviable.

17. Independent businesses are small in comparison to the larger chains such as their competitors, Coles, Woolworths, Aldi and bigger liquor stores that are owned by the bigger supermarkets. Small hardware stores also compete with larger businesses such as Bunnings. However, despite the combined market strength of the bigger supermarkets, together with the likes of Amazon and Costco, the small independent supermarkets liquor stores and hardware businesses continue their endeavours to combat their combined market power.

18. MGA/TMA acknowledges that there are some members that have managed to cope with the virus in their local communities better than others and have been able to maintain their businesses reasonably well. These independent businesses are generally larger, and they are firmly ensconced in their local communities and command a loyal customer base. However, a smaller independent retailer's efforts of trying to retain a position in the current marketplace, is made more difficult if there are continuous increased wage rates at levels which are to them beyond their ability to maintain. MGA/TMA recently conducted a survey of members to establish the impact of the

pandemic on their businesses² and it was clear that many are struggling to survive with one member stating that he and his wife had not made any profit in over four years and another stating that they had reduced staff numbers and simply used their families for no payment. Subject to the location and size of the store these situations are recorded evidence of the struggle that is being experienced not just by one small business but by many. Having successfully come through the pandemic so far, more time is desperately needed before any further wage increases are imposed and MGA/TMA submits that relief from any significant wage increases should be a serious consideration. Having come through a serious pandemic in 2020 small retailers are hopeful that there is an opportunity to recover and grow businesses once more. Unless that happens, many will simply not survive.

19. In this submission MGA/TMA will explain why MGA/TMA strongly submits that there should not be a further wage increase this year. As we approach the remainder of 2021 there will be an opportunity to overcome, or at least combat the virus with the distribution of the available vaccines. This significant and imminent step forward in the battle to overcome the disease will spur communities on to help restore their previous lives and enable growth. Until that time employers and employees must be enabled to cope with these current difficulties, and jobs must be maintained as best they can be, therefore wages, it is submitted, should not be increased any until the time is right.

20. It was anticipated that because of the pandemic that the economy would be plunged into a hopeless economic state for years to come but that has been proven incorrect and there is some hope for a faster recovery than was anticipated. However, despite this recently emerged optimism and a delayed low wage increase this year, we still have a long road to full recovery and MGA/TMA submits that more time for full recovery is needed before any significant increase to wages.

THE REQUIREMENTS OF THE ANNUAL WAGE REVIEW

21. The Fair Work Act (2010) (the Act) requires the Fair Work Commission (FWC), pursuant to Section 285 (2) (b) to conduct an annual review of the minimum wages and the minimum wage order.

22. Section 284(2) requires that the FWC considers the objectives of the Act and any other applicable decisions in setting, varying, or revoking modern award minimum wages and further the FWC must apply the objectives of the Act in considering the Annual Wage Review.

23. It is well understood that the FWC has the task, in these difficult times, of considering such matters as, inter alia, the 'competitiveness of the national economy, inflation and employment

² MGA Survey February 2021.

growth all of which have significantly impacted all Australians in the past year. One of the most difficult tasks for the FWC to consider is the need to promote social inclusion through workplace participation at a time when the entire population has endured the fear of the pandemic.

24. It is the intention of the legislation that the FWC will ensure fairness to all working Australians and that the FWC will make decisions that will promote economic growth and prosperity for all Australians.

25. MGA/TMA supports the objective of FWA in providing for fair minimum wages and hopes that because small businesses, are being impacted by low productivity, low inflation, and a diminishing labour force due to the significant increase in underemployment, that the Fair Work Panel will seriously consider not increasing wages in 2021 to unreasonable and unsustainable levels. MGA submits that there have been factors that have caused losses for small businesses, including job losses, increased underemployment, and store closures. MGA/TMA will demonstrate to the Panel that there is compelling evidence against increasing wages to levels in 2021.

26. MGA/TMA submits that the Panel may make no adjustment to minimum award wages based on the current business environment and economic conditions. MGA/TMA urges the Panel to consider that no increase to the wages in the General Retail Industry Award and the Timber Industry Award is a feasible option in 2021.

27. MGA/TMA welcomes the opportunity as provided in Section 289 of the Act to make a submission on behalf of our members and to comment on any published reports or research directed by the Fair Work Commission.

THE ECONOMY AND THE RETAIL INDUSTRY

28. 2020 was a year that brought unimaginable changes for the entire country. There have been jobs lost, businesses closed, lengthy queues at Centrelink centres and families in stress. At the same time the general population has lived in fear that they or their families and friends could suffer significant health risks, including death. The Federal Government has provided various economic avenues to assist with the job losses associated with the outbreak of the pandemic, including Job Keeper and JobSeeker and other financial incentives to assist in keeping businesses afloat.

29. There has been significant research undertaken into the effects of coronavirus on the range of industries in Australia. In the process of conducting the research the Fair Work Commission Expert Panel (the Panel) classified industries into three clusters according to the impact of Covid -19 in labour

market outcomes. In the Upper cluster that was most adversely affected, not unexpectedly they were, Accommodation and Food services, and Arts and recreation services. Retail was regarded as part of the Central cluster, which was badly affected, but not to the same extent as the Upper cluster. The Lower cluster which included essential services, public administration, finance insurance, health care and social assistance were less affected industries.³ There are some businesses that have been particularly adversely affected, particularly hospitality and retail, including small-medium food and hardware retailers.

30. The impact of COVID – 19 resulted in job losses in all industries immediately following the outbreak and they were 6% lower in the retail industry between March and April 2020. There appeared to be some recovery throughout the year up until November although in the latter part of the year this may have been due to seasonal influences.....⁴ Despite the fact that it took some time for the various States and Territories to establish what measures to adopt to bring the virus under control, which resulted in setbacks in some areas there has been significant progress made in recovery. The fact that a vaccine programme is now in place together with a reduction in the number of cases in Australia is a significant step forward towards recovery for the whole country. The fear of being unemployed and being without an income or having a severely reduced income has been exacerbated by the fear of the spread of the virus. However, despite the severe impact that COVID19 had in 2020 there is light at the end of the tunnel. Whilst there is some optimism in the most recent economic reports⁵ there is still a considerable struggle ahead and we may be facing for several years of fighting for full recovery. Australia dealt with the outbreak of the pandemic more effectively in 2020 compared with many other countries. That is not to say that the population was not seriously affected, there were consequences, including tragic loss of life, but fortunately not to the extent felt in other parts of the world.

31. In mid-2020 the unemployment rate in Australia had increased to 6.2% and was expected to reach 10%, with the further expectation that it would reduce to about 6% within 2 years.⁶ It was at this time that the Federal Government introduced the JobKeeper and JobSeeker allowances as it was anticipated the unemployment rate would increase. Although larger food retailers offer a vital service with essential commodities, they have been able to cope with the pandemic due to the scale of their services and they therefore have the advantageous position of being bigger supermarkets and larger

³ Fair Work Commission Report 3 /2020 an assessment of the economic effects of COVID-19- version 1 page1

⁴ ibid

⁵ Labour Force Australia 2021February

⁶ Reserve Bank of Australia (2020a,An economic and financial update)

home improvement outlets and on-line resources. Many larger retailers remained open and offered home deliveries or pick up services as part of an effective way of dealing with lockdowns. Many small to medium food retailers, have also survived, subject to their location and their offering.

