



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
2021-2022

29 March 2022

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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.
2. MGA TMA represents approximately 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. MGA TMA also represents approximately 240 Members that operate independent timber retail and hardware stores and trade under brand names including Mitre 10, Home Timber and Hardware, Thrifty Link and True Value Hardware. These stores collectively employ more than 120,000 staff and are comparatively much smaller when compared to large supermarket and hardware chains of Coles, Woolworths, and Bunnings. Independent retailers represent approximately 14% of the retail supermarket industry and 40% of the retail hardware industry.



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 2020 and the Timber Industry Award 2010. The majority of stores that operate in the independent sector are small, family-owned, and entrenched in their communities. Independent stores have established themselves in the retail and hardware sector and make a significant contribution to the economy. These businesses face genuine difficulty when absorbing the costs of any wage increase as opposed to the larger ‘chain’ retailers. Between 2017 and 2021, the small business independent grocery, liquor and timber/hardware retail sectors were affected by proportionately significant minimum wage increases which considerably damaged their viability. It is acknowledged that less onerous award wage increases were awarded in 2020/2021 due to the economic effects of the COVID-19 pandemic. However, we submit that the effects of the COVID-19 pandemic are ongoing and will persist through 2022 and beyond, resulting in financial loss and an increase to both unemployment and underemployment as businesses become unable to absorb the cost. With new COVID-19 variants emerging, as well as border closures and rolling restrictions, there is still a long road to full recovery.
4. MGA TMA will therefore be seeking further restraint in respect of any wage increases in the coming year. Any increase in minimum award wage in 2022 would severely damage the continuing viability of many small businesses as they grapple with the ongoing threat of COVID-19 and the recovery process. In this submission, MGA TMA intends to present evidence to the Fair Work Commission (**the Commission**) that will show there will be damaging consequences for many small businesses if wages are increased to an unsustainable level.
5. MGA TMA thanks 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 2022.

EXECUTIVE SUMMARY

6. This submission prepared by MGA TMA is intended to present the Commission with facts, evidence and data that demonstrate the need for restraint in respect of minimum award wage increases if the independent retail sector is to survive.
7. MGA TMA does not support any increase to the minimum wages in the General Retail Industry Award (**GRIA**) and the Timber Industry Award (**TIA**) in 2022.
8. COVID-19 has dominated the 2021 economic landscape, with independent businesses in every State being subject to lockdowns, restrictions, and the COVID-19 virus itself. Small businesses occupy a vital role in their communities and they purchase products from local growers. They are regarded as important contributors to the retail industry despite their size. This division of retail consists of mainly small and family-owned businesses and employs thousands of employees in both city and regional areas all over the country. Collectively, they make a vital contribution to the Australian economy.
9. Independent retailers are resilient and have survived the difficulties of engaging in business despite the significant wage increases of 11.05% during the period 2017-2020 and the recent increase of 2.5% on 1 September 2021. Independent retailers have even survived the threats of competition with larger 'chain' stores which have increased in number over recent years. In 2021, independent retailers were also agile in adapting to complex COVID-19 restrictions and regulations, including contact tracing requirements and quarantine, deep cleaning, face masks, check-in, vaccinations, work permits and additional health and safety requirements. On the whole, they have managed to remain viable despite the many challenges faced in the past year. Many independent retailers have managed to survive, but others have not been so fortunate. This has been largely dependent on their location. It has been particularly difficult for retailers in regional and rural areas who, in addition to being harder hit by supply chain and staffing issues due to COVID-19, have had to contend with bushfires, drought, and floods. Many independent retail stores operating in regional, rural or remote communities have been and will be disproportionately affected by wage increases because they face these additional challenges of natural disasters and COVID-19-related labour shortages.
10. Independent retailers in Victoria, the Northern Territory, and Western Australia have also contended with state-wide vaccination mandates which have resulted in unvaccinated staff being unable to attend work. Due to these mandates, businesses have lost long-term skilled staff with vital roles in their business such as manager or foreman, and some businesses have been forced to place their unvaccinated employees on paid leave and hire other employees to carry out essential duties left unperformed, which has caused considerable financial stress, particularly for small and medium family-owned businesses.
11. MGA TMA has assisted our Members with various matters during the past year as the COVID-19 pandemic continues. Supermarket, liquor, hardware, and timber goods have been high in demand, but the businesses were most affected by supply chain issues due to border closures, increased transport costs, COVID-19 outbreaks in distribution centres, and a lethargic international economy. The ability of independent retailers to compete was further impacted by the 'chains' establishing a substantial online retailing presence - an option simply not viable for smaller businesses.
12. Fortunately, independent food retailers have been recognised as 'essential' or 'critical' retailers by state governments and have been able to continue operations during lockdowns. They have provided vital goods and services for their communities by supplying essential goods and employing local staff. However, they face additional challenges from a workplace health and safety perspective, to keep their staff and customers safe from the largely uncontrolled COVID-19 virus. Members also faced considerable backlash from customers and members of the public when required to implement government directions regarding face masks, check-in, and vaccination requirements, among other things. Despite their commitment to meeting health and safety obligations owed to workers and customers, independent retailers face an ongoing fear of worker's compensation claims and rising premiums due to staff contracting COVID-19. These further compound the unique issues faced by retailers, particularly in the independent sector.

13. Generally, the need for food commodities has been a saving grace for the supermarket industry, and consumers' perceived need to occupy time in lockdowns and during construction shut-downs has been the saving grace for the timber and hardware industry. Although small businesses were resilient and adaptive to the challenges of this year, it does not diminish the difficulties they faced in this unprecedented time. There is no immediate solution to the financial strain that small businesses have and will face, however a more conservative wage increase, or no increase at all, would provide at least some minimal relief.
14. MGA TMA does not support any increase to the minimum award wages in 2022. However, if the Panel determines that there should be a uniform percentage increase to minimum wages payable under modern awards, MGA TMA alternatively submits that awarding a modest increase of 0.5% would be appropriate.

INTRODUCTION

15. MGA TMA does not support any increase to the modern award rate in the GRIA and TIA. It is not economically feasible for the independent supermarket, liquor and hardware sectors across Australia, which form the predominant membership of MGA TMA, to sustain an increase to these award rates following the 2.5 per cent award wage increase to the TIA and GRIA in July and September 2021, respectively.
16. During the period since the last Annual Wage Review in 2021, MGA TMA Members have been impacted significantly by the decision of the Commission to provide an increase of 2.5% to all modern awards, particularly when the previous increases of 1.75% in 2020 and the increase of 3% in 2019 are added to the cost impact over a three-year period. In addition to the annual wage increases awarded over the last 3 years, there were significant amendments made to the GRIA that have affected the viability of many stores to maintain their businesses, including the additional 15% Saturday and additional 5% weeknight penalties for casual employees that took effect in November 2018, which increased further in 5% increments in October 2019 and March 2020 respectively. These increases have had a detrimental impact on the viability of our Members. There are reports of Members changing store opening and closing times so that stores open later and close earlier, in order to avoid rostering casual employees during hours that attract the increased penalties.
17. The exorbitant cost of energy is also a severe impost on the ability of many retailers to remain viable. Any further increases in costs whether it be wages, amendments to the award or further increases in energy costs for retailers, will have a severe adverse impact on the financial stability of independent businesses and their ability to maintain employment levels. Many small retailers have now been impacted by recent natural disasters, such as the 2020 bushfires and 2022 flooding as they cope with the complete loss of their businesses. Trying to rebuild their homes and their lost businesses in country regions will be extremely difficult and if they are faced with higher wage costs it will be impossible. Further additional unexpected costs have been realised, with tourism severely affected, particularly regional tourism, together with ongoing COVID-19 threats. Small shops thrive on tourism but in 2022 any reliance on overseas visitors has now been shattered by the restrictions on international travel.
18. Independent small and medium businesses are of 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 and underemployment amongst young Australians (those aged between 15 and 24) who, as an age group, are predominantly employed in award-reliant retail businesses.
19. Independent businesses are small in comparison to the larger chains who are their competitors such as Coles, Woolworths and Bunnings, and larger liquor outlets that are owned by the bigger supermarkets. Nevertheless, independent timber and hardware retailers, supermarkets and liquor stores continue their endeavours to remain viable in difficult market conditions. The combined strength of international chains such as Costco, Aldi and Amazon have had, and continue to have, a devastating effect on small independent retailers. MGA TMA appreciates that the Commission may not see competition as a factor in the wage setting process but continuous external pressures of this nature continually affects small independent businesses and makes their survival even more precarious when they are combined with significant wage increases.

20. MGA TMA will show the Commission that there is strong evidence to support wage restraint for the year 2021-2022 including the effects of the current economic downturn on small businesses and particularly the combined effects of the last three years of wage increases. Combined effects have resulted in independent retailers reducing trading hours, an increase in underemployment, business owners working longer hours and declining profits. MGA TMA has conducted significant research of the industry through a survey of Members and produced a practical analysis of the information that we believe will demonstrate the consequences of further wage rises at this critical time. The results of this survey are located in Annexure A.
21. MGA TMA is aware that overall unemployment is at a reasonably low level and this would normally be advantageous for the economy but currently any positive gains that would normally flow from such a low rate is overshadowed by a high underemployment rate. High inflation rates may currently be seen as concerning and the impetus would therefore be to provide for wage growth in order to assist individuals and households cope with increased costs of living, but that could result in jobs being lost due to lack of affordability, thereby increasing underemployment in the retail industry.
22. MGA TMA will also show that as wages have increased over the last three years the total cost of employing staff has risen proportionally to the point that business survival is threatened. Whereas a medium sized supermarket could, several years ago, confidently predict certainty for the future, now that is no longer the case. There is now fear that another significant increase will severely affect the ability to survive in the current economic climate given the collective impact of significant annual wage increases since 2019.
23. We trust that the evidence presented by MGA TMA in this submission will demonstrate to the Panel that a significant wage increase will seriously affect the continued viability of independent retailers, who make a significant contribution to the economy and the communities in which they operate. It is again submitted that any increase to the minimum award rates will adversely affect independent supermarkets, liquor, hardware and small timber businesses throughout Australia.

THE REQUIREMENTS OF THE ANNUAL WAGE REVIEW 2019-2020

24. The Commission is required to conduct an annual review of wages in Australia, to review award minimum wages and the national minimum wage order and make a determination in accordance with s. 285(2) of the *Fair Work Act 2009* (the Act).
25. The minimum wage objective outlined in s. 284 of the Act requires the Commission to establish and maintain a safety net of fair minimum wages, which requires consideration of “the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth”.
26. The Act, in its note at s. 284(2), states that the Commission must take into account the objectives of the Act and any other applicable provisions in setting, varying or revoking modern award minimum wages, including the modern awards objective outlined in s. 134. Relevant objectives in accordance with ss. 3 and 134 include “providing workplace relations laws that are fair to working Australians, are flexible for business, promote productivity and economic growth for Australia’s future economic prosperity” and ensuring that exercise of the Commission’s powers takes into account the impact “on business, including on productivity, employment costs and the regulatory burden” and “on employment growth, inflation and sustainability, performance and competitiveness of the national economy”.
27. MGA TMA understands that the National Minimum Wage Order is considered under s. 294(1) of the Act to provide for award/agreement free employees who are classified as junior employees, employees to whom training arrangements apply and employees with a disability, and also for the casual loading for award free employees. It is submitted that any increase to the Minimum Wage Order should not automatically be applied to the Award wage review rate. MGA TMA submits instead that any increase to the Award wage review rate be determined independently to any increase in the Minimum Wage Order.

28. MGA TMA applauds and supports the objective of the Commission in providing for fair minimum wages and hopes that because businesses, particularly small businesses, are being impacted by the ongoing effects of COVID-19, labour shortages, increased regulatory burden, supply chain issues, low productivity and rapidly growing inflation and a diminishing workforce due to COVID-19 related border and immigration restrictions and increased underemployment, the Commission's Expert Panel will seriously consider not increasing award minimum wages in 2022 to unreasonable and unsustainable levels. We intend to show that there are undeniable factors that will cause further losses for small businesses, and that there is strong evidence to show that there will be further job losses and increased underemployment and store closures, should award wages increase. MGA TMA will also demonstrate to the Panel that there is compelling evidence against increasing wages to levels that will have serious deleterious effects on the livelihoods of small businesses.
29. MGA TMA submits that it is open to the Panel to make no adjustment to minimum award wages based on the current competitive business environment, economic conditions and ongoing detriment suffered by small businesses as a result of COVID-19. In this submission we will outline our arguments for the Panel to consider no increase to the wages in the General Retail Industry Award and the Timber Industry Award at this critically difficult economic time.

THE ECONOMY AND THE RETAIL INDUSTRY

30. 2021 was the year that the catastrophic effects of COVID-19 were first felt in Australia, after the communicable illness was first reported on our shores in early 2020. Our new COVID-19 "normal" became subsequent lockdowns, particularly in New South Wales and of course, Victoria, who became known as the lockdown capital of not only Australia, but the world. No other Australian states and territories were left unaffected by these lockdowns, with similar measures taken across the nation. COVID-19 case numbers had increased to an average of 30,000 new cases per day at its peak in late 2021 and early 2022, resulting in essential and critical industries pleading for Government to step in and introduce a relaxation in isolation rules as their workforces became ravaged with staff absenteeism due to being considered a "close contact" or being diagnosed with COVID-19.
31. The long-term health risks associated with COVID-19 are still unknown, and unfortunately, some never had the chance to recover from the deadly disease, which as of February 2022, has taken the lives of almost 5,000 individuals across the country.
32. Consequently, mandatory vaccinations have become the new normal, and are now even considered a recruitment 'checkbox' for those working in industries deemed as critical or essential across a variety of States and Territories. This was another factor that catapulted staff shortages, as well as the JobKeeper subsidy which ended in April 2021. At its peak, more than 3.8 million Australians were receiving JobKeeper payments which equates to approximately 3 in every 10 Australian workers. This has put a strain on MGA TMA Members who are generally small to medium businesses who have had to endure the loss of the JobKeeper subsidy amongst heavy lockdowns, staff shortages, and a drop in sales, particularly in metropolitan or tourism areas.
33. There has been significant research undertaken into the effects of coronavirus on a range of industries in Australia. In the process of conducting its research the Panel classified industries into three clusters according to the impact of COVID-19 for labour market outcomes. In the Upper Cluster were industries deemed most adversely affected such as the accommodation and food service, and arts and recreation service industries. The retail industry was regarded as part of the Central Cluster, which was deemed badly affected, but not to the same extent as the Upper Cluster. The Lower Cluster included essential services such as public administration, finance insurance, health care and social assistance which were considered less affected industries.¹ MGA TMA submits that there are some businesses that have been particularly adversely affected by COVID-19, particularly hospitality and retailers, including small to medium food, grocery and hardware retailers.

¹ Fair Work Commission, *An assessment of the economic effects of COVID-19* (report 1, March 2020) 1.

