

## **16. Industry Specific Submissions**

### ***Australian Retailers Association***

The ARA supports the position and arguments put by the Australian Chamber of Commerce and Industry in response to the ACTU application for a \$25 a week wage increase in all award rates and a commensurate increase in allowances<sup>1</sup>, and makes additional submissions on behalf of the Retail Industry specifically.

It is the ARA submission that an increase of \$25 per week would not be a moderate wage increase and would have a detrimental effect on employment in the Retail Industry.

ACTU argues that their application for a \$25 per week increase is moderate and that moderate increases do not impact employment<sup>2</sup>, they argue that the 2001 SNA was low rather than moderate<sup>3</sup>.

Retail Industry excerpts of the ‘Survey on the Safety Net’ conducted by the ACCI<sup>4</sup> (Attachment ARA1), and referred to in their submission, indicates that a higher percentage of retail business employment practices were impacted negatively by the safety net adjustment of 2001 when compared with the total of other industries surveyed by the ACCI.

<sup>1</sup> ACTU written Submission 2002

<sup>2</sup> ACTU written Submission 2002

<sup>3</sup> ACTU written Submission 2002

<sup>4</sup> ACCI Survey on the Safety Net ) October 2001

The weekly wage rate for a retail industry shop assistant classification increased by \$13 per week as a result of the Safety Net Review 2001, an increase of 2.83%.

The question ‘Did the increases in the safety net have any effect on employment in your firm?’ elicited a higher percentage (2.1%) of responses saying that the number of employees was lower than it otherwise would have been, when compared with the responses from the total of other industries in the ACCI survey.

The question ‘Did the increases in the Safety net have any effect on full time employment in your firm?’ elicited a higher percentage (1.9%) saying that the number of full time employees was lower than it otherwise would have been, when compared with the responses from the total of other industries in the ACCI survey.

3.Retail Industry excerpts of the ‘Survey on the Safety Net’ show that 6.1% more retailers when compared with the total of other industries, increased employees wages as a direct result of the safety net decision.

4.Retail Industry excerpts of the ‘Survey on the Safety Net’ show that the Retail Industry reflects the same compulsion as other industries to flow on the increase to over award and non-award employees. It is reported that, as a direct result of the Safety Net Decision 31.6% of retail businesses surveyed raised the wages of employees receiving over award payments and that 25.5% of retail businesses surveyed, raised the wages of non award employees.

5.A majority of workers in the retail industry are employed on award and are employed by small to medium sized businesses.

5.1 The retail industry in Australia employs 876,000<sup>5</sup> people, 43,049<sup>6</sup> of which are covered by federal Certified Agreements, a majority of whom are employed in large retail businesses.

5.2 95.1% of retailers employ less than 20 staff. These retailers employ 35.8% of the retail work force.

4.6% of retailers employ between 20 and 199 staff. These retailers employ 15% of the retail work force.

0.3% of retailers employ 200 or more staff. These retailers employ 49.2% of the total retail work force.<sup>7</sup>

6. Small to medium sized retail businesses budget for a moderate increase in wages. Wage costs are one of the most significant operating costs for retailers. Wage rate increases, of the order of those sought by the ACTU, are not sustainable within the retail industry.

Out of the industry average gross profit of 32%:-

labour costs comprise 14%

rent \*5% (and up to 14+0% in Shopping Centres)

depreciation 1.3%

advertising 1.4%

interest 1.5%

<sup>5</sup> ARA Retail Industry Profile 2001 (based on ABS Cat No 8622.0 1998/1999)

<sup>6</sup> DRSWB TRENDS IN FEDERAL ENTERPRISE BARGAINING Enterprise Agreement Report  
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<sup>7</sup> ARA Retail Industry Profile 2001 (based on ABS Cat No 8622.0 1998/1999)

other expenses 7.1%<sup>8</sup>

Increased wage costs must either be passed on to customers or made up in the short term by the cost savings made when employment opportunities are reduced.

### ***Conclusion***

The 2001 Safety Net Adjustment of \$13 per week for the shop assistant classification had a direct and negative effect on employment in the retail industry.

Given this direct and inevitable consequence on staffing levels and the fact that the majority of workers in the industry are employed on award rates, the Australian Retailers Association opposes the amount stipulated in the ACTU application and submits that the Commission finds in favour of the ACCI submissions.

