

# REPLY SUBMISSION

## 2022-23 ANNUAL WAGE REVIEW

28 APRIL 2023

### INTRODUCTION

The Australian Retailers Association (ARA) supports a sustainable increase in the minimum wage to help retail workers keep pace with the rising cost of living.

In respect of this year's Annual Wage Review, we believe this increase in wages should be based on the rate of underlying inflation at the time the Fair Work Commission hands down its decision - using the Trimmed Mean Inflation (TMI) rate - less the impact of increases in superannuation from July 2023 and the projected decrease in inflation for 2023-24 as forecast by the Reserve Bank of Australia.

We believe that any increase in the minimum wage should be balanced carefully against the impact it could have on the rate of unemployment, with due consideration to the prevailing and projected economic conditions. In the context of today's tight labour market and peak inflation, it is important that a wage-price spiral is avoided.

The ARA takes the position that any increase in wages that exceeds the underlying rate of inflation would need to be offset by productivity gains, to reduce the risk of wages growth creating additional inflationary pressure and avoid over-stretching smaller retailers who have limited reserves to incur higher labour costs, in addition to higher costs of doing business.

### RECOMMENDATION

On 31 March 2023, the ARA recommended a 3.8% increase in the minimum wage to take effect from 01 July 2023. This recommendation was reflective of a series of guiding principles and assumptions outlined in our earlier submission to this year's review.

Based on data published by the Australian Bureau of Statistics on 26 April 2023, the ARA now recommends an increase of 3.5% in the minimum wage to take effect from 01 July 2023. This reflects a reduction in the TMI rate from 6.9% in the December 2022 quarter to 6.6% in the March 2023 quarter.

This recommendation equates to a 4.0% increase in labour costs for employers, including the impact of the next increase in superannuation that will take effect at the same time as the next increase in the minimum wage.

As noted in our initial submission, we believe an increase of this magnitude strikes the balance between an employer's ability to keep pace with the rising costs of doing business, against an employee's expectation that wages grow in line with prices.

Please contact [policy@retail.org.au](mailto:policy@retail.org.au) for any questions relating to this submission.