34. At the end of 2021, economic activity in Australia contracted sharply in the September quarter due to the lockdowns which were brought on by the Delta variant of COVID-19. This setback has delayed the economic recovery that was underway in the first half of 2021. A rapid bounce back was expected for the early months of 2022, however, the Omicron variant arrived and continued to wreak havoc on all industries as staff were required to isolate which crushed the logistics and supply chain for MGA TMA Members, leading to empty supermarket shelves.
35. The unemployment rate remains in the 4½ to 5 per cent range which places upward pressure on wages growth. The adverse health environment would also be likely to aggravate existing supply-side stresses, as noted in paragraphs 9 to 11 and 37. Members have also reported significant increases in insurance premiums, which further add to the business operation costs.
36. China's economy slowed much more than was originally expected which is reducing the demand for iron ore and other commodities. This is particularly relevant to Australia if this is motivated by an expected decline in construction movement. Alongside lower resource export volumes, this could result in a decline in commodity prices, which will ultimately impact Australia's terms of trade, tax revenues and corporate profits. Further trade restrictions could also delay the recovery in Australian exports, including the education and tourism sectors.
37. Worker absences due to COVID-19 illness and isolation obligations imposed by each State and Territory Governments have hindered the ability of the economy to operate at its expected normal capability. It is likely that supply disruptions could be more prevalent than expected, particularly if daily new case numbers increase again. Further disruption to supply chains from COVID-19 variants could have extensive ramifications for the economy, including limited spending as a result of a narrower range of goods and services available for consumers as well as delayed investment. Limited availability of particular products could also lead businesses to reduce their discounting activity by more than anticipated. This would lead to additional inflationary pressure in the short term. While these effects are largely anticipated in the first half of 2022, the longer the disruption is suffered, the greater the risk of lasting effects on the economy.
38. As mentioned, MGA TMA Members are generally small to medium sized businesses, and luckily, a significant amount were able to remain open during the various lockdowns that were implemented across the nation. However, despite being permitted to remain open, some of these businesses have been impacted harshly by the arrival of COVID-19, due to their clientele disappearing in an instant. The stores that have taken the biggest hit are those that are located in metropolitan CBDs and tourist areas. Due to the working from home arrangements which have persisted for almost 3 years in some states, office workers have become a rare sighting, particularly in Melbourne, Victoria. Supermarket stores that were previously bustling hotspots for daily coffee and food consumption by flocks of city workers had disappeared seamlessly overnight. Many of these stores have given up trade, with their shop windows being replaced by "For Lease" signs. Similarly, tourist towns, including Port Douglas, have seen a decline of up to 90% with some businesses describing these towns as "strangled".² For our Members who have managed to stay open and continue trading, a significant proportion of their business has been lost to larger 'chain' retailers, including Coles and Woolworths, who have been offering home deliveries and click and collect which has reduced human contact and therefore, attract consumers that wish to lower the likelihood of contracting COVID-19 during their routine grocery shop. MGA TMA Members are small to medium sized businesses who are struggling to meet the day-to-day costs of running a business and do not possess the economies of scale or retained profits to afford investment in technology that allows for instore click and collect, self-serve checkout and home delivery services, which the larger chains are able to implement seamlessly.
39. Mandatory vaccinations were introduced across our Members' industries in order to combat the spread of COVID-19. Whilst this was a welcome addition to some, there is no denying that vaccination requirements created an administrative, and often, financial nightmare for small to medium sized businesses. Our Members were required to spend a vast amount of additional administration time communicating with and collecting information from their employees regarding their vaccination status, and ensuring compliance in respect of unvaccinated or exempt employees. Legal costs were also incurred as employers sought legal advice and

² Nathan Morris, 'Why it's make or break time for many in pandemic-scarred Port Douglas', *ABC* (online, 12 September 2021) <https://www.abc.net.au/news/2021-09-12/how-will-the-pandemic-change-port-douglas/100447460>.

assistance to ensure that regulatory compliance, with public health directives often published officially less than 24 hours before coming into effect. Additionally, businesses had to consider 'letting staff go' due to refusals to comply with the new health directives requiring them to be vaccinated. This led to additional time, cost, and stress to business owners who had to ensure terminations were lawful, as well as dealing with the impact of loss of key staff who helped keep their business running.

40. The above events created a 'perfect storm' of damaging effects to business owners to start off 2022. MGA TMA recently sent a survey out to Members to gauge the impact that COVID-19 has had on their business in the 2021-2022 financial year so far. Members reported damaging effects, which include but are not limited to the following:
- 85.26% of Member respondents reported that their store(s) were moderately (impacted a few times per week) to severely (impacted daily) impacted due to COVID-19;
 - Some Members were forced to close their entire store due to staff shortages;
 - Some Members who were store owners worked 80 hours per week due to staff shortages; and
 - 49% of Member respondents reported that when they had out of stock products due to supply chain issues caused by COVID-19, they had a loss of sales and their customers went to competitors (such as Coles and Woolworths who have a much larger supply chain).

THE IMPACT OF UNEMPLOYMENT AND UNDEREMPLOYMENT

41. The unemployment rate in Australia has reduced to 4.2% in January 2022, which was unchanged from December 2021. This represents the lowest unemployment rate since August 2008. Considering the low unemployment rate in isolation is tempting because it gives the impression that there is a reasonably high level of employment. However, this is not the case as this figure belies the sharp fall in the size of the national labour force due to COVID-19 related restrictions on international arrivals and immigration. The underemployment level continues to increase and it is particularly rife in the retail industry – in December 2021 and January 2022, the underemployment rate increased to 6.6% and 6.7% respectively.³ The increase in these statistics is due to the decline in full-time employment and increase in part-time employment.⁴
42. Retailers generally are unable to provide full-time hours to employees. The Australian Bureau of Statistics (**ABS**) defines the underemployed as those whose "hours of work are below a threshold and are insufficient in relation to an alternative employment situation in which the person is willing and available to engage".⁵ In order to be underemployed, the individual must work less than 35 hours a week but are willing and are available to work more hours. Younger workers between the ages 15 -24 score the highest underemployment rate of 7.3%, other age groups have a ratio of between 2.0% and 6.1%, with those over between 40-44 years having the lowest ratio of 2.0%.⁶
43. Lower skilled employees in industries, such as retail and hospitality, have one of the highest numbers of underemployment (14.5%)⁷ which is a feature of the retail industry for several reasons. The spread of hours over the working week are at times that often suit certain categories of employees but there will always be those who want to work on a full-time basis. It follows that those employed as casuals have high ratios of underemployment. Those who are underemployed are naturally in competition with unemployed people often for the same jobs. Underemployment is a serious impediment to economic growth. Small independent retailers constantly find themselves unable to provide additional hours of work to employees despite employees desperately needing extra hours of work. Small, family operated retail businesses are often forced to replace the hours of work of a loyal hardworking employee with a family member. It is becoming a sad reality for independent business operators that when they can no longer afford the wages of the long serving employees, that they have no choice but to replace them with family members because they can no longer afford to employ them.

³ Australian Bureau of Statistics, *Labour Force Statistics*, (February 2022).

⁴ Ibid.

⁵ Australian Bureau of Statistics, *Underemployed Workers*, (February 2022)

⁶ Australian Bureau of Statistics, *Labour Force Australia detailed: table 23b*, (24 March 2022)

⁷ Australian Bureau of Statistics, *Labour Force Australia Detailed: table 19* (24 March 2022).

44. Evidence that this is becoming all too common is revealed in the survey that was undertaken by MGA TMA and is shown in the data that is presented at Annexure A of this submission. Any wage increase in 2022 will inhibit the ability of a retailer to offer the hours of work that are so desperately needed to help boost the economy. Rampant underemployment in the retail industry will continue to exist where there is further pressure by increased wages that retailers can ill afford.

YOUTH UNEMPLOYMENT

45. Taking a job as a teenager in the local grocery store is feature of life in country towns but such employment may not be available to many young people aspiring to get a job in areas where the 2020 bushfires and 2020 and 2022 catastrophic flooding events have been a feature. Although junior workers are cheaper to employ, they also have fewer skills and less experience and are often the first to be shown the door in instances of redundancies or reduction in total available hours. Oftentimes, younger people seek employment in order to combine studies with a job, and the supermarket and general retail industry is a typical place to start. However, the seeking of full-time work by a young person typically indicates that they want to start a career, gain on-the-job training and to achieve some form of independence.⁸
46. Young people continue to experience difficulty in obtaining work. Although the youth unemployment rate has declined to 9.00% in January 2022 compared to 9.40% in December 2021, this figure had fluctuated significantly throughout 2021 from a high of 13.1% in October 2021. Youth unemployment rates remain significantly higher than the unemployment rate in Australia. Unfortunately, there are many young people that are not working either because they simply cannot get a job, or they try a range of jobs, and are not able to get into one that offers some form of training. The retail industry remains one of the few entry-level job paths for young people, as the economy shifts its focus more on services such as education and knowledge industries, including information technology and health care. Independent retailers especially in country regions are the main source of employment for young people. Although in early 2022 there appears to be a decline in overall unemployment figures this does not necessarily mean employment increases in the independent retail industry, as demonstrated by its underemployment rates – this is mainly attributable to the heavy cost of employment. If wages rise to a level that forces retailers to employ fewer people youth employment will decline further and a genuine source of assistance for young people will disappear.

WAGES IN THE INDEPENDENT RETAIL SECTOR

A. Grocery and liquor shops

47. The independent retail industry, as distinct from other private sector industries, employs a high proportion of award reliant employees. The Commission's Statistical Report at table 7.1 refers specifically to the retail industry as one of the highest award reliant industries in Australia, with 29.6 per cent of the industry being award reliant.⁹ The difficulty of not having enough flexibility in their businesses because they are not able to negotiate an enterprise agreement leaves those who operate under the GRIA at a distinct disadvantage.
48. Because a significant number of MGA TMA Members are reliant on a modern award, MGA TMA requests that the Panel be mindful of the impact of any wage increase on those who are not able to enter into enterprise bargaining simply because they could never meet the "better off overall" test that is a pre-requisite for such an agreement. In support of this point, MGA TMA refers to the Panel's 2009-10 Annual Wage Review decision, wherein it accepted that:

"...for some employers, particularly in award-reliant industries, there will be cost increases arising from the application of modern award wages and conditions. And this is clearly a relevant consideration for us."¹⁰

⁸ Penny Vandenbroek, 'Research Paper Series: Employment by industry statistics' (Research Paper, Department of Parliamentary Services, parliament of Australia, 24 May 2018).

⁹ Fair Work Commission, *Statistical Report – Annual Wage Review 2021-22*, (Report, 2022) 79.

¹⁰ [2010] FWAFB 4000 at [291].

49. The significance of this statement remains relevant today. Over the last few years the increases to the award rates of pay have become increasingly burdensome for retailers, the higher the rate increase the higher the burden that falls on the independent retailers as the base rate of pay increases on every penalty or award restructure that may have changed during the previous year.
50. The award system has systematically undergone a process of “award reviews” since the introduction of the modern award system in 2010. This has meant that there have been a number of changes to the GRIA during the award reviews held over the last 10 years. Consequently, there have been award increases for various categories of employees which have resulted in ever increasing costs for the employer. The only rate that has reduced over time has been the Sunday penalty rate effective July 2019. However, the introduction of increased overtime rates before 7.00am during the week and before 9.00am on Sundays, and weeknight and Saturday penalties has incurred enormous costs to retail employers which small and independent businesses can ill afford. What may seem a small increase to a basic wage rate is in fact overall extremely significant depending on when an employee works in one week. It is not unusual for a retail employee to receive 5 or 6 different penalties applied to an award in one shift, which results in complex wage calculations and poses greater compliance burden on employers. It seems the changes to the GRIA are continuous.
51. Given the current complexity of the GRIA, it is hardly any wonder that no matter how vigilant an employer might be the fear of making a mistake is ever present and it can happen to even the most diligent employer. New Victorian wage theft legislation and a similar framework operative in Queensland imposes additional regulatory and compliance burden on employers, including small independent retailers. Although a simpler system for the GRIA has been proposed with a ‘loaded rate’ being suggested, this solution to reduce award complexity and regulatory burden may result in significant increases in payroll costs to retailers.
52. Many independent retailers would like to engage in enterprise bargaining with their employees, with many having seriously considered entering into a new enterprise agreement. However, the cost to business in meeting the better off overall test often renders such agreements simply unviable and in many cases initiatives to consider enterprise bargaining have been abandoned by smaller employers. As such, the GRIA overwhelmingly applies to employees of smaller employers. This is in contrast to their bigger rivals who have enterprise agreements with higher rates of pay, which oftentimes apply annual pay increases awarded by the Commission to the base rate in these agreements. Smaller independent retailers simply do not have the luxury of rewarding their staff with similar above-award rates of pay due to the lack of economies of scale and retained earnings that larger ‘chain’ businesses possess.
53. In the independent retail sector, a retailer covered by the GRIA engaging an adult casual supermarket assistant on Sunday will currently have to pay \$39.08 an hour, and on a public holiday that will be \$55.83 an hour. An 18 year-old, part time employee in the same position will receive \$23.45 an hour on Sunday and on a public holiday will receive \$35.17 an hour. A retail business covered by the Timber Industry Award engaging an adult casual retail assistant on Sunday has to pay \$48.87 an hour, and on public holiday that will be \$59.73 an hour, with an 18 year-old, part-time employee in the same position receiving \$32.96 an hour on Sunday and receiving \$40.29 an hour on a public holiday. At the present time these rates are making it difficult to employ young Australians and if the rate goes any higher it will become increasingly difficult for the local supermarket owner to retain the employment of the current staff.
54. The prospect of a further wage increase in addition to the 2.5% increase that was awarded in 2021 would seriously damage the ability of many retailers to maintain their businesses and MGA TMA urges the Panel to seriously consider the implications which will inevitably result in store closure and the consequent loss of jobs if any wage increase is introduced in 2022. To ensure job stability, increased workforce participation and the overall performance and competitiveness of the national retail sector, MGA TMA seeks that the Panel considers no wage increase for the GRIA and TIA in 2022.
55. Despite the competitive nature of the industry small independent grocery retailers have managed thus far to hold their position in the industry but the road ahead will be difficult. Because independent retailers are constantly in competition with their rivals, including larger ‘chain store’ retailers, the need for wages to be kept at a reasonable level is a constant worry for them. They understand the need to provide for fair and reasonable wages but there needs to be some period of respite, particularly considering hardships posed in recent years

by disasters like the ongoing COVID-19 pandemic, the 2022 NSW and QLD flooding events and 2019 bushfires. Unless there is a period of respite where small and medium businesses can recover and grow, rather than fighting simply to survive, then this vital sector of the economy will eventually die.

56. MGA TMA submits that while the independent supermarket, liquor and hardware retail sectors are a substantial contributor to Australian employment their longevity in maintaining high employment levels will be greatly assisted by not awarding any wage increase to the GRIA or the TIA in 2022.

B. Timber and Hardware sector

57. There are several issues facing the timber and hardware retail sector that compound with the complexities of operating a small business in an industry that is dominated by much larger 'chain store' businesses. There tends to be a considerable turnover of staff in smaller businesses as they are enticed away by the offer of above-award rates provided by larger national 'chains'. As mentioned previously, these much-larger 'chain' stores have the economies of scale, retained earnings and resources to engage in enterprise bargaining and offer above-award wages as a result. This leads to a shortage of experienced skilled staff in small businesses as they succumb to the attractions of special above-award entitlements and incentives. Members have also expressed concern with government COVID-19 disaster payments and financial assistance for individuals, as these benefits and ease of accessing such benefits have contributed to difficulties in retaining existing staff.
58. The problem of a labour shortage is resolved to a great extent by drawing on overseas labour in order to maintain an effective workforce. However, this then presents other problems as there is a need to provide intensive training and management which adds further cost to the business and this will drive down the financial ability to maintain staff. Further, the impact of COVID-19 related national border closures and restrictions on the arrival of overseas workers has exacerbated existing labour shortage issues, with MGA TMA Members reporting extensive and protracted difficulty in retaining existing and engaging new employees.
59. The high cost of fuel continues to present a major cost to small to medium sized businesses. The cost of diesel and electricity continues to increase and the gap is getting wider. Cost of transport and fuel has also been impacted by the AdBlue shortage late in 2021, with its impact felt into the early months of 2022, as well as developments in Ukraine in early 2022 which saw global oil prices rising by more than a third. Similarly to other industries, the timber industry has also been plagued with increased insurance costs due to increasing business risks and increased costs of imports, particularly the cost of imported timber and other hardware inventory items. The increased cost of imported timber has been particularly keenly felt as imported timber represents a significant proportion of timber sold in Australia. Local and international shipping and transport costs alongside shipping delays and supply chain issues have also increased costs for independent timber and hardware retailers. These shipping costs and delays were created by uncertainties surrounding the Russia-Ukraine conflict, and COVID-19 related staff shortages and other administrative issues in Australia and around the globe. The Russia-Ukraine conflict has also created another uncertainty for the national timber industry, as Russian timber is generally used in structural projects, and certification issues may soon arise for businesses that import and use Russian timber. The industry also continues to contend with the amendments to the Heavy Vehicle National Laws in 2018, other demands surrounding certification and illegal logging legislation. These new laws present additional regulatory burden for independent timber and hardware businesses and have added further to operating costs.
60. Independent hardware retailers and timber wholesalers continue to recover from the 2019 bushfire disaster as State forests and plantations continue to present a source of uncertainty for the timber industry. The State Government's Victorian Forestry Plan has provided significant funding for various sectors of the timber industry however the majority of such 'rounds' of funding has only become available from 2022 and 2023 onwards. The Victorian Government's Native Forest Transition Package requires the transition away from native forestry and indicates that harvesting Victorian native forests must cease by 2030. The Western Australian government has also indicated similar measures, indicating that harvesting Western Australian native forests must cease by 2024. The construction industry has also been plagued with uncertainty created by COVID-19 restrictions and the collapse of construction giant Probuild, with flow-on impacts for timber processors and suppliers. As such, national timber shortages and associated uncertainty persists for the time being and for the foreseeable future.