32. MGA/TMA members are generally medium to small businesses and a significant number were able to remain open during the lockdowns. However, there were also many of those small businesses in larger cities and immediate vicinity and when offices close, a significantly large portion of their clientele was no longer available to them due to the new 'working from home arrangements' which persist in many cases, consequently their clientele was lost to them. Other retailers, in places that remained open, found that many of their customers turned to the chains for on-line shopping, a service that is not offered by many independent retailers and businesses due to the cost of setting up such a service and implementing deliveries.

33. As Australia coped with the pandemic one of the most significant steps taken by the Federal Government was to explore the possibility of industrial relations reform⁷ with the objective of helping economic recovery. In 2020 the Attorney General brought trade unions and employer representatives together to find a means of forging a recovery process in 2021. The success of this process is yet to be determined and the outcomes remain as a challenge for the Federal Government and both employers and employees.

34. When the coronavirus hit the world, the Australian economy was thrown into turmoil but, although significant, the impact has not been as severe as in other countries. Australia has fared well in comparison with some countries having kept the virus under control using lockouts and stimulus packages. Victoria was perhaps the worst performer, although more recently, the recovery has been more positive.

35. There has been significant fiscal stimulus by the Federal Government of approximately \$250 billion (AUD) since 2020 to extend over five years, the bulk of which was used on the JobKeeper programme, which will expire in March 2021⁸. In terms of the workforce, it is estimated that jobs are on the road to recovery and although it is acknowledged that jobs have been lost there is strong optimism about the future.

36. Many businesses have relied of the Government support packages and it is yet to be seen what will happen when the federal assistance packages start to diminish, despite the promise of other

⁷ Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Bill 2021

⁸ Fitch Ratings – Rating Action commentary February 2021 "Fitch affirms Australia at AAA 21-02-2021" page 2.

stimuli. When hours of work reduce, then we face the problem of underemployment. Although we may boast that our unemployment figures are at a reasonable level, we need to be conscious of the loss of hours of work and hence the increasing underemployment levels that are threatening to the economy.

37. According to EY- Chief Economist Ms. Masters said, “Getting Australians back to work is happening. Despite the recessionary environment, participation in the labour market is at record levels and the unemployment rate continues to decline.” However, she believes that although Australia appears to be at least keeping the unemployment levels under satisfactory control there continues to a significant number of hours each week of ‘spare capacity.’ There has been several part time jobs created in recent times but that an individual employee wants more hours of work. Businesses have looked to reduce the number of hours worked and therefore our underemployment levels remain significantly high.⁹

38. There continues to be an increasing number of young employees who were struggling to obtain work prior to the pandemic but who are now in an even worse position that there were previously. Underemployment figures for those aged 15 to 24 in April 2020 reached a peak of 23.6% but reduced to 17.8% in October 2020.¹⁰ According to the Brotherhood of St Laurence the difficulty for young people is facing a combination of unemployment and underemployment which results in one in three young people in the labour force unable to get enough hours of work to make ends meet. Young women too, have suffered higher job losses with the closure of highly female dominated industries such as hospitality, retail and accommodation.¹¹ According to the same report, as young people trying to get work during the pandemic were facing a harsh future, “Those entering the labour market can expect lower wages and fewer opportunities for career progression and the impact can last a lifetime.”¹² It is inevitable that the most vulnerable in our community will suffer the most, and unfortunately young unskilled people will be overlooked with few prospects for the future even if the economy does start to improve.

WAGES IN THE INDEPENDENT RETAIL SECTOR

(a) Grocery and liquor stores

39. Most small retailers rely on the General Retail Industry award and many retailers struggle with

⁹ ‘Underemployment and wages stagnation threatens COVID recovery warn economist’ David Taylor ABC News /2021-03-04

¹⁰ Youth unemployment monitor December 2929 – Covid the Great Disruptor – ‘Another blow to youth employment’. Brotherhood of St Laurence December 2020

¹¹ Ibid page 1

¹² Ibid page 1

the complexities of the award system in their day- to- day business operations. They need a system that is simple for them to understand and one that allows for greater flexibility. They are constantly at odds with the penalty system and are looking for opportunities to have a simpler system without the need to make numerous additions to the base rate of payment.

40. In 2020 the Federal Government formed meetings between representatives of both employer and employee industry bodies in the hope of bringing the interests of all parties together to attempt to find a sensible way of remedying what has become a complex award system. The result of months of discussions resulted in proposed amendments to the Fair Work Act 2000 which included a renewed enterprise bargaining system, part time flexibility and casual employment changes. There may be changes to casual employment but there was a missed opportunity with enterprise bargaining reform. The better off overall test will therefore remain in place in the enterprise bargaining system, which will continue to present difficulties for the negotiation of agreements that could have been beneficial for retailers and their employees.

41. There is therefore little chance that retailers will enter into negotiations for agreements as the wage costs will be too high for them and they will stay as parties to the award system. It is hoped that there will be time for retailers to capitalise on the low wage increase that was awarded in early 2021 and that there is no further increase this year or that it is a minimal increase. This would allow the embattled industry to recover from recent setbacks. Retailers and businesses who were impacted particularly were those who relied on city employees who visited their store during their working days, but they just stayed away when they were ordered to work at home. Hence those retailers who relied on this group of customers for their livelihoods simply lost a massive business support and for many of them closure was the only option.

42. Many small businesses operate their businesses personally in comparison with their larger rivals. It appears that during the pandemic, to cut costs, owners worked in the business themselves and engaged family members to carry out work that would otherwise be available to employees. Although this is a means of establishing good customer relationships it also means that these hours are deprived to employees because retailers use this as a cost cutting exercise.

43. Independent supermarkets and hardware businesses are heavily labour intensive. They remain competitive with their larger counterparts, such as Woolworths, Coles, Aldi and Bunnings but they operate at a major disadvantage. Bigger stores have the advantage of multiple self- service checkouts which cut down on labour costs. The larger stores are also becoming increasingly automated as they

own the entire distribution supply chain resulting in being quickly and easily sales ready which minimizes the use of labour. In contrast smaller businesses must do everything themselves and they require considerable staff to support and drive the business.

44. The higher cost therefore lies in the need for labour by small retailers and businesses who do not have the financial ability to invest in automation. Smaller retailers are more customer focussed and for them this maybe a reward in itself, but it comes at a cost because of their labour-intensive usage. Increased cost means less profit and eventually an inability to continue to provide an intensive personal business. Small businesses do make a major contribution to their local economies and the Australian economy as a whole but if wages increase too rapidly before they have sufficient time to recover from the impact of floods, bushfires, and disease they will gradually disappear.

(b) The Timber and Hardware Industry

45. The timber and hardware sectors are also dominated by much larger businesses. There tends to be a considerable turnover of staff in smaller businesses as they are enticed away to work in larger operations by the offer of over award rates, leading to a shortage of experienced skilled staff in small businesses.

