

2.5 Question to the ARA, MGA and NRA

Over the year to the December quarter 2018, the increase in the Wage Price Index (WPI) in Retail trade was 2.0%. The increase in the NMW and modern award minimum wages in 2018 was 3.5%.

Are the ARA, MGA and NRA able to explain how the WPI increase in Retail trade was so much less than the increase in the NMW and modern award minimum wages?

ANSWER:

The Australian Retailers Association (ARA) does not believe this disparity is attributable to any single factor. Rather, myriad factors have fed into the discrepancy. None of these in any way substantiate suggestions of low wage practices in the Retail sector.

Some or all of the following factors may help answer the Fair Work Commission's question:

- Whilst partially overlapping the period nominated by the FWC, retail sales growth for FY 2017-18 was 2.55%: the lowest rate of growth since records were kept (*source: ABS*).
- The National Minimum Wage (NMW) is lower than applicable award rates for retail workers, of whom approximately 30% are reliant on awards, meaning some 70% of retail employees are paid at higher rates that may not have increased at a rate comparable to the NMW.
- Some larger retailers continue to operate Enterprise Bargaining Agreements, which render the question of arbitrary annual increases to hourly pay rates redundant.
- An unquantifiable number of retailers have opted not to reduce penalty rates payable on Sundays, despite being able to do so: it logically follows that this has reduced the scope for those employers to offer larger increases in hourly rates.
- Similarly, increases in 2018 to penalty rates payable on Saturdays and after 6pm on weekdays may have limited increases in base rates of pay for employers already paying more than the relevant award.

Other possible factors that have been suggested in canvassing the issue with the ARA's industry partners include owner-operators paying themselves very little (if anything) as awards and other statutory instruments do not apply to them; and family members or friends "helping" in such enterprises, and who may or may not be paid.

Whilst the ARA notes the lower WPI in Retail compared to NMW increases, this may reflect tightening conditions increasingly reported by its members. It may also suggest that given many of the above points reflect above-award payment practices, a response to that tightening may also be a factor.

The ARA further acknowledges, as a member of the Australian Chamber of Commerce and Industry (ACCI), the response provided by ACCI to this question. The ARA believes the ACCI response is complementary to its own, and endorses the points made in that response.