61. National demand for timber has soared in 2021-22 as communities continue to rebuild homes and critical infrastructure damaged or destroyed by fire and as consumers and builders uptake projects as a result of the Federal Government's HomeBuilder Grant Incentive Scheme. Uptake of the HomeBuilder Grant Incentive Scheme has been described as overwhelming, with Federal Government providing a 12-month extension for applicants to commence construction to meeting such unprecedented demand. There has also been significantly increased consumer demand as a result of COVID-19, as individuals and communities spent more time than ever working from home and working on home and DIY projects. It is evident that timber is an essential renewable resource and has been more important than ever to the Australian economy.

THE FUTURE OF THE AUSTRALIAN ECONOMY

62. At the present time it is difficult to predict the immediate future of the Australian economy. As of March 2022, the economy appears to have rebounded in the wake of the COVID-19 pandemic, with a 3.4% GDP growth in the December 2021 quarter.¹¹ However, this optimistic outlook must be tempered with previous significant contractions in GDP – the -1.9% contraction in the September 2021 quarter and the -6.8% contraction in the June 2020 quarter. Reports of a rebounding and recovering Australian economy must also be tempered with the fact that Government spending was flattened to 0%, public investment fell by 0.1% and private investment fell by 0.2% in the December 2021 quarter.¹²
63. Increased award rates negatively impact the ability of employers to provide sufficient hours of work. Retail employers often manage increases in award rates of pay by reducing the number of hours offered to their employees, and in many instances, they take on that work themselves to mitigate the cost burden. The ability to remain sustainable will largely depend on profit margins and the ability to pay the cost of the essential labour needed to operate the business. Independent grocery stores, supermarkets and timber and hardware suppliers already face razor-thin margins, made thinner by increasing business costs. Any future wage increase will be detrimental to the cost to Members of operating their businesses, as demonstrated in the table below, and many Members will have to generate significantly more revenue in order to remain profitable. The table below provides an estimate of the cost to a retail business of wage increases.
64. As mentioned above, independent retailers operate on thin margins and any slight increase in costs can be detrimental to profits. Our Members operate on an estimated 23% breakeven gross margin, and all costs and expenses must fit within this margin. Examples of costs and expenses that Members must be able to cover within their gross margins include the following:
- (a) wages;
 - (b) rent;
 - (c) fuel and energy;
 - (d) insurance premiums;
 - (e) payroll tax;
 - (f) cleaning and waste management;
 - (g) merchant payment fees;
 - (h) delivery costs;
 - (i) legal, accounting and IT fees;
 - (j) marketing and advertising; and
 - (k) licensing and franchise fees.
65. Of these costs and expenses, approximately 13% is attributable to wages alone. It is becoming increasingly difficult to absorb more costs within this margin without the margin increasing, which will then force retailers to increase prices charged to consumers. Increasing in-store prices will also render independent retailers uncompetitive when compared with the larger national chains, which possess the economies of scale to absorb increased labour costs.

¹¹ Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product* (2 March 2022).

¹² Australian Bureau of Statistics, *Australian National Accounts: National Income, Expenditure and Product* (2 March 2022).

66. It is acknowledged in the Fair Work Commission Annual Wage Review 2021 Decision that smaller retailers may be more affected by COVID-19 than larger retailers:¹³

[288]...as mentioned earlier, the turnover and jobs data shows a considerable diversity of experience across the subdivisions within Retail trade. It is likely that other businesses covered by the award have been substantially impacted.

[289] The degree of impact is likely to be influenced by location (CBD, metropolitan or regional), the subsector in which the business operates and the size of the business. Smaller businesses are less likely to have the resources to quickly pivot to online sales and more likely to operate in a limited number of locations.

[290] If such locations are in areas which have been subject to 'hard lockdowns' then they are likely to have been adversely affected.

[291] As we have mentioned, it is likely that future lockdowns will be of limited duration and localised. Such lockdowns are likely to have adverse consequences for some of the businesses covered by the General Retail Industry Award 2020."

67. MGA TMA conducted a survey of its 2,500 Members, which was issued in December 2021. The survey and its findings are outlined in Annexure A of this submission. The purpose of this survey was to enable Member retailers to record difficulties they have experienced in coping with wage increases and to provide the Commission with evidence of what is likely to happen in the future if a wage increase is introduced which will make business survival difficult in 2022. The results of this survey demonstrate that as a result of the September 2021 wage increase:

- A significant proportion of Members (43.83%) were unable to engage additional employees;
- The majority of Members (52.17%) passed on increased labour costs to consumers in the form of an increases in prices of goods and services; and
- The majority of Members (56.52%) reported reduced profits.

68. Survey results also provided an indication of likely steps considered by Members in the event of any wage increase as a result of the Commission's 2021-22 annual wage review:

- The majority of Members (69.57%) intend to pass on increased labour costs to consumers in the form of increases in prices of goods and services;
- The majority of owners of Member stores (60.87%) intend to perform more hours of work in their businesses themselves; and
- The majority of Members (60.87%) intend to reduce the number of employees engaged.

IMPACTS OF COVID-19 ON GROCERY AND WORKER'S COMPENSATION

69. As result of COVID-19 pandemic, workers with occupations that were not commonly considered as highly hazardous have found themselves in a workplace environment where they are regularly exposed to the transmission of COVID-19. In particular, since the inception of the COVID-19 pandemic, grocery store and supermarket workers have found themselves in this situation, being identified as essential workers through providing critical services to members of the public.

70. Due to the nature of their customer-facing roles, it is undeniable that as frontline workers, supermarket and grocery store employees are at a higher occupational risk of contracting COVID-19 than workers in other industries. However, unlike health care workers, supermarket and grocery store employees have little to no

¹³ Fair Work Commission, *Annual Wage Review decision* (June 2021) 288-291.

prior experience or training in reducing the risk of contracting infectious diseases. In light of the further easing of COVID-19 restrictions, reopening of borders, and repeal of mandatory mask requirements in various states, it is highly anticipated that supermarket and grocery employers will face an increased risk of COVID-19 related workers compensation claims.

71. Each Australian state has differing COVID-19 related worker compensation schemes. Generally, employees are eligible to lodge a worker's compensation claim if they can prove either of the following: that they have contracted COVID-19 out of, or in the course of their employment, and/or that their work activities were a significant or main contributing factor, and/or if they work in an occupational or prescribed category of employment pursuant to the presumptive provisions in their relevant state's worker's compensation legislation. The transmission of COVID-19, as well as the gradual easing of restrictions places an onerous obligation on supermarket and grocery store employers to disprove the evidential burden of causation that their workers had not in fact contracted COVID-19 in the course of their employment. Therefore, this may make it easier for those workers to lodge successful claims. Further to this, Members hold serious concerns that employees engaged under casual or part-time employment agreements may feel they have little option, or be otherwise motivated, to pursue worker's compensation claims on account of limited, or no annual sick or leave entitlements.
72. On 13 October 2021 Safe Work Australia published a report regarding their preliminary data of COVID-19 related workers' compensation claims for the period between 1 January 2020 to 31 December 2020.¹⁴ According to the Safe Work Australia data, there were 1,222 COVID-19 related workers' compensation claims lodged across Australia from 1 January 2020 to 31 December 2020, 974 of which were accepted, 127 were rejected and 121 were pending at the time. The data also shows that of the 1,095 accepted and pending claims, 75% were COVID-19 claims, 19% were mental health claims and 5% were testing or isolation claims. By jurisdiction, Victoria had the highest number of approved and pending claims with 809 claims, followed by NSW with 161 claims and Tasmania with 55 claims.
73. Evidently however, claims have increased significantly over time, as data obtained by ABC News highlights that since the COVID-19 pandemic, there have been an increase of approximately 3,000 COVID-19 related workers compensation claims in Australia,¹⁵ with the highest number of claims registered in New South Wales and Victoria. In particular, Victoria has recorded an amount of approximately \$7.2 million of COVID-19-related worker's compensation claims by November last year, with the future cost expected to increase to \$25.2 million.¹⁶ The NSW state government on the other hand, has estimated that the cost of providing automatic compensation to essential workers for contracting COVID-19 is \$638 million.¹⁷ Yet, despite their high susceptibility to contracting COVID-19, the NSW Government has not made it mandatory for grocery and supermarket workers to be vaccinated. Members have reported their concerns that worker's compensation premiums will increase accordingly resulting in further increased costs of doing business for Members.
74. MGA TMA recognises that supermarket and grocery store employers have, and will continue to, experience significant financial strain due to the continual control measures they will need to adopt in minimising the risk of COVID-19 in the workplace. MGA TMA considers it is unreasonable for smaller supermarket and grocery retailers to bear the financial costs as well as the operational costs of COVID-19 related injuries and illnesses of its workers in addition to dealing with the annual increase in worker's wages.

¹⁴ 'COVID-19 related worker's compensation claims – Safe Work Australia', Australian Government infographic, 31 October 2021) <<https://www.safeworkaustralia.gov.au/sites/default/files/2021-10/COVID-19%20related%20workers%27%20compensation%20claims%20-%201%20January%20to%2031%20December%202020.pdf>>.

¹⁵ Rhiana Whitson, 'Lawsuits and workers compensation claims to rise as workers catch COVID', ABC (online, 10 November 2021) <<https://www.abc.net.au/news/2021-11-10/covid-19-workers-comp-business-industrial-relations/100602874>>.

¹⁶ Mark Rosanes, 'COVID-19 workers' compensation – a state-by-state guide', *Insurance Business Australia*, (online, 19 February 2022) <<https://www.insurancebusinessmag.com/au/news/breaking-news/covid19-workers-compensation--a-statebystate-guide-326062.aspx>>.

¹⁷ Roxanne Libatique, 'Cost of providing COVID-19 workers comp cover 'overestimated'', *Insurance Business Australia* (online, 29 January 2022) <<https://www.insurancebusinessmag.com/au/news/breaking-news/cost-of-providing-covid19-workers-comp-cover-overestimated-323647.aspx>>.

FURTHER COSTS THAT SMALL BUSINESSES MUST ABSORB

75. In addition to COVID-19-related costs, businesses also must absorb the costs of superannuation, payroll tax, increased transport costs, rising inflation, and for unfortunate communities in northern New South Wales and south-east Queensland, the cost of rebuilding after 'one-in-1000 year' floods.¹⁸
76. The superannuation guarantee percentage will rise by an additional 0.5% to 10.5% on 1 July 2022 and will rise by another 0.5% each year until 2025, when it will be set at 12%. Businesses must absorb this increase on two fronts. Firstly, businesses must contribute an extra 0.5% of superannuation each year. Secondly, due to the superannuation guarantee being a fixed percentage of an employee's ordinary time earnings during the relevant quarter, the net amount of superannuation contributed also increases alongside any increase in minimum wages payable. As such, if the Commission comes to a decision to increase minimum award wages in 2022 and in following years, businesses' total superannuation contributions will not only increase by 0.5% but will also increase proportionately to any increase in wages. This is not an insignificant extra cost for businesses. Following the Commission's 2021 decision to increase the national minimum wage and award wages by 2.5%, the government noted that Australia's minimum wage was already the highest in the OECD.¹⁹ Currently, Australia has the third highest minimum wages in the OECD, as adjusted using national Consumer Price Indices.²⁰ Together with the cost of wages, superannuation poses a significant cost to businesses, and it will only continue to increase each year. In fact, top Australian economists opposed the increase to superannuation, citing, among other things, that 'higher superannuation payments in an environment where wages are unlikely to rise and cannot fall will raise real labour costs and reduce the incentive to employ'.²¹ Although some businesses may be able to absorb the costs, each employee becomes more expensive to employ. Businesses may choose to allocate the same or more duties among less staff in order to keep total amount spent on wages manageable. The 'Retirement Income Review' published by the Commonwealth Government in July 2020 found that 'the weight of evidence suggests the majority of increases in the [superannuation guarantee] come at the expense of growth in wages'.²² We submit that this is because small and medium business owners simply cannot afford increases in superannuation guarantee in addition to the already high minimum wage. Increasing the minimum wages payable under the modern awards would only compound the issue posed by the increases in superannuation guarantee.
77. The greatest cost to a business is its wages, which are currently rising due to inflation.²³ While the Australian Dollar (**AUD**) remained strong throughout most of the COVID-19 pandemic because the country avoided the worst of the effects of the pandemic, the AUD fell as the result of the Omicron wave of COVID-19.²⁴ It is predicted that rising inflation and a slowing economy are long-term issues, with inflation set to increase further in 2022.²⁵ It is projected that inflation will reach 2.5 per cent over 2023.²⁶ Labour cost growth rose to 1.9% in

¹⁸ Adam Morton & Graham Readfearn, 'Are eastern Australia's catastrophic floods really a one-in-1,000 year event?', *The Guardian* (online, 4 March 2022) <<https://www.theguardian.com/australia-news/2022/mar/04/are-eastern-australias-catastrophic-floods-really-a-one-in-1000-year-event>>.

¹⁹ Adam Morton & Graham Readfearn, 'Are eastern Australia's catastrophic floods really a one-in-1,000 year event?', *The Guardian* (online, 4 March 2022) <<https://www.theguardian.com/australia-news/2022/mar/04/are-eastern-australias-catastrophic-floods-really-a-one-in-1000-year-event>>.

²⁰ Organisation for Economic Co-operation and Development, 'Real Minimum Wages', (accessed 9 February 2022) <<https://stats.oecd.org/index.aspx?DataSetCode=RMW>>.

²¹ Wes Mountain, 'Australia's top economists oppose the next increases in compulsory super', *The Conversation*, (online, 30 August 2020) <<https://theconversation.com/australias-top-economists-oppose-the-next-increases-in-compulsory-super-145111>>.

²² Australian Treasury, *Retirement Income Review* (final report, July 2020) 160.

²³ Peter Hannam, 'Australian Wages rise at faster pace in more than three years in December quarter', *The Guardian* (online, 23 February 2022) <<https://www.theguardian.com/business/2022/feb/23/australians-wages-rise-at-fastest-pace-in-more-than-three-years-in-december-quarter>>.

²⁴ Rachel Pupazzoni, 'Will the economic 'roller coaster' continue in 2022? Here's what these experts think', *ABC News*, (online, 29 December 2021) <<https://www.abc.net.au/news/2021-12-29/australias-economy-in-2022/100728146>>; Paulina Duran, 'Australia, NZ dollars fall on Omicron concerns', *Reuters* (online, 14 December 2021) <[https://www.reuters.com/markets/rates-bonds/australia-nz-dollars-fall-omicron-concerns-2021-12-14/#:~:text=SYDNEY%2C%20Dec%2014%20\(Reuters\),%240.7096%20%2C%20the%20lowest%20since%20Dec](https://www.reuters.com/markets/rates-bonds/australia-nz-dollars-fall-omicron-concerns-2021-12-14/#:~:text=SYDNEY%2C%20Dec%2014%20(Reuters),%240.7096%20%2C%20the%20lowest%20since%20Dec)>.