46. The problem of a labour shortage is resolved to a great extent by drawing on overseas labour to maintain effective workforce. However, this then presents other problems as this requires intensive training and micro-management which adds further cost to the business, and this will drive down the financial ability to maintain staff numbers.

47. Increases to State land tax continues to be high and impacts on the ability to pay wages, forcing consideration to be given to maintaining low employee numbers.

48. The impact of fires in 2020, and now the flooding in 2021, means continued uncertainty and difficulty to the timber industry. Furthermore, discussions with State Governments on many timber projects have not progressed satisfactorily during the pandemic.

49. Timber is an essential renewable resource and will be even more important over the coming months as communities begin to rebuild homes and critical infrastructure damaged or destroyed by fire and floods. Timber harvesting takes place in less than 1% of state forests each year and all areas are fully regrown and there is no doubt that there will be quality and supply issues in the future.

50. The timber industry is under difficult and strained circumstances at the present time. These

challenges will continue to threaten the viability of many timber businesses into the future. Any wage increase will put further pressure on already struggling timber businesses due to their vulnerability particularly in country regions that were affected by catastrophic floods and bushfires. Now, in addition to these economic pressures, all businesses and their employees have felt the devastating impact of COVID-19 making the outlook for 2021 extremely difficult.

AUSTRALIA IN ECONOMIC RECOVERY

51. At the commencement of 2021 Australia, and other countries had been through a period of significant economic difficulty, along with the rest of the world. However, there is room for optimism at this stage and it is pleasing that the vaccination process has already started. Additionally, there is hope that Australia may well be looking forward to a positive recovery phase, although a cautious approach is being taken as we proceed in 2021. “The stronger than expected recovery in the second half of last year is primarily responsible for lifting the forecast level of GDP by around 1.5 % across the forecast period. GDP is now expected to return to pre pandemic levels by the middle of the year, recent policy measures having pulled forward GDP growth from 2021 to the latter part of 2020 although GDP growth in 2022 is broadly unchanged at a higher level relative to the November Statement”¹³ Australia has coped with the economic impact of the pandemic by building on relatively stable economic foundation. The country was in the fortunate position of being able to rely on several decades of economic growth. However, that did not mean that the effects of the virus did not take their toll on the country, despite the relative strength that the economy that had been established in previous years.

52. The recent economic report from the Australian Bureau of Statistics (ABS)¹⁴ reinforces the progress that has been made towards recovery. As of the release of statistics released by the ABS in March 2021 unemployment decreased by 0.8% to 5.8%. “The number of people unemployed over the year to 2021 decreased by 69,900 to 805,000 in February 2021 (and increased by 109,500 over the year to February 2021). Youth unemployment decreased to 12.9% and increased over the year by 0.5%”¹⁵. Unfortunately, the underemployment rate increased by 0.4pts to 8.5%, 0.1 point lower than one year ago.¹⁶

53. These recent figures are encouraging as the whole economy hopefully emerges from the deleterious effects of the pandemic. The Prime Minister, Mr. Scott Morrison has welcomed the

¹³ Reserve Bank of Australia – Economic Outlook -Statement on Monetary Policy-February 2021 Page 62

¹⁴ Labour Force Australia Australian Bureau of Statistics February 202119 03 2021

¹⁵ Ibid p 6/24

¹⁶ Ibid p13/24

encouraging news that is associated with the release of the above figures and saw it as an indication of economic recovery. The Treasurer, Mr Josh Frydenberg said, “What is particularly pleasing in these numbers is that of the 88700 jobs, all of them were full time. He continued that there were still areas of the economy that were, “doing it tough” but that the numbers were encouraging.¹⁷

54. Whilst the results of the last week have been positive it should be borne in mind that it might be premature to regard the immediate future as positive. Whilst the Treasurer was obviously pleased by the positive results it should be remembered that there is still a long way to go towards full recovery. We may have turned the corner in terms of the restoration on so many jobs but there is still a very high unemployment rate in Australia and our underemployment rate remains high, nearly a million and a half people want to work more hours, but they are not available. We are a long way off the restoration of businesses that struggle to maintain themselves and in many cases some businesses will never make their way back,

55. Therefore, whilst it is always assuring to receive positive economic results it would be foolish to expect a swift recovery after the job losses and the desperate need for more hours of work that is currently apparent in our communities. There would appear to be a long road ahead before economic restoration is achieved.

56. The independent supermarket, liquor, timber and hardware industries have had mixed results in the struggle over the last year. There have been losses for many independent retail stores and businesses. They still contend with the enormous market power of giant retailers in the fight to remain competitive. The larger retailers have been able to capitalise on the long queues and fight for essentials that came with the early stages of the pandemic, Smaller supermarket and hardware businesses have survived better than some but the cost in many other ways has been high, particularly the fight for business survival the management of staff and the constant fear of the virus. The issue of whether businesses will survive remains questionable.

57. The need for wages containment remains vital if there is to be any assurance of survival.

58. As part of our research into the effects of COVID 19 on our members, MGA/TMA undertook a survey of “how small businesses have been affected over the past year”. Several questions were posed to members asking for information about how they had reacted to the pandemic and we assessed their views. **Appendix A**, is the MGA/TMA Survey 2021 questionnaire that was put to all

¹⁷ Australia jobless rate falls to 5.8* Melissa Iaria and Jade Gailberger www.news.com.au/finance/economy/Australian-economy/Australian-jobless.rate-falls-to-58-per-cent/news-story/6ff18e10f35796b03a9f543

members including grocery, liquor, timber and hardware and includes an analysis of the results.

CONCLUSION

59. 2020 was a year of great trauma for many Australians but it has also been a year of survival - nothing more. For many businesses 2020 was a struggle to maintain livelihoods with wages virtually stagnant, some businesses and jobs disappearing and others only just surviving.

60. The only progress that has been made is survival through maintaining what small businesses had previously.

61. With the constant threat and fear of COVID 19 this was all they could hope for. Increases in any costs, whether it be wages, amendments to the award or further increases in the cost of doing business, when these are combined there was a severe adverse impact on the financial stability of independent businesses and their ability to retain their presence.

62. It was clear from the survey that was undertaken of members businesses throughout 2021 that many struggled to make a profit in their businesses. The numbers showed that there is a high percentage of casual labour used in all sectors of retail and it demonstrates that unless the award is made simpler and provides greater opportunities for retailers to engage permanent staff the casualisation of the retail workforce will continue to be a drawback for the industry.

63. Many small retailers and businesses have found it extremely difficult to maintain their businesses and if they are faced with higher wage costs then survival will be threatened once again.

64. Whilst there appear to be positive signs of survival and the hope of future growth, it is essential to allow for a period to enable such recovery to continue.

65. Whilst it is true that not all businesses have been adversely affected and some have done better than others, generally we need time to recover and grow.

66. In country regions especially an unexpected cost will be the impact on tourism, particularly regional tourism, as lockdowns have had a massive impact on their viability. Small shops and businesses thrive on tourism but in 2020 any reliance on interstate or overseas visitors was shattered by the pandemic.

67. Despite the apparent setbacks of 2020, the unemployment level of 6.6% in December of that year was much lower than was expected.¹⁸ A much higher unemployment rate was anticipated for

¹⁸ Ibid page 63

2021 but it seems the labour market may recover much quicker than was at first thought.

