



Master Grocers Australia Limited  
T/AS  
MGA Independent Retailers  
MGA Timber Merchants Australia  
(MGA/TMA)

Submission in Reply to the Fair Work Commission

Annual Wage Review Panel 2019-2020  
Discussion Paper

“What can and can’t be done in the Annual Wage Review”  
May 29<sup>th</sup> 2020

## **Introduction**

MGA Independent Retailers (MGA/TMA) thanks the Fair Work Commission (the Commission) for the opportunity to respond to the supplementary questions on notice dated 13<sup>th</sup> May 2020 in respect of the Annual Wage Review 2020.

After having noted the contents of the discussion paper titled, "What can and can't be done in the Annual Wage Review 2019-2020" (the Discussion Paper) MGA/TMA welcomes the opportunity to make responses to the questions made in the Discussion Paper.

MGA/TMA made an initial submission to the Annual Wage Review in March 2020 wherein we requested that the Panel might consider, in the light of the evidence presented, not to award any increase to award wages in 2020. Since the submission by MGA/TMA was made in March this year coronavirus (COVID-19) has continued to have a devastating effect on the world and inevitably a worsening effect on what was already a fragile economy in Australia, due to a range of factors which were referred to in the MGA/TMA Submission. Because of the continuing serious impact on the Australian economy of all the factors referred to in our original submission, plus the deteriorating economic situation in Australia it is respectfully submitted, that the need for the Panel to consider not awarding any increase to award wages in 2020 as previously stated in the MGA/TMA Submission has been reinforced.

The Members of MGA/TMA consist of 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 and Local Liquor, which are either single or multi-store owners. Our members also own independent timber and hardware stores that trade under brand names including Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware.

MGA/TMA has noted the contents of the Discussion Paper and welcomes the opportunity to comment on the supplementary questions on notice.

### **Question 1.1**

#### **Comments in response (1-57)**

1. MGA/TMA does not contest any of the observations made in Paragraphs 1-57 of the Discussion Paper and recognises that the Commission, having reviewed modern award wages and the minimum wage order may make one or more determinations varying modern awards and must make a minimum wage order. (S 285(1))

2. MGA/TMA respects that the Commission has the power to set, vary or revoke one or more determinations to modern awards annually by July 1<sup>st</sup> in the next financial year and may, subject to finding exceptional circumstances, justifying why a determination should not come into operation until a later date, determine such later effective date. The Commission has the power to determine one or more award variations subject to exceptional circumstances, with each award being considered individually as the case may be, but the practicalities of this happening within the limited time available to the Commission for the making of a decision, based on such investigation, make this an unlikely proposition.
3. The conclusion reached in respect of the powers of the Commission demonstrate that in exceptional circumstances the Commission has the power to provide “staged variations” to awards in the following financial year after its decision with a suggested example of a part increase in wages in July and a further increase 6 months later in December 2020.
4. MGA/TMA appreciates the Commission’s reference to the fact that natural disasters have a devastating effect on employers but that a similar effect is felt by employees and their families, and that many of these employees are usually the low paid and therefore they need financial support. It is submitted that the effects of natural disasters such as floods and bushfires on both parties is well understood and it is impossible to separate the serious effects that such resultant conditions will have on all persons in the affected communities.
5. Whilst this is appreciated in respect of the needs of both parties nevertheless, it is clear that, if the employer cannot afford to pay higher wages as a consequence of natural disasters there will not be any jobs available for employees. Therefore, if it is possible for a lower wage to be maintained that is preferable to no wage being available at all. If wage restraint is possible, then, it is suggested that this this is a preferable course of action.
6. The Commission at Clause 57 has considered what may constitute “exceptional circumstances”. In its submission to the Annual Wage Review in March 2020, and forwarded to the Commission, MGA/TMA referred to a combination of factors that were inhibiting the survival of small businesses and submitted that there was a need for award wage restraint. Reference was made to factors, from a small business perspective, that consistently high award wage increases over a period of the past three years have had a devastating effect on retailer, liquor outlets and timber and hardware small businesses. MGA/TMA presented a significant amount of evidence from small businesses that clearly showed that even without any other unexpected incidents these businesses were in need of some respite from the impact of steadily increasing annual wage hikes. Reference was also made to the effect of bushfires and floods and subsequently to the emerging effects of the coronavirus (COVID-19).