²⁵ Rachel Pupazzoni, 'Will the economic 'roller coaster' continue in 2022? Here's what these experts think', *ABC News*, (online, 29 December 2021) <<https://www.abc.net.au/news/2021-12-29/australias-economy-in-2022/100728146>>; Nab Group Economics, 'Monthly Business Survey: December 2021', *NAB Business Research and Insights*, (online, 25 January 2022) <<https://business.nab.com.au/monthly-business-survey-december-2021-50834/>>.

²⁶ *Ibid.*

December 2021, accompanied by price pressures due to disruption to supply chains and labour markets.²⁷ An increase in wages is affordable if a business experiences unit growth by selling more product. However, if wages rise due to inflation and unit growth does not increase commensurately, the business must instead absorb the cost of higher wages unless it chooses to raise prices per unit. An increase in the superannuation guarantee paired with increasing wages means that businesses are less able to cover the cost of each employee, which may leave many businesses with little choice but to increase the prices of goods and services.

78. A business faced with rising wages costs may choose to allow this to eat into profits and threaten financial viability, or choose to pass the increased cost onto consumers, or reduce its total number of staff. A business faced with this economic reality may have no option other than to reduce its total expenditure on wages by decreasing its total number of employees, or give existing employees fewer hours of work. This is because higher wages are not being offset by unit growth, but rather driven up by the twin effects of superannuation and inflation. Payroll tax, too, presents a further cost to businesses, as it is a fixed percentage of which the net amount paid increases with wage growth. Other expenses that businesses must absorb include rent, which is approximately 2% of turnover, and insurance, which has increased lately due to increased risks in doing business.²⁸ States and Territories across Australia have acknowledged the hardships faced by businesses by introducing temporary commercial rent relief schemes to assist struggling commercial tenants.²⁹ However labour costs continue to increase in the long term as seen in Victoria, where from 1 January 2022, businesses operating with taxable wages exceeding \$10 million per annum or \$833,333 per month must absorb the mental health and wellbeing surcharge equivalent to 0.5% of taxable wages.³⁰
79. The price of petrol has also increased, not only due to recent inflation surges,³¹ but due to supply chain disruptions and the impact of the war in Ukraine.³² Oil prices reached above \$100 a barrel for the first time since 2014, and Australian petrol prices increased in turn,³³ and are expected to reach \$2.10 per litre.³⁴ An increase in petrol prices increases the costs of essential goods that must be transported to warehouses, and then onto retail stores.³⁵ The increase in petrol prices will have a greater effect for businesses in regional, rural and remote areas, where there is a lower population, less fuel outlets, less competition, and a higher cost to transport and store fuel.³⁶ Even when the price of transport increases, consumers expect to pay the same for essential goods obtained from supermarkets. Therefore, the business must also absorb these costs. Together, these factors make a significant dent in operating costs for businesses, particularly our Members who are small and medium community-based independent retailers.
80. Wages are also inextricably linked to a business' turnover. The supermarket industry has been fortunate during the COVID-19 pandemic, in that we have provided an essential service that has continued to be patronised by customers throughout the pandemic. However, our industry has also been plagued by supply chain issues, rising costs and staff shortages due to the effects of COVID-19 and the 2022 flooding. Specifically, businesses have not been able to sell as much as they have experienced difficult procuring stock or staff to fill shelves.

²⁷ Nab Group Economics, 'Monthly Business Survey: December 2021', *NAB Business Research and Insights*, (online, 25 January 2022) <<https://business.nab.com.au/monthly-business-survey-december-2021-50834/>>. <https://business.nab.com.au/monthly-business-survey-december-2021-50834/>

²⁸ Nick Lenaghan, 'Rising rents could be the sleeper factor for inflation', *Financial Review*, (online, 11 February 2022) <<https://www.afr.com/property/residential/rising-rents-could-be-the-sleeper-factor-for-inflation-20220210-p59vivy>>.

²⁹ Lexis Nexis, 'Commercial leases under strain as emergency protections roll back', *Lexis Nexis Insights and Analysis*, (online, 18 November 2021) <<https://www.lexisnexis.com.au/en/insights-and-analysis/practice-intelligence/2021/commercial-leases-under-strain-as-emergency-protections-roll-back>>.

³⁰ State Revenue Office Victoria, 'Mental Health and wellbeing surcharge', (online 17 August 2021) <<https://www.sro.vic.gov.au/mentalhealthsurcharge>>.

³¹ Michael Janda, Rhiana Whitson & Emilia Terzon, 'Inflation surges as housing and fuel lift consumer price index', *ABC News*, (online, 25 January 2022) <<https://www.abc.net.au/news/2022-01-25/inflation-rises-as-housing-fuel-lift-consumer-price-index/100779682>>.

³² Julia Kollewe, 'Oil Jumps to \$105, gas prices surge and global stocks tumble after Ukraine invasion as it happened', *The Guardian*, (online, 25 February 2022) <<https://www.theguardian.com/business/live/2022/feb/24/oil-prices-rise-100-global-stock-markets-plunge-russia-invades-ukraine-business-live>>.

³³ Global Petrol Prices, (online, 21 March 2022) <https://www.globalpetrolprices.com/Australia/gasoline_prices/#:-:text=Gasoline%20prices%20per%20litre%2C%20octane,on%2028%2DFeb%2D2022>.

³⁴ Ellen Duffy, 'What Russia's war means for Australian petrol prices: \$2.10 a litre', *The Conversation*, (online, 24 February 2022) <<https://theconversation.com/what-russias-war-means-for-australian-petrol-prices-2-10-a-litre-177719>>.

³⁵ Michael Janda, Rhiana Whitson & Emilia Terzon, 'Inflation surges as housing and fuel lift consumer price index', *ABC News*, (online, 25 January 2022) <<https://www.abc.net.au/news/2022-01-25/inflation-rises-as-housing-fuel-lift-consumer-price-index/100779682>>.

³⁶ Australian Competition & Consumer Commission, 'Fuel in Regional Australia', <<https://www.accc.gov.au/consumers/petrol-diesel-log/fuel-in-regional-australia>>.

These effects are especially felt for shops in regional and rural areas outside the big cities, who cannot source local casual employees to replace unvaccinated, unwell or isolating permanent staff. Members have reported that recent sales have been fluctuating and are difficult to predict. While we are a vital and resilient industry, we have had a tumultuous couple of years, and it is not easy to predict the changes that may occur in Members' stores over the next year.

81. In Australia, floods are the most expensive type of natural disaster.³⁷ In addition to the significant impact of loss of life, extreme flooding can result in damage to infrastructure, disruption to transport routes and short-term reductions in tourism.³⁸ The recent unprecedented flooding in eastern New South Wales and Queensland has caused almost \$2 billion dollars in damage, at the time that this submission was prepared.³⁹ It is predicted that following this event, 'thousands [of Australians] will see their insurance premiums double or triple within decades' as flood insurance costs are set to run into the billions of dollars.⁴⁰ The floods also impacted the New South Wales and Queensland east coast supply chain and shut down retail stores, and many towns were cut off by the floodwater.⁴¹ At time of writing, the full cost of the flooding to independent businesses has not yet been calculated, as the weather event is ongoing and the clean-up has only begun. It is likely that businesses affected by the floods will have to face various costs including the cost of rebuilding stores that have suffered structural damage, as well as replacing stock and damaged property. In 2011, a similar La Niña weather pattern along with Cyclones Tasha and Yasi also resulted in a damage bill of around \$2 billion dollars to parts of Queensland, New South Wales, and Victoria, and it was estimated that it would take years to repair and rebuild.⁴² It is important that independent businesses weather these flooding events. Local businesses were at the heart of communities' recovery from Cyclone Yasi,⁴³ similarly to local businesses being disproportionately affected by the 2022 flooding.
82. We ask the Commission to keep in mind the effects of rising superannuation costs, inflation, transport costs, payroll tax, and the effects of the recent devastating floods when considering an increase to the national wage this year.

CONCLUSION

83. Independent retailers have been continually challenged throughout the last financial year with higher wages, reduced margins and pressures created by COVID-19. They want to provide additional hours to staff but they are unable to do so. Our Members work tirelessly to cope with the challenges of higher wages, higher business costs, business uncertainty and regulatory burdens.
84. Our Members' businesses have also remained the point of entry into employment for countless employees across Australia, including in those areas around Australia that see exceptionally high youth unemployment. Independent supermarkets, grocery and liquor stores, and hardware and timber businesses that make up our Members are mainly small to medium and generally employ staff under the relevant Award and therefore are more susceptible to the economic pressures that flow from increases to the award minimum wages. Any increase to award wages will impact our members and detrimentally affect the retail industry and its employees.
85. Over the last three years our members have coped with three significant annual wage increases in the face of natural disasters and the COVID-19 crisis. Superannuation guarantee has also increased 0.5% in 2022 and will continue to increase in the coming years. The wage increase in 2019 was 3.0%, the increase in 2020 was 1.75% and 2.5% in 2021. Therefore, the combined impact of 7.25% in the space of three years has resulted in

³⁷ Queensland Government Office of the Queensland Chief Scientist, 'What are the consequences of Floods,' <<https://www.chiefscientist.qld.gov.au/publications/understanding-floods/flood-consequences>>.

³⁸ Ibid.

³⁹ Mark Ludlow, Liam Walsh & Tess Bennett, 'Flood damage bill set to top \$2b', *Financial Review* (online, 2 March 2022) <<https://www.afr.com/politics/floods-damage-bill-set-to-top-2b-20220302-p5a0z5>>.

⁴⁰ ABC News, 'Flood Insurance costs set to run into billions of dollars' (YouTube, 3 March 2022) <<https://www.youtube.com/watch?v=BcNhQG1tjak>>.

⁴¹ Mark Ludlow, Liam Walsh & Tess Bennett, 'Flood damage bill set to top \$2b', *Financial Review* (online, 2 March 2022) <<https://www.afr.com/politics/floods-damage-bill-set-to-top-2b-20220302-p5a0z5>>.

⁴² Reserve Bank of Australia, *Statement on Monetary Policy*, 'The Impact of the Recent Floods on the Australian Economy', <<https://www.rba.gov.au/publications/smp/2011/feb/pdf/box-a.pdf>>.

⁴³ checked 07/03/22 Nathalie Fernbach, 'Yasi's lesson: local business the key to rebuilding after cyclones', *ABC News*, (online, 11 April 2017) <<https://www.abc.net.au/news/2017-04-11/cyclone-yasi-lessons-to-rebuild-stronger-communities/8431964>>.

extreme hardship for MGA TMA Members and any increase similar to the last three years will have devastating consequences, particularly in terms of employment in the industry.

86. As a result of wage increases, MGA TMA Members have already engaged in various practices in an effort to cope with the rising costs of operating their business, including working additional hours as business owners, engaging in staff reductions, reducing employment hours and/or seeking to employ only junior staff. However, these cost saving efforts are not sustainable.
87. MGA TMA sincerely thanks the Commission for this opportunity to make a submission to the Minimum Wage Panel for the purposes of the Annual Wage Review 2021-2022.

MGA TMA urges the Panel to consider these factors and not award an increase to wages in 2022/2023, to allow independent supermarkets, liquor, timber and hardware stores to remain viable and serve as an important source of employment in Australia.



Jos de Bruin
CEO
Master Grocers Australia
29 March 2022



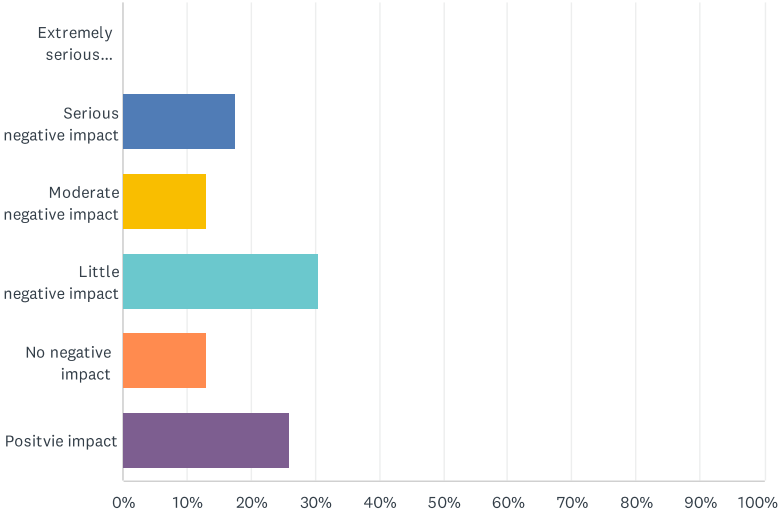
Angeline Lee
Employment Lawyer (Associate)
Master Grocers Australia
29 March 2022

Annexure A

Annual Wage Review Survey

Q1 How has your business been affected as a result of the COVID-19 pandemic?

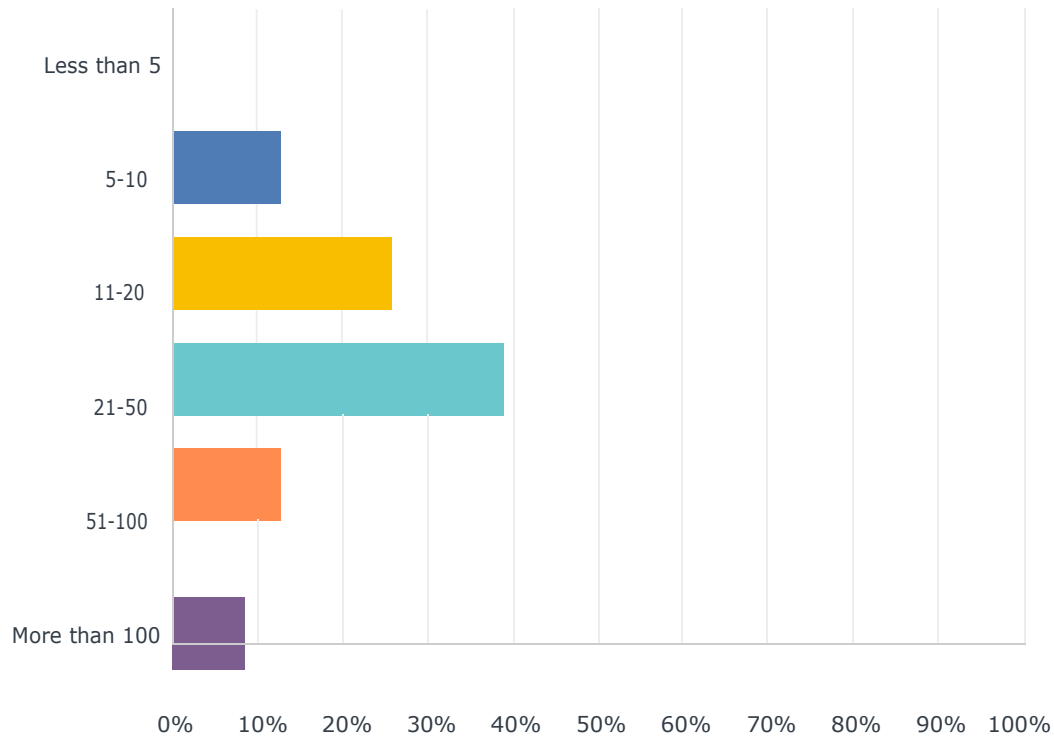
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Extremely serious negative impact	0.00%	0
Serious negative impact	17.39%	4
Moderate negative impact	13.04%	3
Little negative impact	30.43%	7
No negative impact	13.04%	3
Positvie impact	26.09%	6
TOTAL		23

Q2 How many employees do you currently employ?

Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Less than 5	0.00%	0
5-10	13.04%	3
11-20	26.09%	6
21-50	39.13%	9
51-100	13.04%	3
More than 100	8.70%	2
TOTAL		23

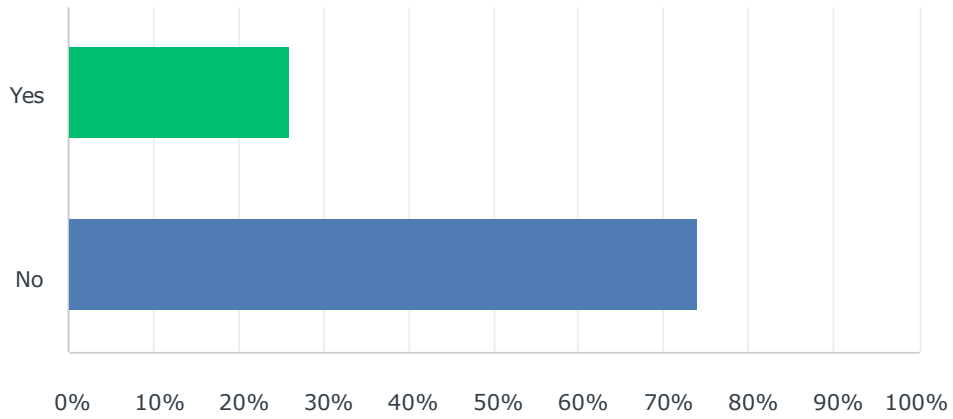
Q3 How many of the following employees do you have?

Answered: 23 Skipped: 0

ANSWER CHOICES	RESPONSES	
Casual employees	95.65%	22
Full time employees	73.91%	17
Part - time employees	69.57%	16

Q4 Were you forced to reduce staff numbers in 2021/2022?

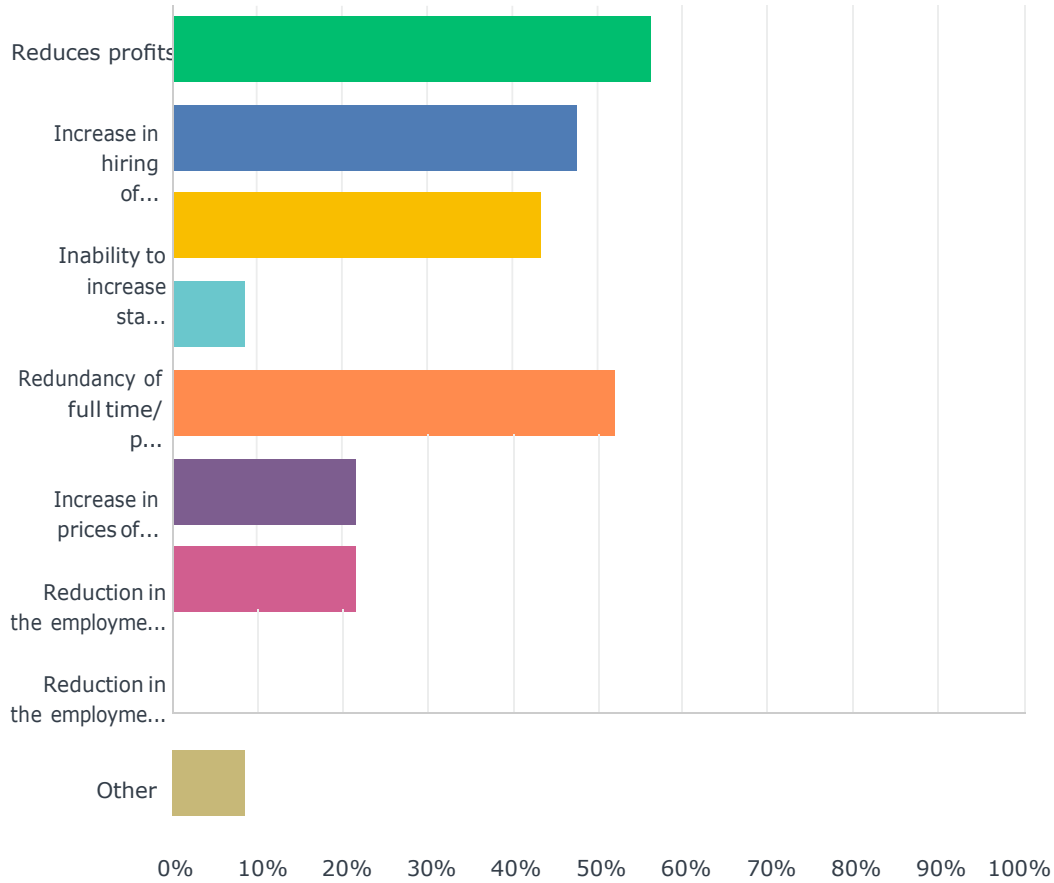
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	26.09%	6
No	73.91%	17
TOTAL		23

Q5 What impact did the 2.5% wage increase effective 1 September 2021 have on your business?

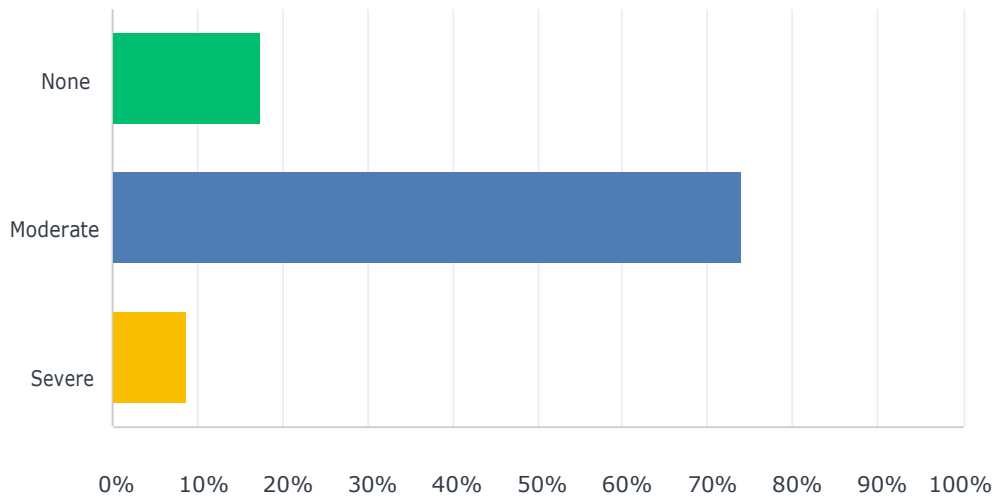
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Reduces profits	56.52%	13
Increase in hiring of junior employees	47.83%	11
Inability to increase staff numbers	43.48%	10
Redundancy of full time/ part time staff	8.70%	2
Increase in prices of goods/services	52.17%	12
Reduction in the employment of casual staff over 2020/21?	21.74%	5
Reduction in the employment of permanent staff over 2020/21?	21.74%	5
Other	8.70%	2
Total Respondents: 23		

Q6 Has energy costs affected your business operations during the last 12 months, and if so to what extent?

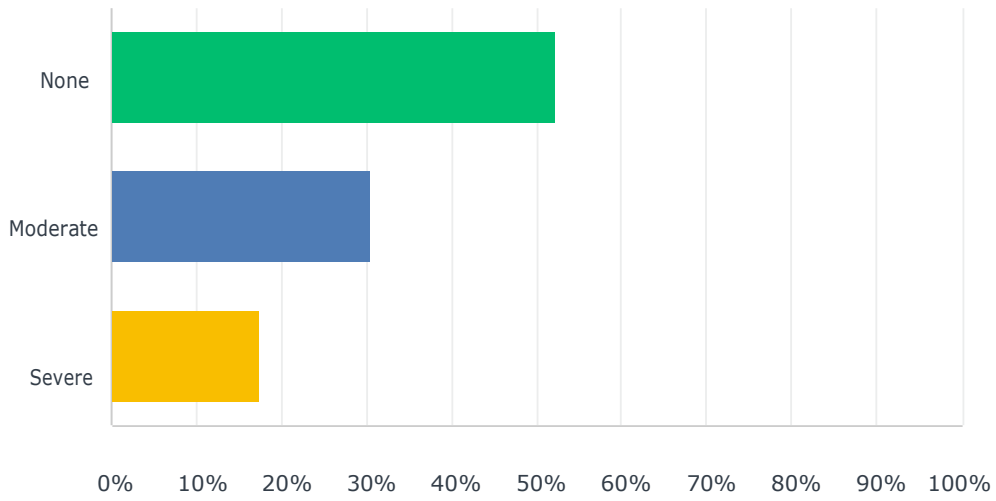
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	17.39%	4
Moderate	73.91%	17
Severe	8.70%	2
Total Respondents: 23		

Q6 Has Payroll Tax affected your business operations during the last 12 months, and if so to what extent?

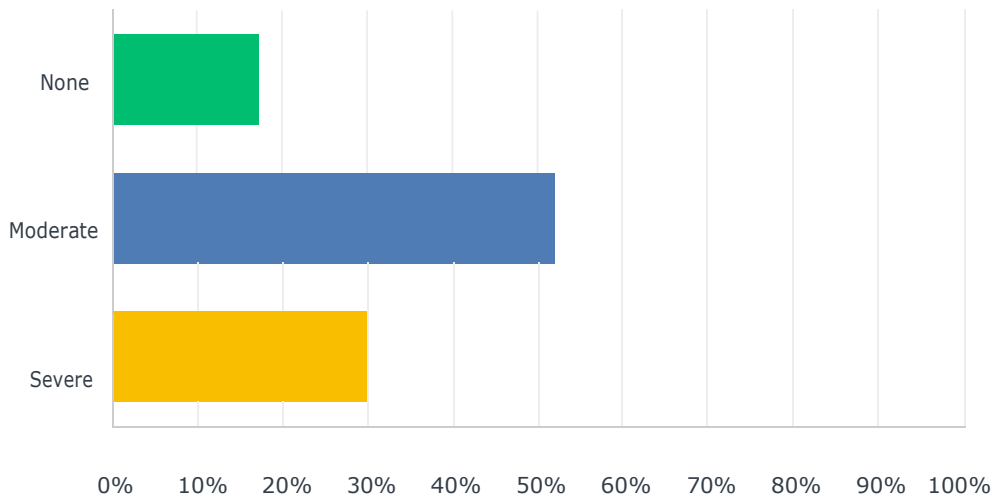
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	52.17%	12
Moderate	30.43%	7
Severe	17.39%	4
TOTAL		23

Q6 Has Competition with large Corporations affected your business operations during the last 12 months, and if so to what extent?

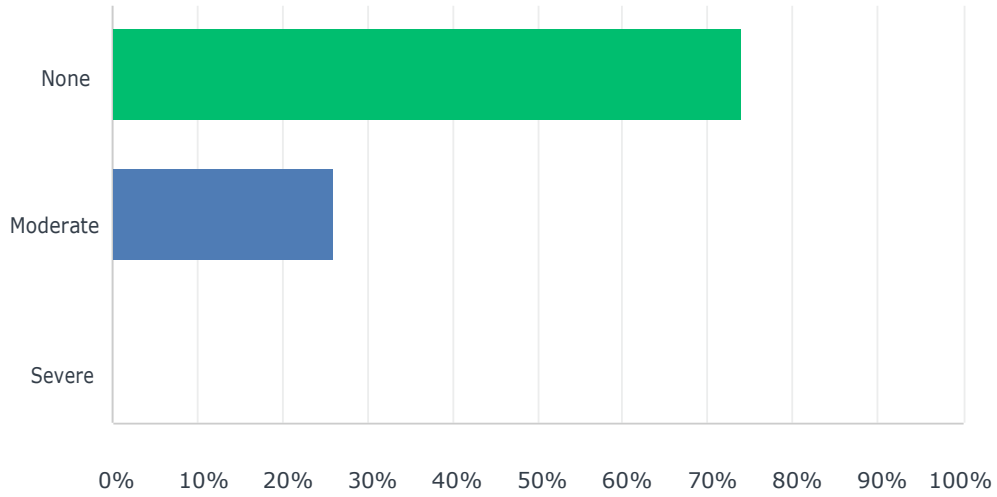
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	17.39%	4
Moderate	52.17%	12
Severe	30.43%	7
TOTAL		23

Q6 Have Licensing Issues affected your business operations during the last 12 months, and if so to what extent?

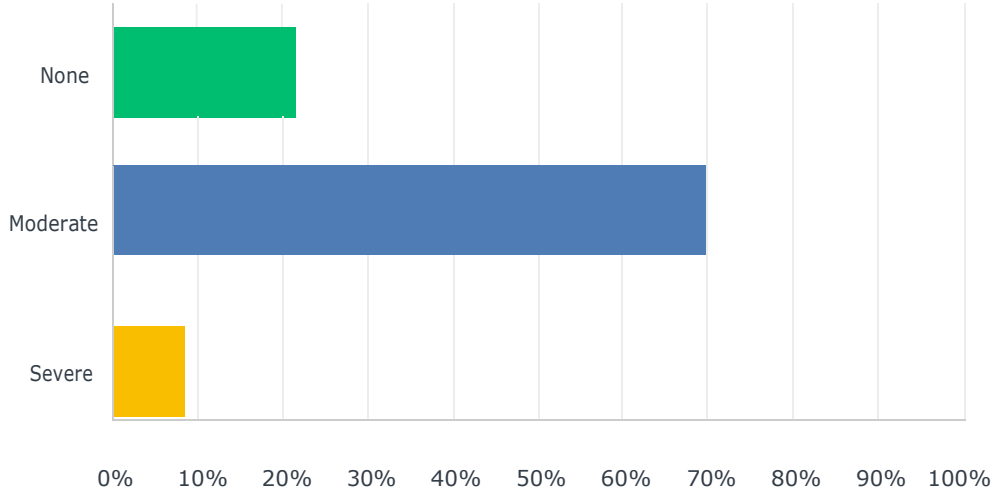
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	73.91%	17
Moderate	26.09%	6
Severe	0.00%	0
Total Respondents: 23		

Q6 Has Red Tape/Compliance Costs affected your business operations during the last 12 months, and if so to what extent?

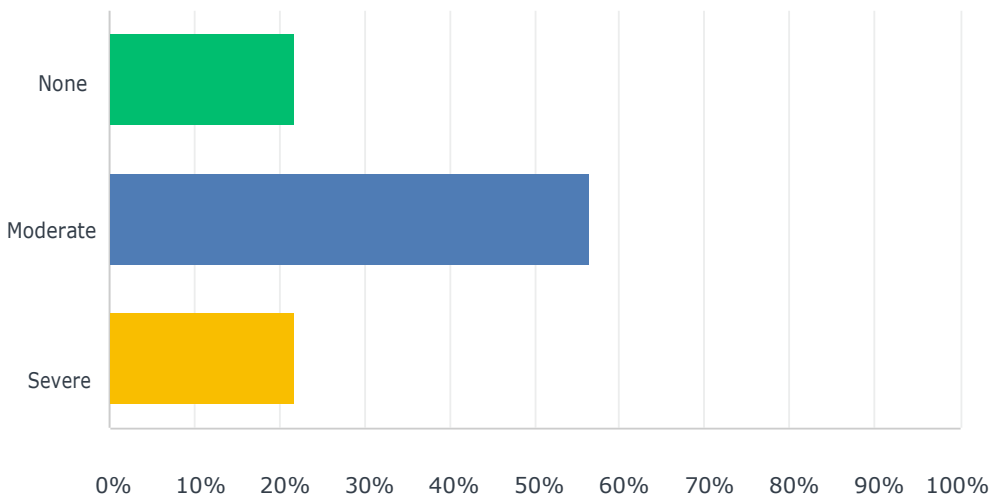
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	21.74%	5
Moderate	69.57%	16
Severe	8.70%	2
TOTAL		23

Q6 Has Staff Shortages affected your business operations during the last 12 months, and if so to what extent?