68. The proposed abolition of the JobKeeper scheme may stimulate higher unemployment although it seems that the Federal Government is looking for alternative solutions to maintain employment positions. The Reserve Bank expects that the unemployment rate will reach around 5.5% by the end of the forecast period in 2023¹⁹

69. As previously stated, MGA/TMA businesses were impacted significantly by decisions of the Fair Work Commission when increases of up to 9.8% were made to all modern awards over the three years 2017, 2018 and 2019.

70. There was a significant opportunity to help businesses to progress towards significant changes to the industrial relations system in the last few weeks but that did not eventuate. The proposed changes to the enterprise bargaining system may have resulted in stimulating economic changes but unfortunately such changes are not forthcoming.

71. We need to continue therefore with the current system and hope further opportunities eventuate that will provide work for all those who simply want a full-time job.

72. In addition to the annual wage increases awarded over a 3-year period, 2017-2019, there were significant amendments made to the General Retail Industry Award (GRIA) that have had a profound effect on the ability of many stores to maintain their businesses, these included increased penalties rates for casual employees on weeknights and Saturdays.

73. The independent retail industry has managed to survive the pandemic a lot better than many other industries, but food is the number one priority, and this naturally contributed to the survival for the grocery industry and unexpectedly the home building area of the timber industry, as many people forced to be at home looked to engaging in renovation activities.

74. However, the survival of these industries does not necessarily mean that they have prospered during the pandemic, rather they have survived. Survival was largely dependent on the type of business and location. Those with very small businesses were reliant on having quantities of goods that the public needed and were able to supply.

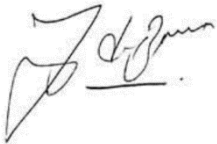
75. It also should be remembered that the costs of doing business have continued to exponentially increase during 2020, and needed to be maintained throughout the pandemic, resulting in further

¹⁹ Ibid page 64

expenses for a small business.

76. Independent small and medium businesses are a highly significant value to the Australian economy and to the communities in which they operate. Particularly, they are a key gateway to employment for millions of Australians which is significant, given the levels of unemployment amongst young Australians who, as an age group, are predominantly employed in award-reliant retail businesses.

77. MGA/TMA urges the Fair Work Panel not to award any increase in wages during the recovery process and allow time for the independent retail supermarket and timber and hardware businesses to fully recover and lay the foundations for better years ahead.



Jos de Bruin
CEO
Master Grocers Australia

MASTER GROCERS AUSTRALIA

Appendix 'A'

THE MGA/TMA MEMBER
ANNUAL WAGE REVIEW SURVEY



Survey of Membership in respect to
Annual Wage Review
2020- 2021

“MAKING LIFE EASIER,,

Master Grocers Australia Survey

Overall results of Master Grocers Australia Survey of membership in respect Annual Wage Review-2020- 2021

In early 2021 MGA TMA conducted a survey to determine how members had coped with the effects of the coronavirus pandemic on their businesses. 103 members from around Australia comprising of small, medium and large businesses as well as single and multi store owners participated from Grocery, Liquor, Hardware & Timber sectors.

The questions covered a range of issues particularly how their businesses had coped with the lockdowns, whether they needed to reduce staff or whether they had the ability, or need to increase staff numbers. Having been granted an increase of 1.75% in November 2020 in the Timber Award and February 2021 in the General Retail Industry Award.

Members were advised as follows in respect of the survey:

“Dear Member

MGA TMA is preparing our submission to the Fair Work Commission which will shortly be considering whether to increase award wages later in 2021. We need to demonstrate to the Commission that our Members cannot sustain another wage increase in the coming year, so we need your help now.

We urge you to respond to our survey to help us to provide the Commission with your views about the need to keep wages at a reasonable level in 2021. Businesses need to recover from the damaging effects of the coronavirus pandemic, and we need your assistance to provide the Commission with valuable information that will help keep wages at a minimum level.

Please fill in this short survey now! “

Results of the MGA TMA Survey

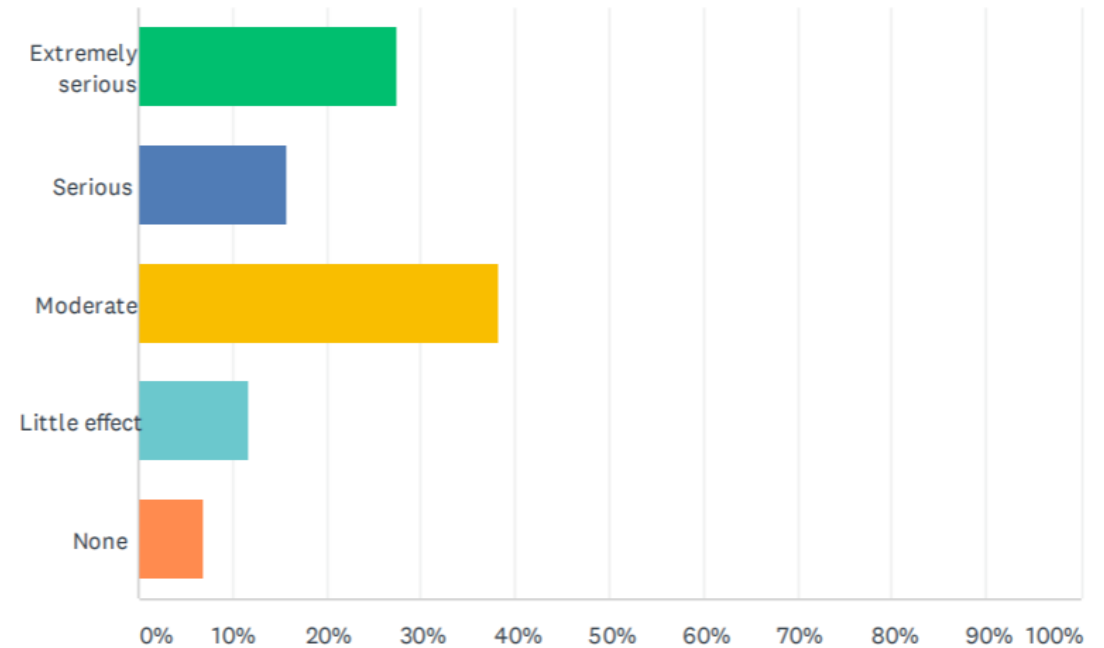
The results of the survey were collected over several weeks and they provide a guide as to how many small to large businesses have coped with the effects of the past year.

MGA TMA has analysed the results of the survey which reveal how members have reacted to the general effects of the pandemic on their businesses and some personal opinions about how they view their current business operations.