<sup>8</sup> ARA Retail Industry Profile 2001 (based on ABS Cat No 8622.0 1998/1999)

## Attachment ARA1 – The ARA Survey

### Safety Net

In its decision in May 2001, the Industrial Relations Commission granted safety net increases of \$13 for employees on award wages up to \$490 per week, a \$15 increase for award employees earning between \$490 and \$590 per week and a \$17 increase for employees earning more than \$590 per week. The minimum wage was raised from \$400.40 to \$413.40 by the same decision. The questions below seek information on the effect that these increases had on your business.

In answering these questions, it is important to be able to distinguish increases granted as a result of the safety net decision from increases granted for other reasons. Please, therefore, answer the questions as carefully as possible.

1. Did any of your employees receive an increase in wages **directly** because of the Safety Net decision?

Yes  No

2. According to the safety net decision, the increases granted were to be absorbed into overaward payments. Did you nevertheless raise the wages of *any* employees **receiving overaward payments** because of the increases granted even though you were not compelled to do so by the decision?

- Increased wages of employees on overawards because of safety net decision  
 Did not increase wages of employees on overawards because of safety net decision

3. Did you raise the wages of *any* **non-award employees** because of the increases granted to award employees in the safety net decision?

- Increased wages of non-award employees because of safety net decision  
 Did not increase wages of non-award employees because of safety net decision

4. Did the increases in the Safety Net have any effect on the level of employment in your own firm?

- The number of employees was **higher** than it otherwise would have been  
  
 There was **no effect** on employment  
  
 The number of employees was **lower** than it otherwise would have been

5. Did the increases in the Safety Net have any effect on the level of **full-time employment** in your own firm?

- The number of full-time employees was **higher** than it otherwise would have been  
  
 There was **no effect** on full-time employment

The number of full-time employees was **lower** than it otherwise would have been

6. As a result of the Safety Net decision did you reduce the number of full-time employees and increase the number of part-time or casual employees.

Yes  No

SURVEY ON THE SAFETY NET  
 Australian Retailers Association

As a direct result of the Safety Net decision, did any of your employees receive an increase in wages?

	Percent
RECEIVED INCREASES IN WAGES	
Yes	62.1
No	37.9

As a direct result of the Safety Net decision, did you raise the wages of any employees receiving over-award payments?

	Percent
RECEIVED INCREASE IN WAGES	
Yes	31.6
No	68.4

As a direct result of the Safety Net decision, did you raise the wages of any non-award employees?

	Percent
RECEIVED INCREASES IN WAGES	
Yes	25.5
No	74.5

Did the increases in the Safety Net have any effect on employment in your firm?

	Percent
EMPLOYMENT IN YOUR FIRM	
There was no effect on employment	87.7
The number of employees was lower than it otherwise would have been	12.3

Did the increases in the Safety Net have any effect on full-time employment in your firm?

	Percent
FULL-TIME EMPLOYMENT IN YOUR FIRM	
There was no effect on full-time employment	87.9

	Percent
The number of full-time employees was lower than it otherwise would have been	12.1

As a result of the Safety Net decision, did you reduce the number of full-time employees and increase the number of part-time or casual employees?

	Percent
<b>REDUCED FULL-TIME AND INCREASED PART-TIME</b>	
Yes	8.8
No	91.2

## **National Farmers Federation**

### **Introduction**

This submission is made by the National Farmers' Federation (NFF).

NFF maintains its policy of opposing across the board wage increases that are made without any productivity gains by employees. The Safety Net case decisions do not encourage negotiations at the workplace nor do they provide incentives for increases in productivity. Productivity and improving the skills of the workforce are ways in which workers can gain higher wages and higher living standards. NFF submits that increases in minimum wages have a negative impact on employment especially on the agricultural sector.

NFF submits that a \$10.00 increase on the current minimum wage (of \$413.40) alone should be the Commission's preferred outcome. The \$25.00 claim put forward by the ACTU should be rejected.

### **The rural labour market**

Unemployment in rural and regional Australia remains higher than in urban areas. Over the year to January 2002, metropolitan employment grew by 2.9% compared with 0.2% for non-metropolitan employment. Of the ten regions with the highest unemployment rates, seven are outside capital cities. Seven of the ten regions with the lowest unemployment rates are in metropolitan areas – see table below.<sup>87</sup>