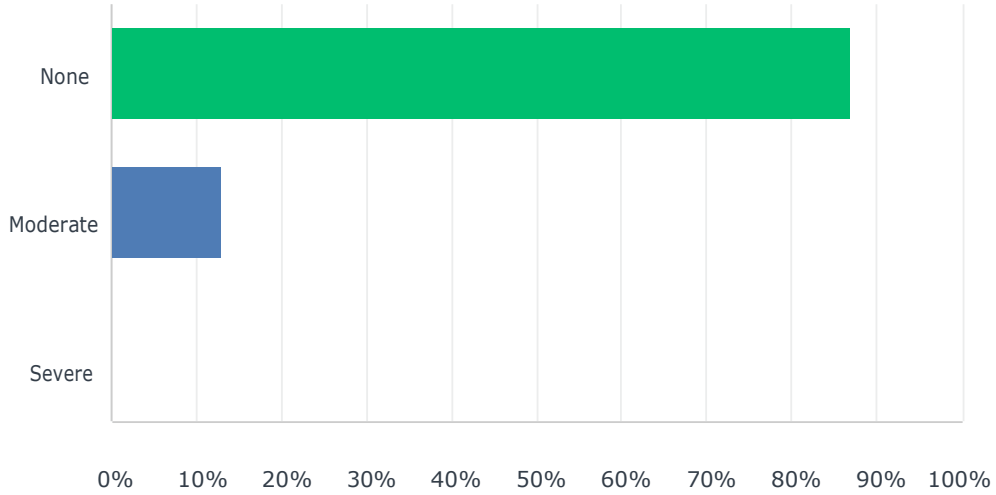
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	21.74%	5
Moderate	56.52%	13
Severe	21.74%	5
Total Respondents: 23		

Q6 Has Temporary closure due to COVID-19 transmission affected your business operations during the last 12 months, and if so to what extent?

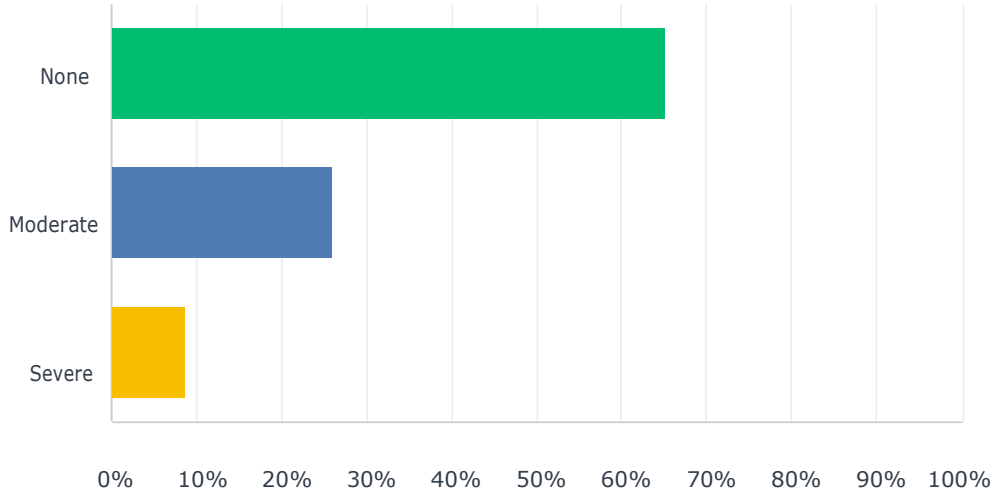
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	86.96%	20
Moderate	13.04%	3
Severe	0.00%	0
Total Respondents: 23		

Q6 Has Staff shortages due Government COVID-19 vaccination mandates affected your business operations during the last 12 months, and if so to what extent?

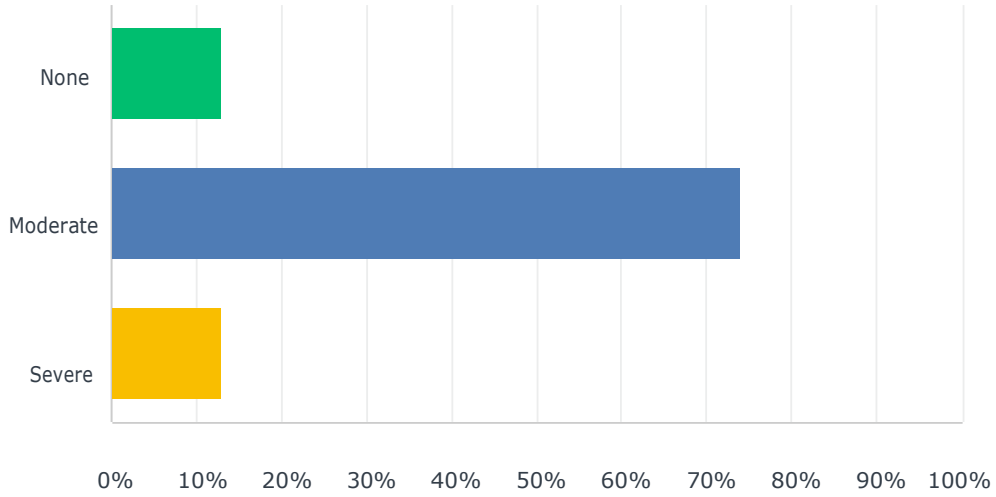
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	65.22%	15
Moderate	26.09%	6
Severe	8.70%	2
TOTAL		23

Q6 Have Costs expended to reduce COVID-19 transmission affected your business operations during the last 12 months, and if so to what extent?

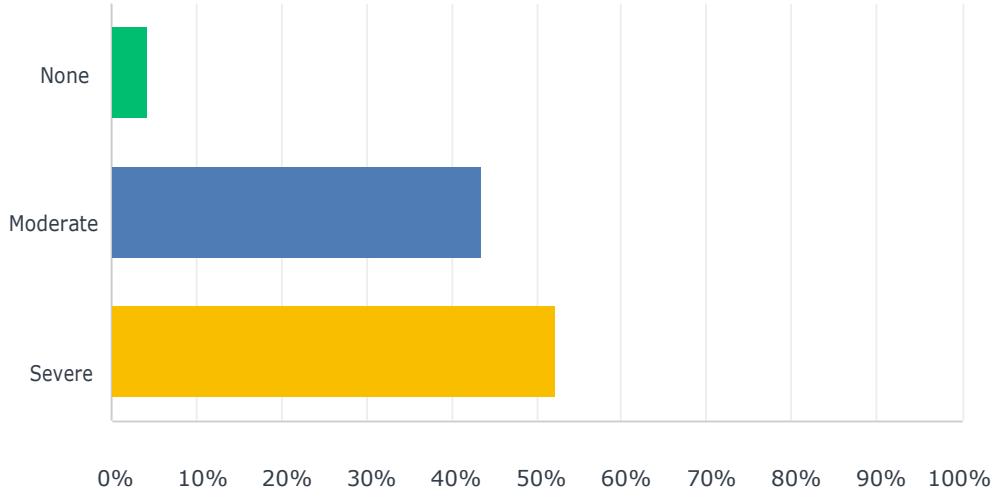
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	13.04%	3
Moderate	73.91%	17
Severe	13.04%	3
Total Respondents: 23		

Q6 Have Supply chain issues affected your business operations during the last 12 months, and if so to what extent?

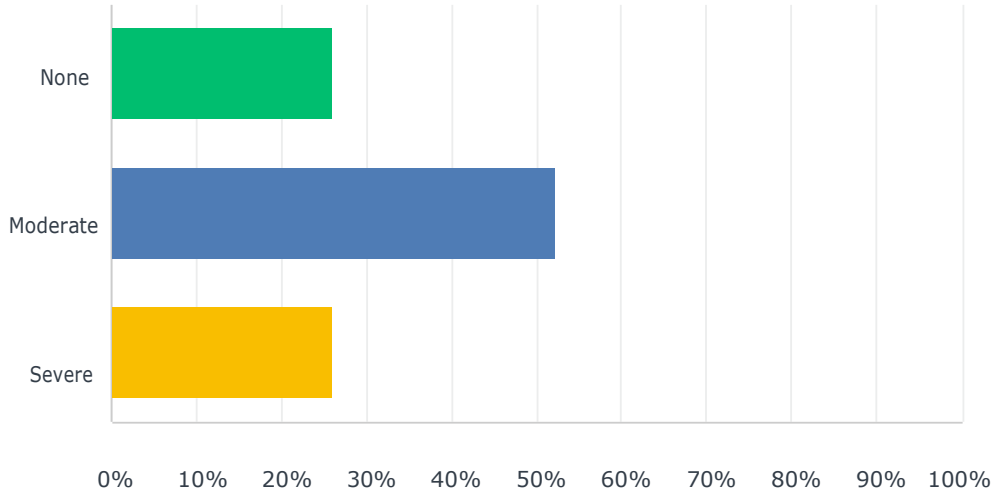
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES
None	4.35% 1
Moderate	43.48% 10
Severe	52.17% 12
Total Respondents: 23	

Q6 Have Border closures due to COVID-19 transmission affected your business operations during the last 12 months, and if so to what extent?

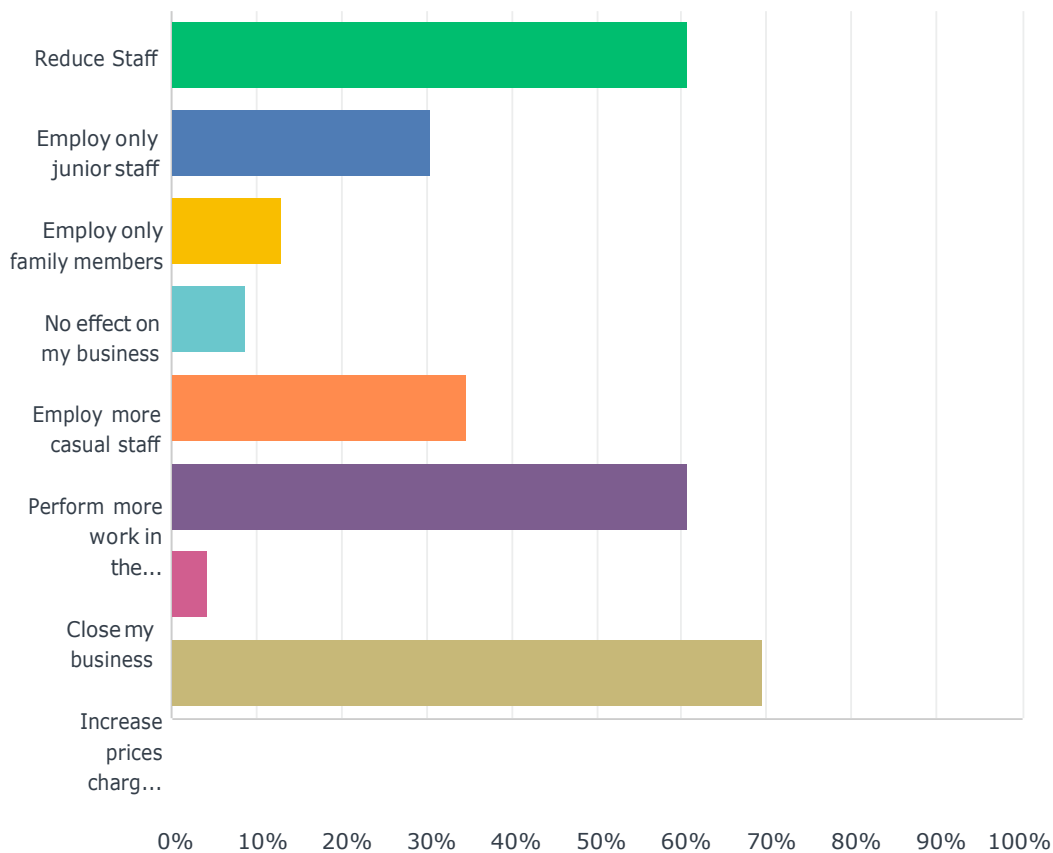
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	26.09%	6
Moderate	52.17%	12
Severe	26.09%	6
Total Respondents: 23		

Q7 If there is an increase in wages 2022, might you take any of the following steps as a result?

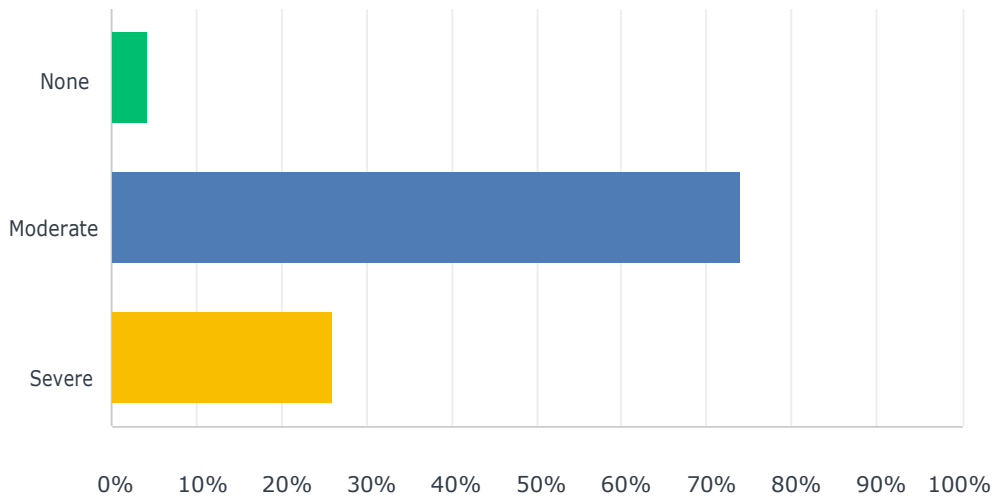
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Reduce Staff	60.87%	14
Employ only junior staff	30.43%	7
Employ only family members	13.04%	3
No effect on my business	8.70%	2
Employ more casual staff	34.78%	8
Perform more work in the business myself	60.87%	14
Close my business	4.35%	1
Increase prices charged to customers	69.57%	16
Total Respondents: 23		

Q8 What impact will a wage increase in 2021/22 have on your business, and to what extent?
 Answer: Reduced Profits

Answered: 23 Skipped: 0

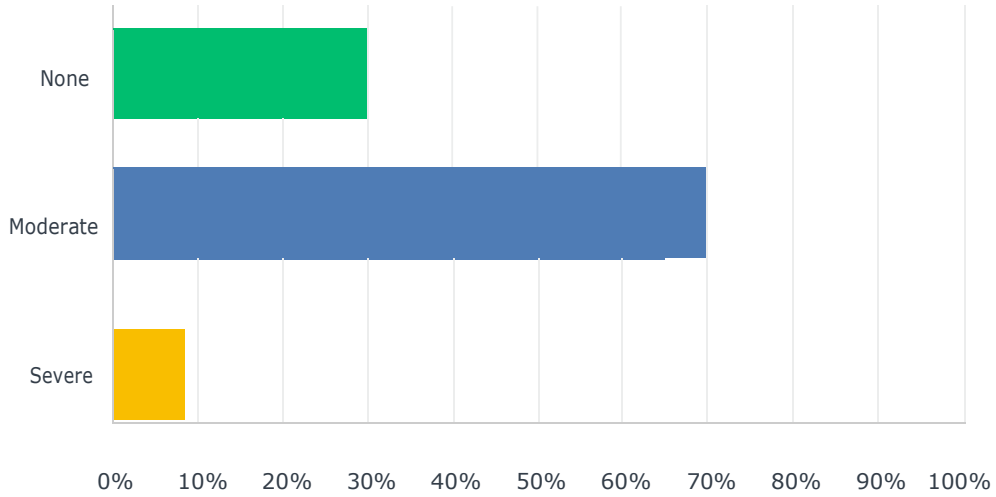


ANSWER CHOICES	RESPONSES	
None	4.35%	1
Moderate	73.91%	17
Severe	26.09%	6
Total Respondents: 23		

Q8 What impact will a wage increase in 2021/22 have on your business, and to what extent?