Summary of Findings

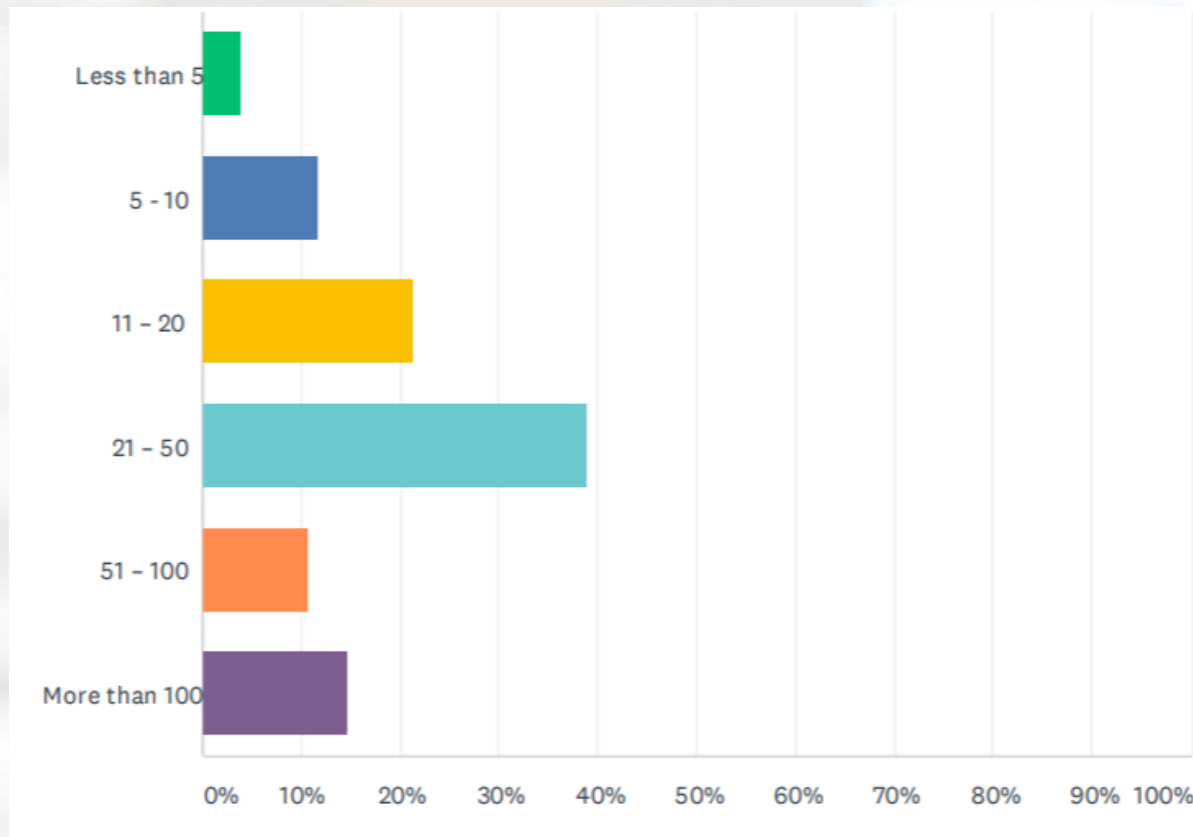
As the Pandemic hit Australia in March 2020 what was the effect on your business?

The pandemic had a serious to moderate effect on businesses of about 85 percent . This is reflective of the fact that food supplies are an essential commodity and that hardware supplies were particularly used during lockdowns.



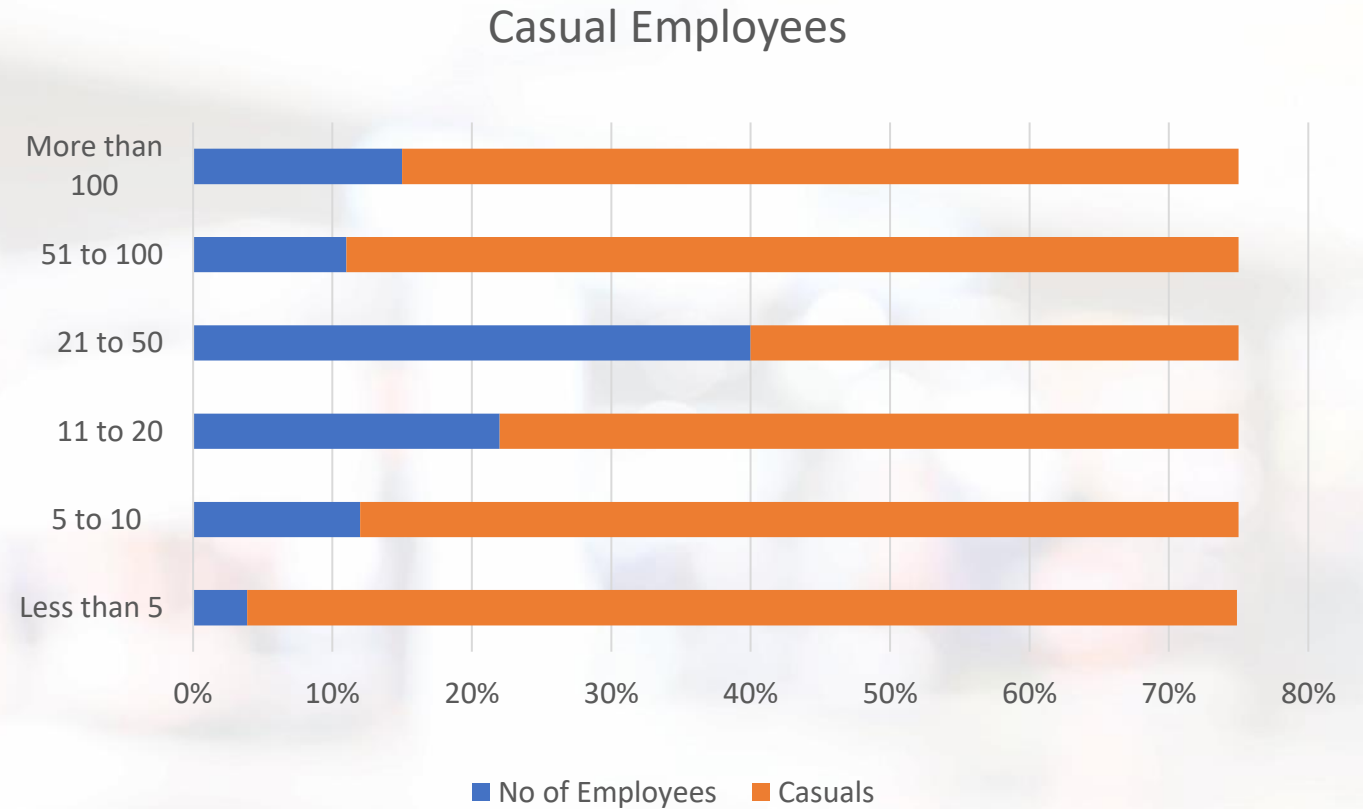
What is your current number of employees (Total Full Time, Part Time and Casuals) across all sites?

The answers illustrated that the respondents were generally small to medium sized businesses up to approximately 50 employees. It should be noted that in some cases there may be one or two stores in the businesses.