87. Source: ABS, *Labour Force Selected Summary Tables* Cat No 6291.0.40.001.

<b>Highest Unemployment Rates</b>	<b>Jan-02</b>	<b>Jan-01</b>
<b>Region</b>	<b>(%)</b>	<b>(%)</b>
Qld Wide Bay/Burnett SR (NM)	<b>14.2</b>	13.6
NSW Richmond/Tweed & Mid-N Coast SRS (NM)	<b>11.6</b>	12.3
NSW Hunter SR (NM)	<b>11.3</b>	11.5
Tas Northern SRS (NM)	<b>11.1</b>	7.7
NSW Newcastle SRS (NM)	<b>10.7</b>	12.7
Tas Balance of Tasmania (NM)	<b>10.1</b>	10.2
Qld North & West Moreton SR (NM)	<b>10.0</b>	8.3
Vic Outer Western Melbourne SR (M)	<b>10.0</b>	7.6
Vic NW Melbourne SR (M)	<b>9.8</b>	8.2
Qld North & West BSD Balance SR (M)	<b>9.7</b>	10.8

<b>Lowest Unemployment Rates</b>	<b>Jan-02</b>	<b>Jan-01</b>
<b>Region</b>	<b>(%)</b>	<b>(%)</b>
NSW Hornsby-Ku-ring-gai SR & Baulk Hills (M)	<b>3.3</b>	3.2
NSW Murray/Murrumbidgee SR (NM)	<b>3.9</b>	5.3
Vic Barwon/Western District SR (NM)	<b>4.3</b>	5.2
NSW Lower Northern Sydney SR (M)	<b>4.4</b>	2.8
NSW Northern Beaches SR (M)	<b>4.6</b>	2.9
NSW St George/Sutherland SR (M)	<b>5.1</b>	4.9
Qld Darling Downs/South West SR (NM)	<b>5.1</b>	4.0
Vic Outer Eastern Melbourne SR (M)	<b>5.5</b>	4.2
NSW Central Western Sydney SR (M)	<b>5.6</b>	3.5
NSW Outer Western Sydney SR & Blacktown (M)	<b>5.7</b>	6.1

(M) - Metropolitan region. (NM) - Non-metropolitan region.

The NFF submits that any increase in wages will have a negative impact on employment. In addition, the employment loss from an excessive wage claim will further slow the already sluggish regional labour market. The NFF submits that the Commission should consider the economic realities of labour market forces that affect employment in regional and country towns across Australia. While a small number of urban areas may be able to absorb the employment loss that will inevitably flow from an increase in wages, the employment loss will disproportionately hit regional areas already struggling with high unemployment.

Labour costs for agriculture have increased strongly in the past few years. Between last financial year and the current financial year, farm labour costs

have been forecast to increase by \$365m (2.1 per cent)<sup>88</sup>, which is the largest dollar increase of any farm cost over that period of time.

### **The contribution of agriculture to the Australian economy**

Farming is vital to the Australian economy:

- While rural production makes up around 3 percent of Australia's GDP<sup>89</sup>, it provides around 21 per cent of our goods and services exports<sup>90</sup>.
- Many rural communities depend upon agriculture for their prosperity. Agriculture contributes more than 30 per cent of employment in 66 per cent of small non-coastal towns<sup>91</sup>.
- Agriculture is one of the largest employers in Australia, providing around 320,000 jobs – a level which has actually increased in the past five years, even with substantial improvements in productivity over this timeframe<sup>92</sup>.
- Agriculture also represents a significant input into many other industries, particularly the food processing industry, which had a turnover of \$51.2 bn and a value added of \$14.2 bn in 1999-2000. Food processing is the largest industry subdivision of total manufacturing, both by value added and by employment<sup>93</sup>.

88. Source: ABARE, *Australian Commodities vol8 no4*, p671.

89. Source: ABS, *Agriculture (Cat no 7113)*, table 1.3.

90. Source: ABS, *International trade in goods and services (Cat no 5368)*, table 2.

91. Agriculture contributes more than half of total employment in 28 per cent of small non-coastal towns Source: ABARE, *Country Australia*, p38.

92. Source: ABS, *Agriculture (Cat no 7113)*, table 1.4, which also shows non-owner employment increased by over 6,000 between 1996 and 2000, or 5.4%.

93. Source: ABS, *Manufacturing Industry, Australia, (Cat no 8221.0)*

Therefore, the NFF submits that any adverse impact of a wage increase will not only harm agricultural industries, but many other industries and communities in Australia.

### **Agriculture Outcomes**

Generally, 2001 has been a good year for commodity prices. The ABARE index of crop prices increased by over 9 per cent over 2000-01, while livestock prices increased by almost 14 per cent.