Answer: Reduced staff members

Answered: 23 Skipped: 0

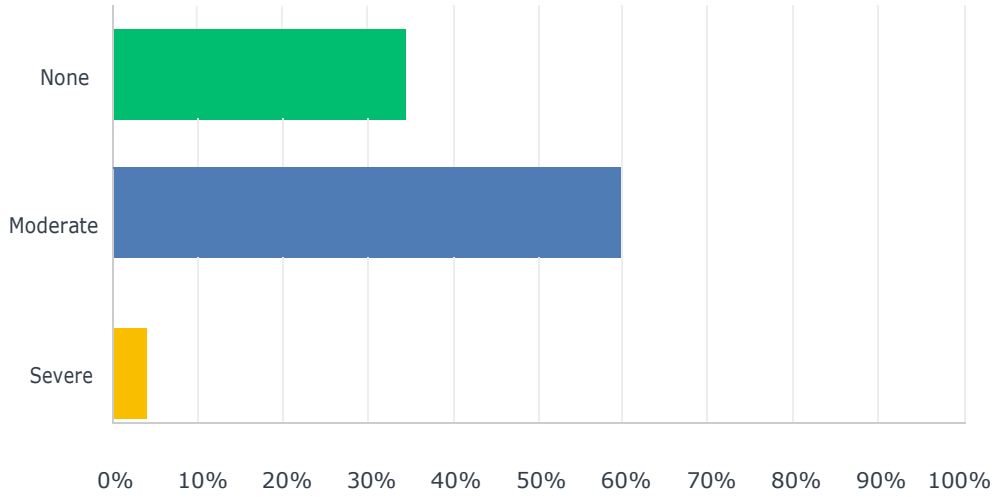


ANSWER CHOICES	RESPONSES
None	30.43% 7
Moderate	65.22% 15
Severe	8.70% 2
Total Respondents: 23	

Q8 What impact will a wage increase in 2021/22 have on your business, and to what extent?

Answer: Increase in hiring of junior employees

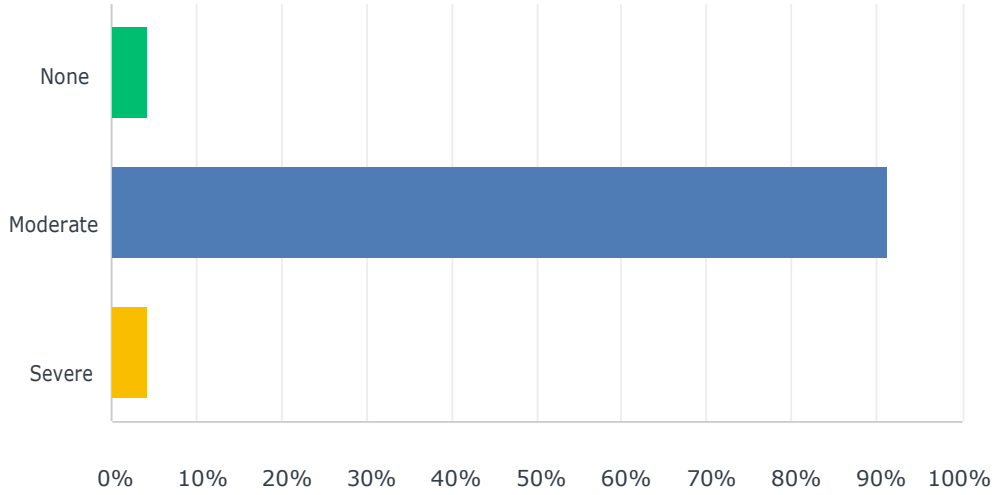
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	34.78%	8
Moderate	60.87%	14
Severe	4.35%	1
Total Respondents: 23		

Q8 What impact will a wage increase in 2021/22 have on your business, and to what extent?
 Answer: Increase in prices of goods/services

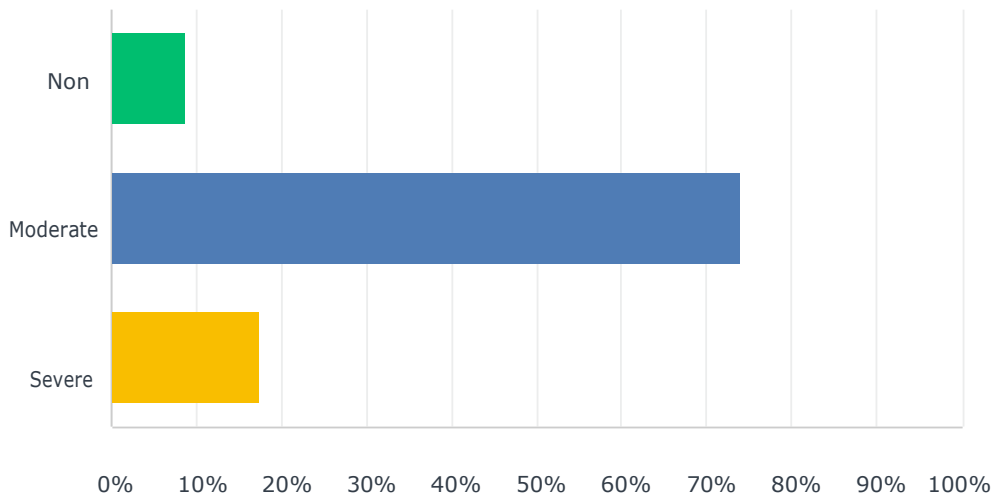
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	4.35%	1
Moderate	91.30%	21
Severe	4.35%	1
Total Respondents: 23		

Q8 What impact will a wage increase in 2021/22 have on your business, and to what extent?
 Answer: Inability to increase staff members

Answered: 23 Skipped: 0

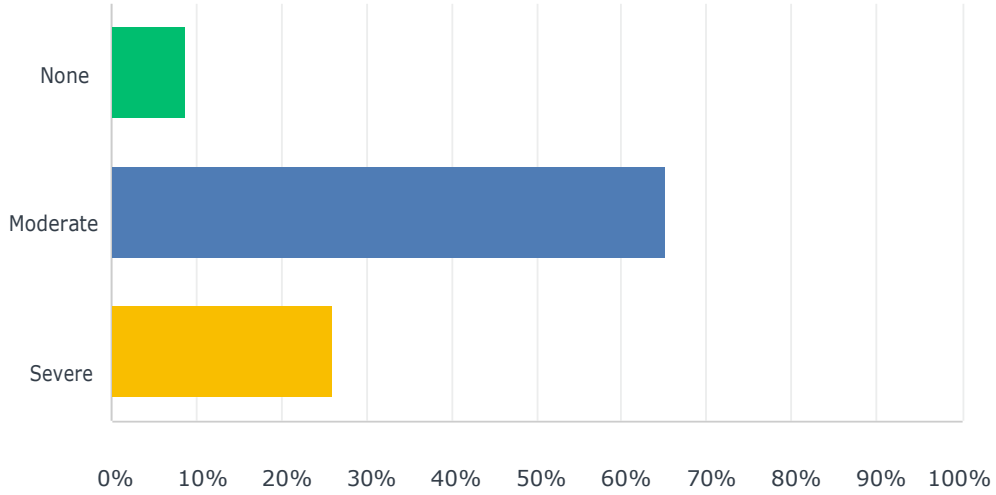


ANSWER CHOICES	RESPONSES	
Non	8.70%	2
Moderate	73.91%	17
Severe	17.39%	4
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Sales Performance

Answered: 23 Skipped: 0

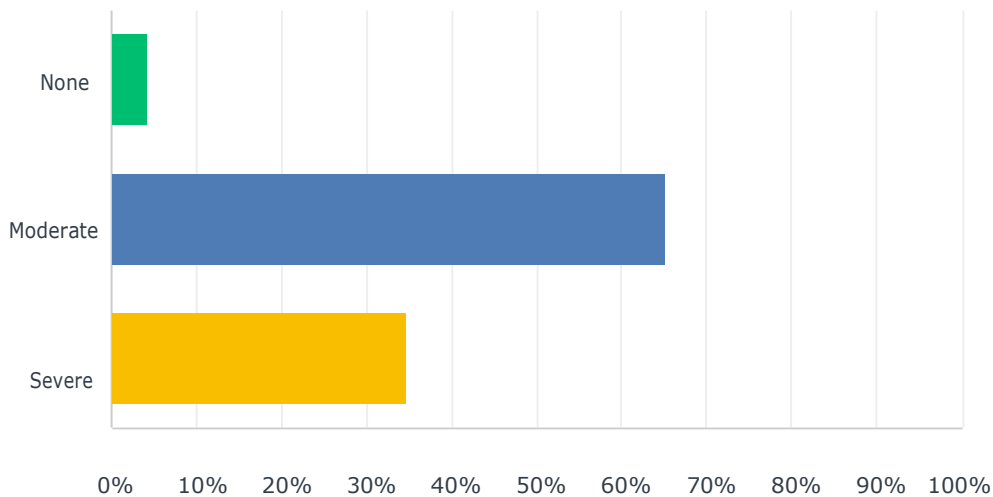


ANSWER CHOICES	RESPONSES	
None	8.70%	2
Moderate	65.22%	15
Severe	26.09%	6
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Competition

Answered: 23 Skipped: 0

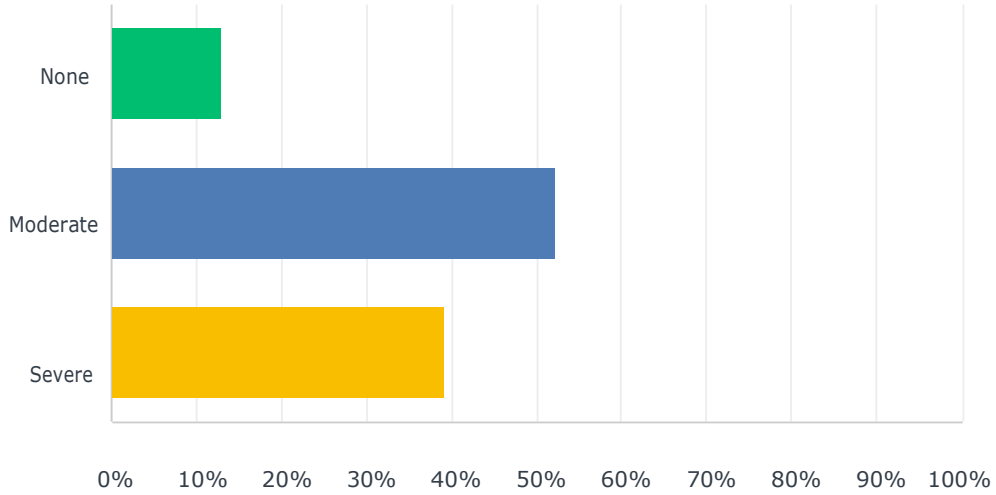


ANSWER CHOICES	RESPONSES	
None	4.35%	1
Moderate	65.22%	15
Severe	34.78%	8
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Energy Costs

Answered: 23 Skipped: 0

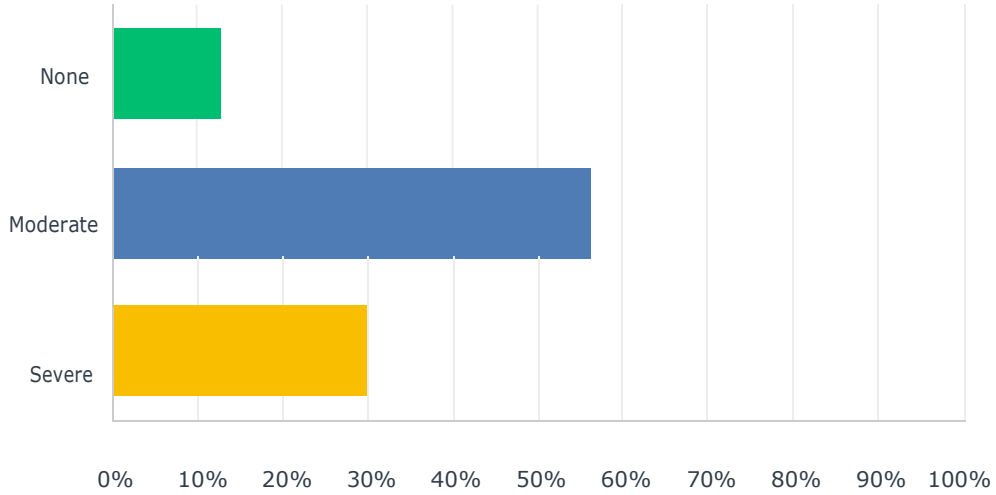


ANSWER CHOICES	RESPONSES	
None	13.04%	3
Moderate	52.17%	12
Severe	39.13%	9
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Superannuation

Answered: 23 Skipped: 0

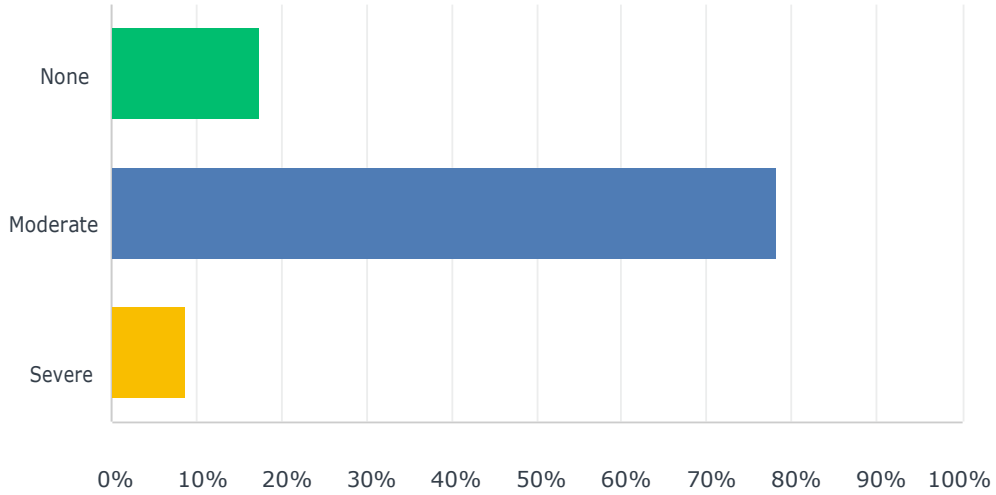


ANSWER CHOICES	RESPONSES	
None	13.04%	3
Moderate	56.52%	13
Severe	30.43%	7
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Red Tape

Answered: 23 Skipped: 0

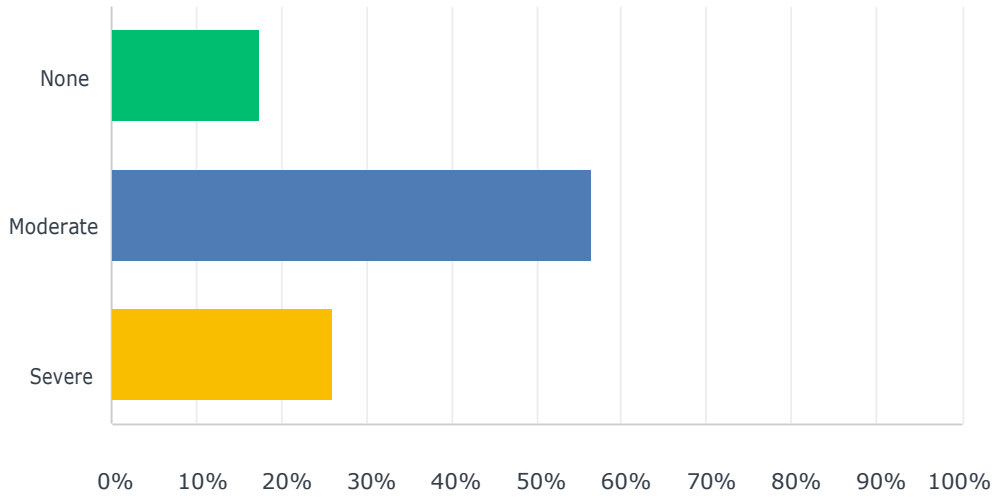


ANSWER CHOICES	RESPONSES	
None	17.39%	4
Moderate	78.26%	18
Severe	8.70%	2
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: New industrial laws