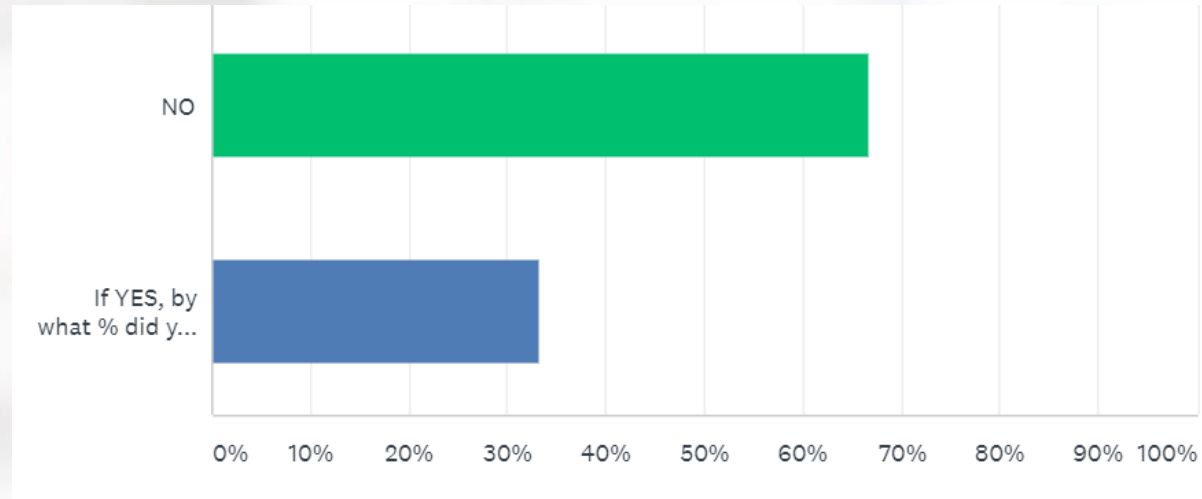
What % of your staff are casual employees?

Respondents responses to the above question revealed an average of 7.5 out of 10 employees are employed on a casual basis



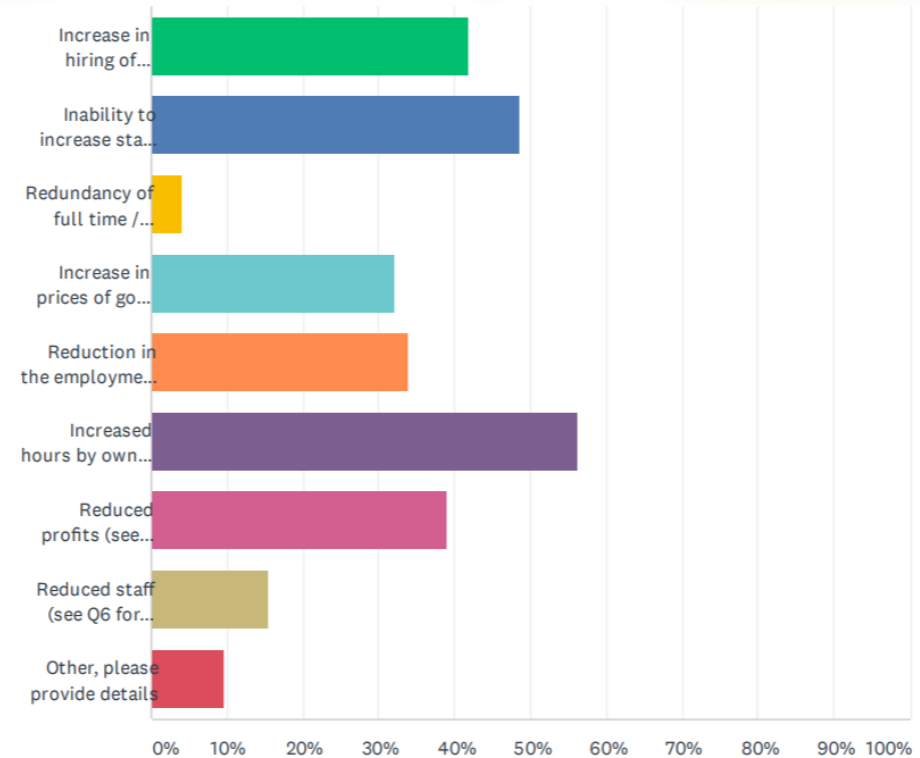
Were you forced to reduce staff numbers in 2020/21?

There was a strong response for the need to maintain staff numbers. However the result showed that almost 34% of members were forced to reduce the number of employees.



What impact did the 1.75% 2020/21 wage increase have on your business?

The inability to increase staff numbers was clear and the business owners worked more hours themselves in the business. Profits were reduced by approximately 40% although the actual current numbers of staff in the businesses were largely able to be retained.



ANSWER CHOICES	RESPONSES (%)	Count
Increase in hiring of junior employees	41.75%	43
Inability to increase staff numbers	48.54%	50
Redundancy of full time / part time staff	3.88%	4
Increase in prices of goods / services	32.04%	33
Reduction in the employment of casual staff	33.98%	35
Increased hours by owners and family	56.31%	58
Reduced profits (see Q6 for additional information)	38.83%	40
Reduced staff (see Q6 for additional information)	15.53%	16
Other, please provide details	9.71%	10
Total Respondents: 103		

If you selected “Reduced profits” (Q5) by what %

The reduction in profits resulting from the impact of the coronavirus varied. We did not request the location of the businesses. We were aware that a range of factors would have impacted on the respondent’s responses, we were trying to determine overall how COVID 19 resulted in various responses all over the country.

Less than half of the respondents answered the question and there may have been a significant disparity in the answers based on factors such as location, size and offer.

The answers elicited a range of answers including variances in losses as follows:

- low profit loss - less than 5%
- losses between 10% and 20%
- higher losses
- losses above 20%

If you selected “Reduced staff” (Q5) how many staff members over 2020/21?

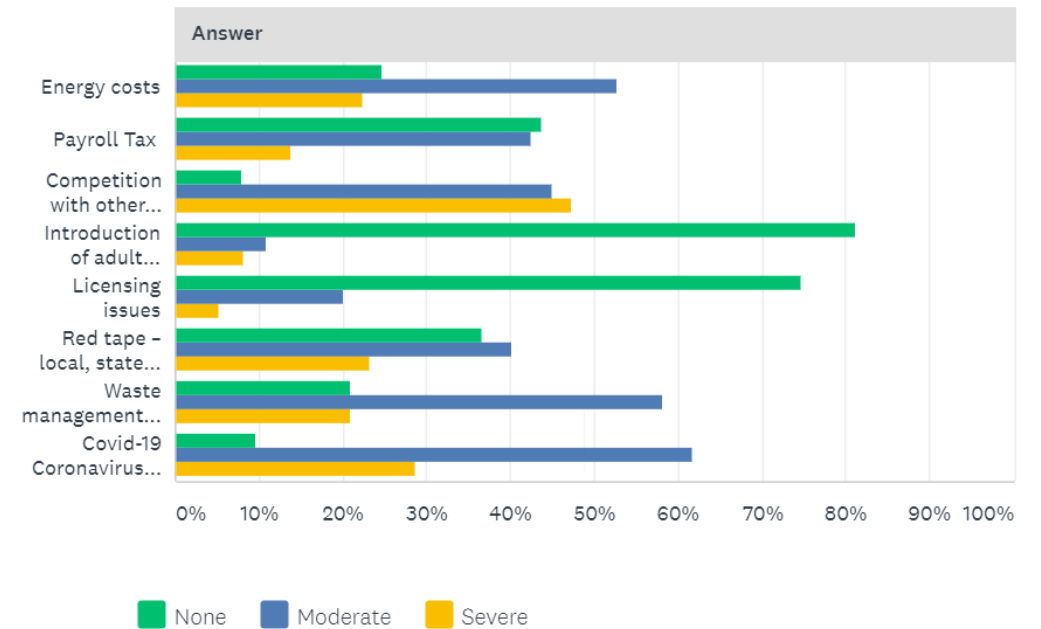
Only 52 responses to this question of the 103 received. It appears again that there were a range of answers.