7. It was not until the end of March 2020, that the full effects of COVID-19 were starting to be determined on the economy as a whole. It is noteworthy that initially there was an initial rush on grocery products and that "panic buying" commenced but, as the public has come to terms that this was an unnecessary fear, the retail industry has resumed its former stance and is back to its previous position pre COVID-19. The rest of the economy has continued in a downward spiral and it has become increasingly apparent that the effects on the economy now constitute "exceptional circumstances" that simply cannot be ignored.
8. Similarly, there have been serious impacts on the home building and hardware industry. Although during the early days of the pandemic there was some ongoing trade, unfortunately that has now dramatically slowed down, with no foreseeable work opportunities in the near future, and the likelihood that it will continue for some considerable time. Due to the lack of any forward orders in the pipeline and difficulties in maintaining employment, this industry sector will endure increased hardship which reinforces restraint in awarding any award wage increases in the immediate future.
9. MGA/TMA submits that any decision by the Commission to award a wage increase at this time will further drive down unemployment, and underemployment, in the grocery, liquor, hardware and homebuilding and renovations industries as the impact of the pandemic continues to take its toll.

### **In response to 2 (58-59)**

1. MGA/TMA understands that the powers of the Commission that have been referred to in the Discussion Paper demonstrate clearly the Commission cannot delay making a determination to vary modern awards or make a National Minimum Wage Order beyond 30<sup>th</sup> June 2020, except in exceptional circumstances. However, it is also recognised that the Commission may make a partial increase as of 1<sup>st</sup> July 2020 and a further increase at a subsequent date.
2. MGA/TMA submits in response to that Question 59 (iii) that in the MGA/TMA submission dated 9<sup>th</sup> March 2020 it was proposed that due to the economic difficulties experienced by small independent retailers during the previous three years business operations, no increase at all should be granted for the coming financial year commencing July 1<sup>st</sup> 2020. The Commission has made such a decision in the past albeit not for a specific branch of an industry.
3. As previously stated at the time the submission by MGA/TMA was provided to the Commission the impact of the coronavirus had not reached its current levels and its impact has still not yet reached its peak. In addition to the evidence that was submitted previously by MGA/TMA we now point out that the full economic effects of COVID-19 are yet to be felt in Australia.

4. The economic situation in March 2020 was showing signs of worsening due to the impact of COVID-19 (Coronavirus) and it has continued to worsen over the last few months. It has become increasingly obvious that total effects of the coronavirus are yet to be felt on the economy generally, despite the work that has been undertaken by the Federal Government and the various state Governments to remedy the situation. The Reserve Bank in its May 2020 Economic Policy stated that the current Australian economy is being driven by COVID-19 and the effect on the Australian economy is significant.
5. There has been a sharp decline in the number of hours in Australia worked by about 20% and the unemployment rate is expected to decline another 10% in June 2020 and subsequent falls are anticipated later in the year. Australia is endeavouring to bring the pandemic under control and hopefully that will prove successful. However, the economic recovery is not expected to be swift as the considerable loss of jobs over the last few months has been significant.

## Question 1.2

1. It is noted that in past submissions to the Annual Wage Review MGA/TMA has sought to implement a dollar or percentage increase to award wages and in the past has never sought a nil amount. It is noted that other employer groups have this year not sought a specific quantum of minimum wages in 2020. For the reasons stated in our original submission to the Commission and for reasons of world-wide-economic decline MGA has not sought any increase to award wages
2. The immediate economic future in Australia is uncertain and does not make any significant wage increases a viable option at the present time. In view of the serious economic effects on family and privately owned supermarkets, liquor stores and timber and hardware businesses which were presented in the facts, evidence and data in our earlier submission MGA/TMA urges the Commission to consider not increasing award wages at this time. In view of the current unprecedented state of the national economy we reiterate that there be no increase made to award wages as from 1<sup>st</sup> July 2020 or later.
3. If the Commission does see fit to provide any increase to award wages MGA/TMA seeks that such increase as from 1<sup>st</sup> July 2020 is postponed as clearly MGA/TMA has demonstrated the serious economic difficulties which currently exist and which will continue for an indefinite period of time. The current economic climate presents exceptional circumstances the like of which have never been seen in Australia.

## Conclusion

It is appreciated that the Fair Work Commission must make difficult decisions that affect hundreds of different awards and aspects of the National Wage Order and that these decisions must be made at a time when the world is experiencing one of the most serious crises in modern times.

MGA/TMA thanks the Commission for the opportunity to make this short comment on an issue that will have a serious economic effect on the livelihoods of both employers and employees in Australia.



Jos de Bruin CEO

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Master Grocers Australia Limited

29<sup>th</sup> May 2020