However, the international prices of cotton and sugar fell by 23 per cent and 18 per cent respectively during 2000-01<sup>94</sup>. It is therefore important to ensure that good average results for farming do not mask weak individual markets. In country NSW, such as in Burke and other areas, farmers are experiencing hardship due to the drought conditions occurring in that region. Sugar markets have also recently weakened as predictions of a much larger Brazilian crop surfaced.

### **Agricultural Outlook**

Similar issues arise from forecasts. The forecast overall strength in commodity prices also hides a number of weak markets, particularly cotton, where distortions in world trade continue.

The NFF submits that considerable uncertainty surrounds the forecasts for agricultural incomes this coming financial year, with weak forecasts prevalent for world economic growth. Japan and the US are currently in recession, and the EU is also in a slowdown. The price for Australian agricultural products largely depends on prices determined in world markets.

Much of the current and forecast strength of Australian commodity prices results from weakness in the Australian dollar. If the Australian dollar were to rise substantially, this price strength would be wiped out. While ABARE forecasts assume the Australian dollar will average \$US 0.51 over 2002<sup>95</sup>, other forecasts indicate a higher dollar is more likely. This would be caused by an easing in the overvalued US dollar; increased international investment in the strong Australian economy; a falling current account deficit; and a high interest rate differential with the US.

Westpac forecasts the dollar will be at \$US 0.59 by the end of the year; St George forecasts 0.55 later this year; National Australia Bank forecasts \$US0.54 to 0.57; and Access Economics forecasts a 9% appreciation in the trade weighted index between this financial year and next. The Reserve Bank of Australia has cautiously argued that the forces keeping the dollar low have abated<sup>96</sup>. The NFF therefore submits that the forecasts of Australian commodity prices are probably rather optimistic and commodity prices may be significantly lower in Australian dollar terms.

### **Long-term agricultural outlook**

Agriculture markets have a highly cyclical nature over a longer timeframe. Even if the negative shocks mentioned above do not eventuate this coming year, this does not mean that they will not in future years. However, the NFF submits that the evidence indicates that a wage increase under the current Safety Net case will endure forever. Therefore, the NFF submits that any across the board rise that may be affordable in the short term will be unsustainable in the longer term when negative shocks are inevitable.

94. Source: ABARE, *Australian Commodities vol8 no4*, p567-589.

95. Source: ABARE, *Australian Commodities vol8 no4*, p553

**Distribution of farm income**

The distribution of incomes from farming is also mixed. The tables below indicate the number of farms with low or negative incomes is substantial; 24 per cent of broadacre and dairy farms had a negative cash income in 2000-01; while a massive 63 per cent of broadacre and dairy farms had a negative profit (shaded area in tables)<sup>97</sup>. Therefore, the NFF submits that it would be inequitable to apply an across the board increase; this would have a relatively greater impact on farms with lower incomes.

Farm cash income	1999-00	2000-01
less than -25,000	6%	9%
-25,000 to 0	11%	15%
0 to 25,000	27%	22%
25,000 to 50,000	19%	18%
50,000 to 100,000	17%	17%
greater than 100,000	19%	19%
Total	100%	100%

96. Source: David Gruen, *Some possible long-term trends in the Australian Dollar*, RBA Bulletin December 2001, p30-41.

97. Source: ABARE, *Australian Farm Surveys Report 2001*, p94-95, weighted average of broadacre and dairy farms.

Farm business profit	1999-00	2000-01
less than –50,000	16%	21%
-50,000 to –25,000	22%	18%
-25,000 to -0	27%	24%
0 to 25,000	13%	14%
25,000 to 50,000	8%	7%
greater than 50000	14%	16%
Total	100%	99% <sup>98</sup>

These figures strongly illustrate that the low paid are not only employees. Many farmers understand what it is to be low paid. While an increase in Safety Net wages may be seen as providing greater social equity, the figures above indicate that this will not be the case; farmers from all ends of the income distribution will have to fund the increase, including those that are already facing extreme hardship.

**Conclusion**

The NFF submits that, while an across the board increase may be affordable to some agricultural firms, many would or could be hard hit by this cost increase at a time of uncertainty. An increase in wages across the board would fall more heavily on those farms that are not performing well. As noted, this category will probably include many cotton farmers, but the NFF argues that there is a strong probability that worsening conditions will

98. Numbers do not add to 100% due to rounding.

cause many other farmers to suffer if an across the board increase were granted.

The NFF submits that the wide range of farm circumstances and performance mean that standardized wage increases are highly inappropriate.

The NFF submits that these factors indicate that the ACTU Safety Net case is not moderate and should be rejected. The NFF instead supports a moderate increase of \$10.00 to the current minimum wage only.