Of the 52 businesses that answered this question the answers varied from reduction of staff numbers by one or two employees to as high as 10 and 22 staff. It seemed increasingly the case that the owners were taking on work themselves rather than providing hours of work to employees.

Have any of the following issues affected your business operations during the last 12 months, and if so, to what extent?

It appears that retailers were able to manage their competition with other businesses reasonably well which could be reflected in the lack of ability of customers to travel. The compliance with the coronavirus obligations was obviously burdensome and interestingly the management of waste in the business is an important factor.

The costs of doing business remain burdensome and continue to impact razor thin margins.

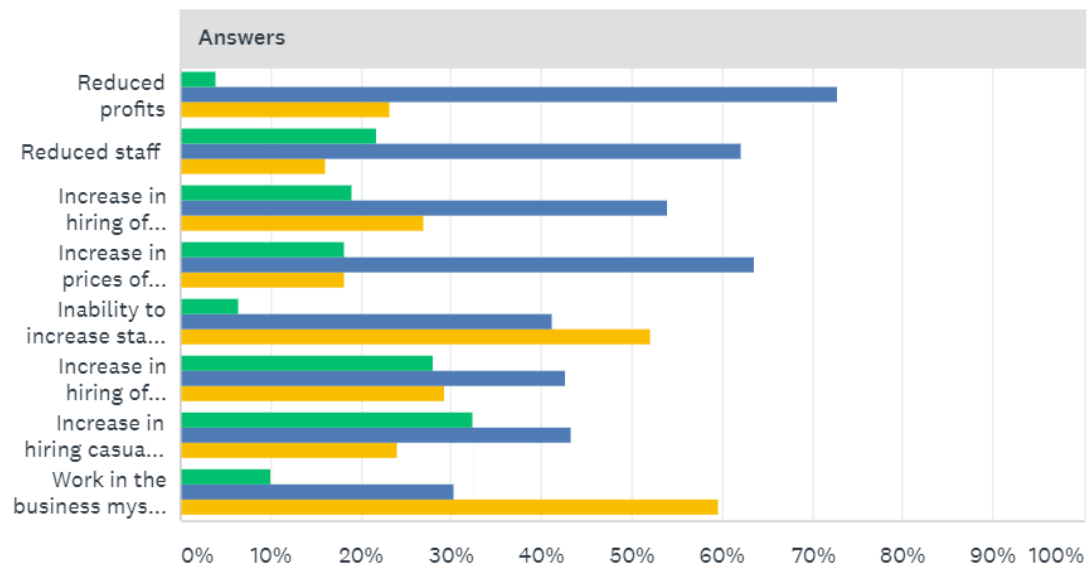


Answer	NONE	MODERATE	SEVERE	TOTAL
Energy costs	24.72% 22	52.81% 47	22.47% 20	89
Payroll Tax	43.75% 35	42.50% 34	13.75% 11	80
Competition with other supermarkets	7.87% 7	44.94% 40	47.19% 42	89
Introduction of adult apprenticeship rates	81.08% 60	10.81% 8	8.11% 6	74
Licensing issues	74.67% 56	20.00% 15	5.33% 4	75
Red tape – local, state & federal	36.59% 30	40.24% 33	23.17% 19	82
Waste management costs	20.93% 18	58.14% 50	20.93% 18	86
Covid-19 Coronavirus compliance obligations	9.57% 9	61.70% 58	28.72% 27	94

What impact will a wage increase in 2021/22 have on your business, and to what extent?

One of the major impacts of increased wages on the business would be the reduction in profit. Retailers will not employ more staff and the owners would spend more time working in the business themselves.

Given the intense competition from very large chains margins would be significantly eroded.



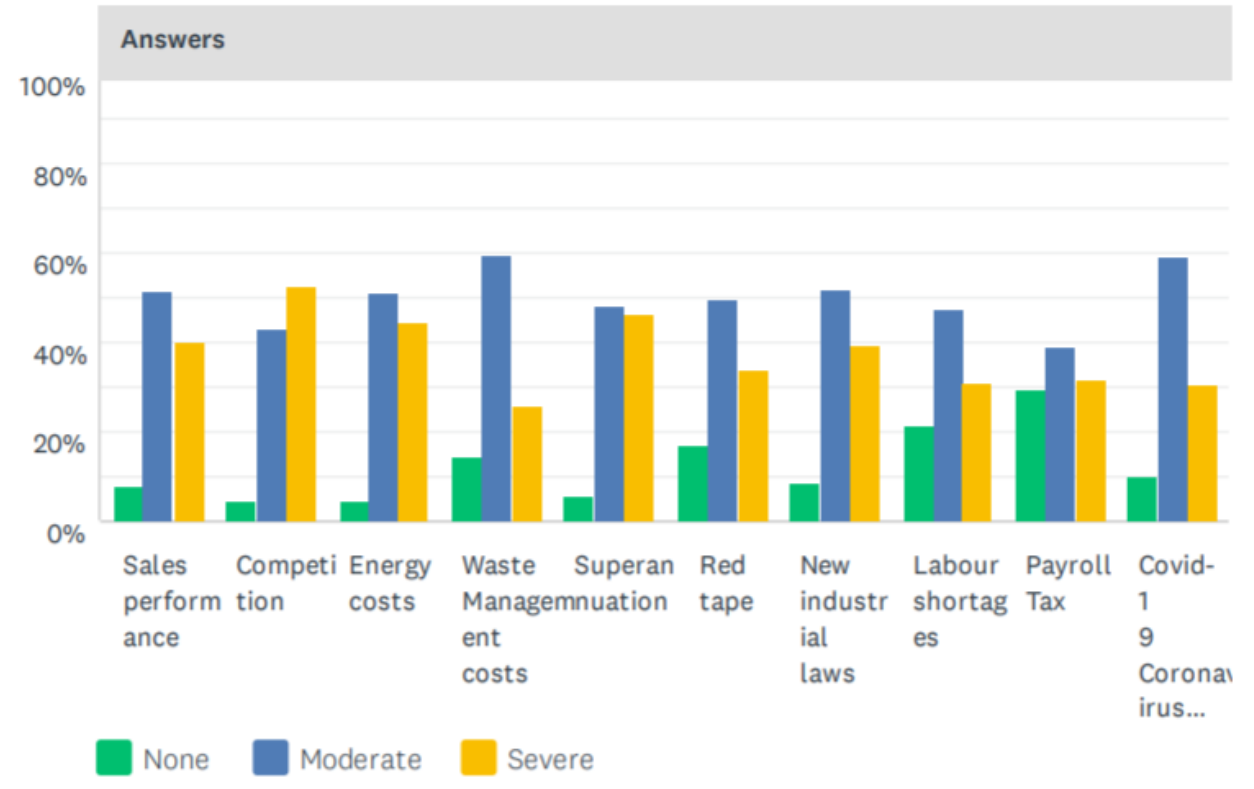
	NONE	MODERATE	SEVERE	TOTAL
Reduced profits	4.04% 4	72.73% 72	23.23% 23	99
Reduced staff	21.84% 19	62.07% 54	16.09% 14	87
Increase in hiring of junior employees	19.10% 17	53.93% 48	26.97% 24	89
Increase in prices of goods/services	18.18% 16	63.64% 56	18.18% 16	88
Inability to increase staff numbers	6.52% 6	41.30% 38	52.17% 48	92
Increase in hiring of family members	28.05% 23	42.68% 35	29.27% 24	82
Increase in hiring casual employees	32.53% 27	43.37% 36	24.10% 20	83
Work in the business myself	10.11% 9	30.34% 27	59.55% 53	89

What current economic factors are of concern to you from a business perspective, and to what extent?

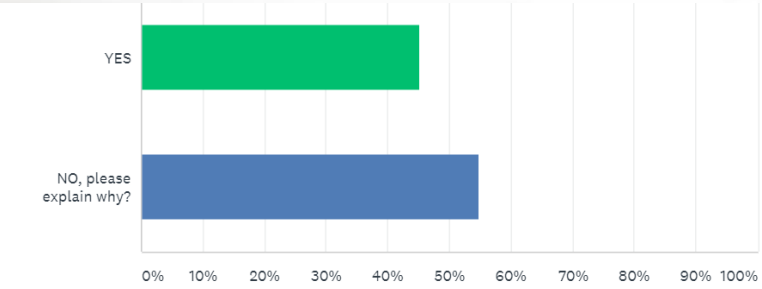
The coronavirus is a major concern to retailers. This is dependent on the location of a business, but this issue carries the most weight. Industrial relations laws are a serious issue for businesses and the need to watch sales performance. It would seem that until COVID 19 is remedied this will remain a serious problem.

Family and private businesses operate in an unpredictable and uncertain business environment.

Confidence to invest in their businesses and employ additional staff is at a low.

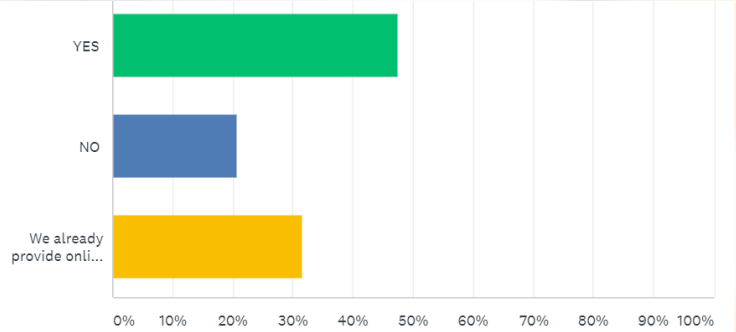


Do you offer facilities for customers to purchase goods online?



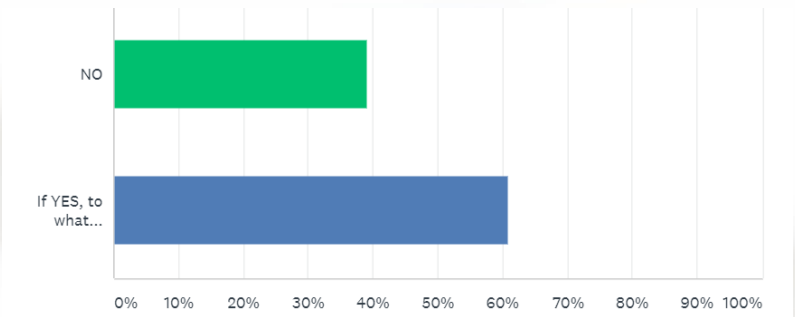
MGA TMA members continue to rely on staff for face to face customer service.

If you had the choice and the means to do so, would you provide facilities for customers to purchase goods online?



Members have the desire to progress to online commerce but do not have the resources to enable.

Do you consider online trading as a threat to your ability to remain competitive?



These questions revolved around the ability to offer on- line sales. Fifty percent of respondents agreed that if they could, they would, offer on- line trading facilities to customers but they lacked the ability and resources. Many did see the ability of competitors being able to offer this service as a threat to the survival of their businesses.

ARE THERE ANY FURTHER COMMENTS YOU WISH TO MAKE ON THE FUTURE OF WAGES IN YOUR INDUSTRY?

During lockdown we were short staffed due to the restrictions and it was hard to hire new employees as they preferred to stay on the government assistance.

As has been the case over the last 4 years, as a small business we have very limited opportunities to recover increased wage costs especially the near on 10% we've had to incur. Our rent and utilities continue to rise, wages increase so we have to cut back and work longer ourselves. Personally, I work 15 or 16 hrs a day x minimum 6 days a week and have had a total of 7 days off in 4½ years, so whilst the wages continue to rise we do it tougher. We are living the dream or is that "living the nightmare". Governments give the majors more trading hours and more ways to eat away at our business model so the more wage increases happen the more small businesses will close.

Simplifying single pay rate and not complicating with all the loaded time variations . Review of Permanent Part Time classification of overtime. We do not work in a 9-5 environment and paying a PPT overtime when working over their regular shift but less than 38 hours per week penalises Full Time Workers and makes no sense or encourages to employ someone PPT.

Wages and super needs to be increased less % per year for us to remain competitive and return a decent profit.

I keep dropping older workers now, only look for junior staff, the senior rate is too expensive

As we are becoming less and less profitable, our work load becomes more burdensome, I question the worth as people demand services, but are unwilling to pay for them. I have to pay set wages and then increases. The viability is gone. We will close.

Staff Wages too costly to be open longer hours to compete against the big chains.

Make the General Retail award not so complicated

Everything just keeps going up but we are in a highly competitive market and we keep cutting margins to remain competitive where is it going to end??

A higher wage will kill more small businesses. We cannot continue at this rate.

I think it's getting harder and harder to operate small business where profit margins are shrinking to the lowest point and cost of running business are getting way too high.

COMMENTS CONT.

The Government needs to stop squeezing us. We need to catch up to all the imposts put on us by a Government that thrives on imposing more and more red tape on small business owners. Here's a thought, tell the Government to stop spending more money than they actually earn from the tax payer and to stop finding more ways to tax us out of existence.

We need flexibility and clarity in our award system. I open at 6am and close at 7pm and have to pay extra for the one hour 6am to 7am and then again between 6pm and 7pm. This is ridiculous. Also, casuals get a big loading so why are they now pursuing benefits if that is what the casual loading is for?

Keep wage increases to a minimum.

Wage increases reduce my ability to employ staff required to run the business efficiently and effectively, due to the very competitive market I cannot increase goods in line with wage increases not all my days are profitable some business days are breakeven or run at a loss