Answered: 23 Skipped: 0

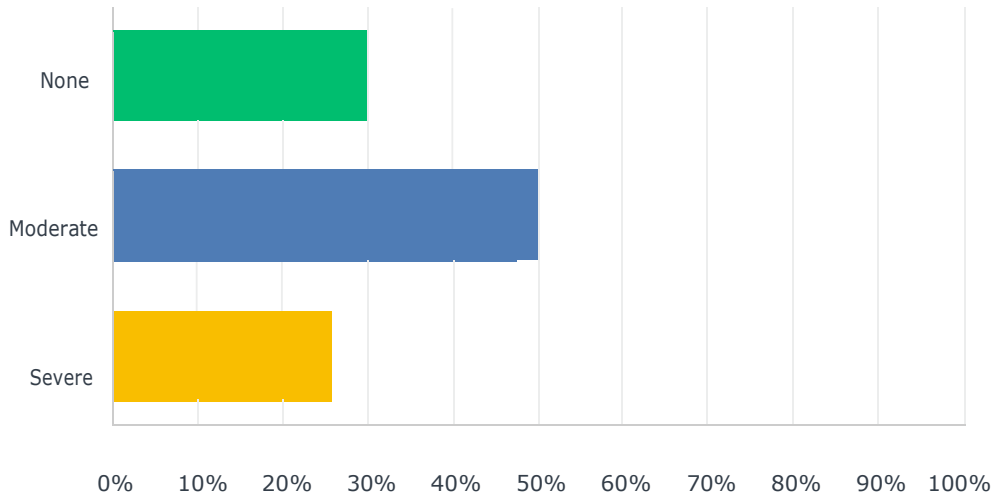


ANSWER CHOICES	RESPONSES	
None	17.39%	4
Moderate	56.52%	13
Severe	26.09%	6
TOTAL		23

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Labour shortages

Answered: 23 Skipped: 0

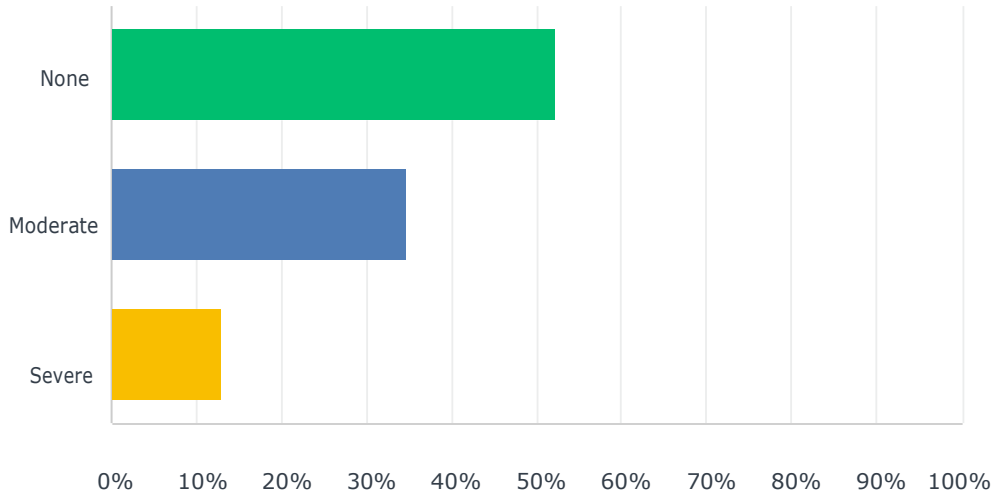


ANSWER CHOICES	RESPONSES	
None	30.43%	7
Moderate	47.83%	11
Severe	26.09%	6
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: Payroll Tax

Answered: 23 Skipped: 0

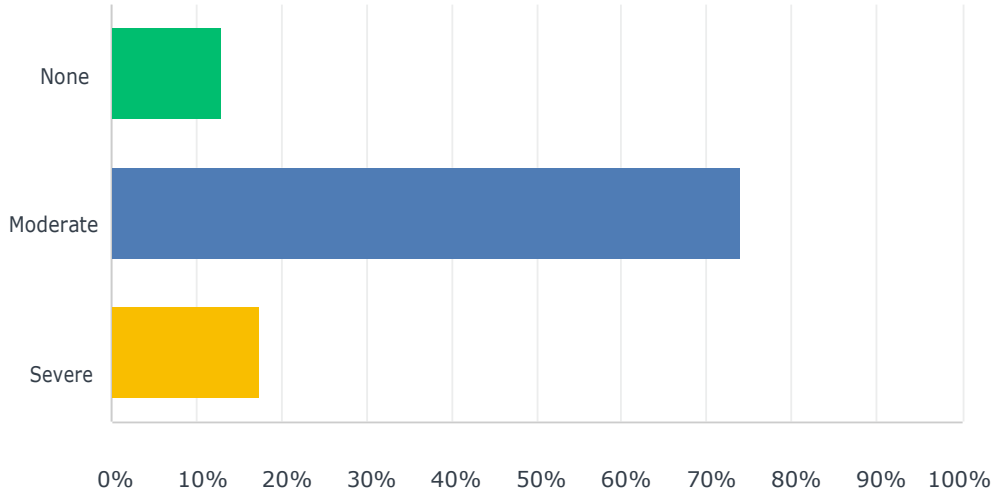


ANSWER CHOICES	RESPONSES	
None	52.17%	12
Moderate	34.78%	8
Severe	13.04%	3
Total Respondents: 23		

Q9 What current economic factors are of concern to you from a business perspective, and to what extent?

Answer: COVID-19 regulations compliance costs

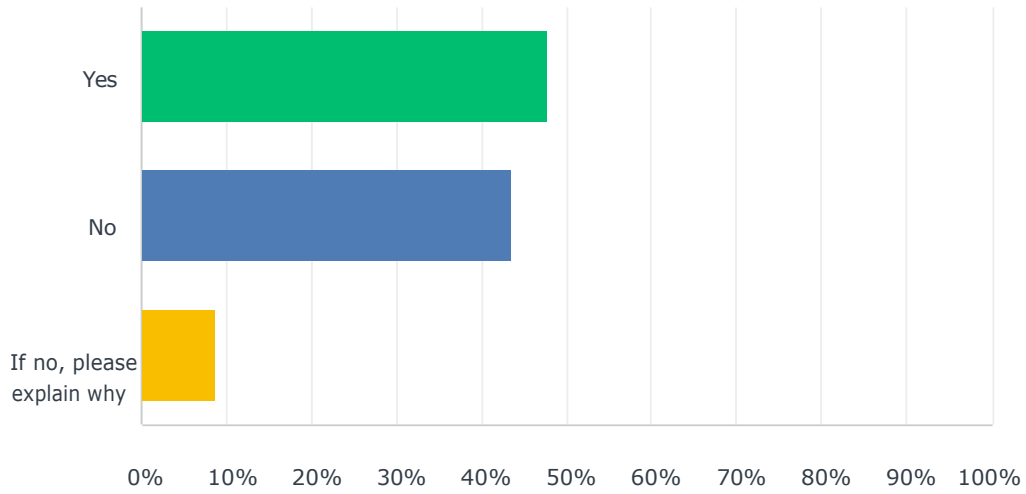
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None	13.04%	3
Moderate	73.91%	17
Severe	17.39%	4
Total Respondents: 23		

Q10 Do you offer facilities for customers to purchase goods online?

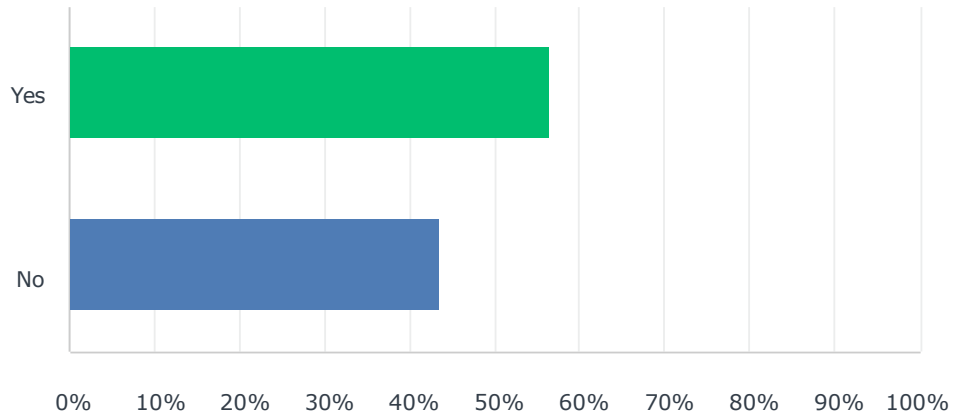
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	47.83%	11
No	43.48%	10
If no, please explain why	8.70%	2
TOTAL		23

Q11 Do you consider online trading as a threat to your ability to remain competitive?

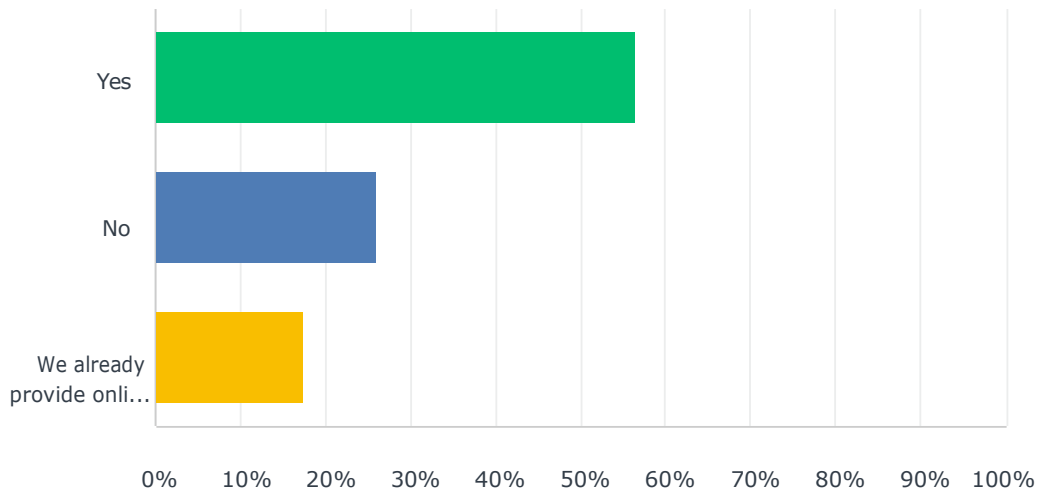
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	56.52%	13
No	43.48%	10
TOTAL		23

Q12 If you had the choice and the means to do so, would you provide facilities for customers to buy goods online?

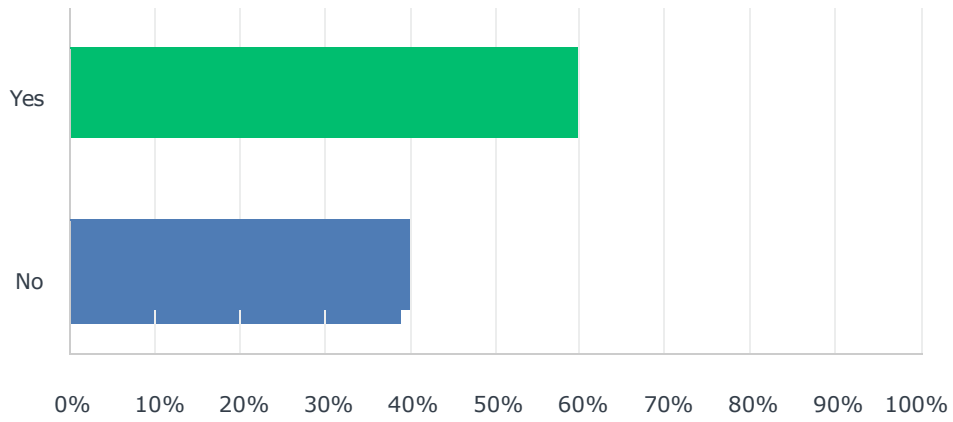
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	56.52%	13
No	26.09%	6
We already provide online shopping facilities	17.39%	4
TOTAL		23

Q13 Do you consider obligations imposed by state government orders and directives addressing COVID-19 as a threat to your ability to remain competitive?

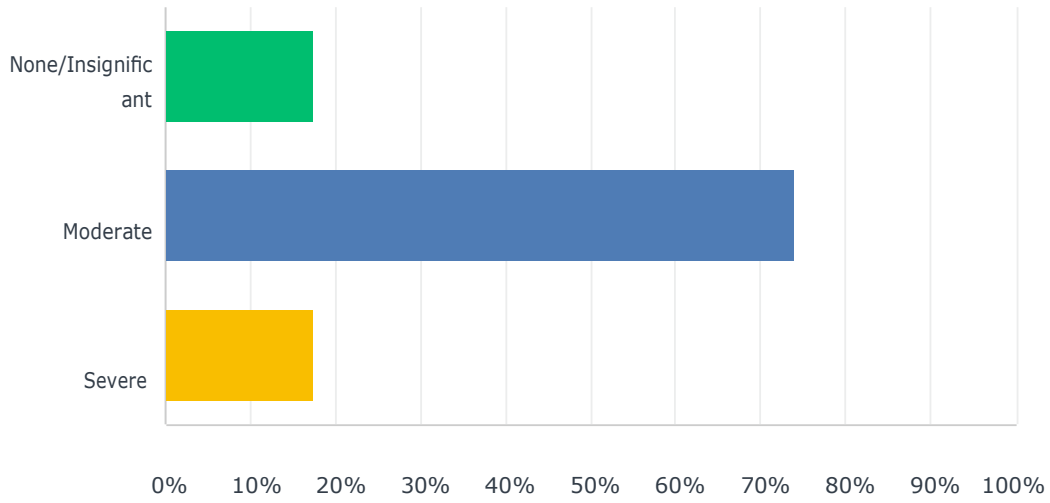
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	60.87%	14
No	39.13%	9
TOTAL		23

Q14 How significant were financial costs incurred by you in order to comply with state government orders and directives addressing COVID- 19?

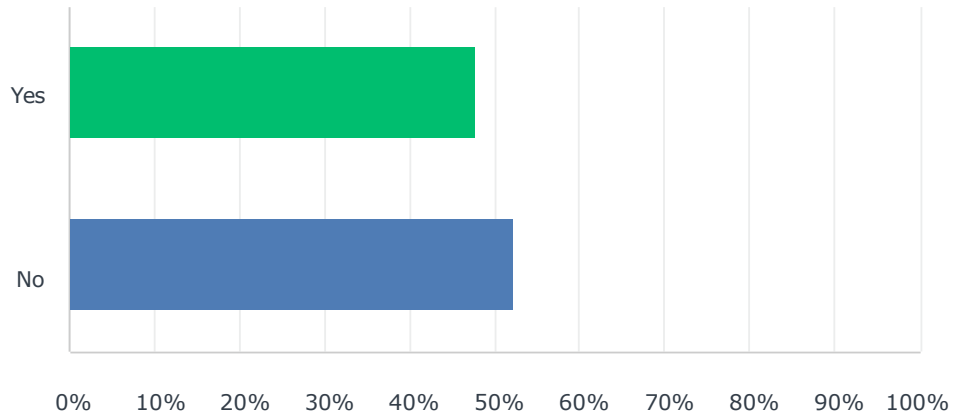
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
None/Insignificant	17.39%	4
Moderate	73.91%	17
Severe	17.39%	4
Total Respondents: 23		

Q15 Do you consider that these compliance costs threaten your ability to remain competitive?

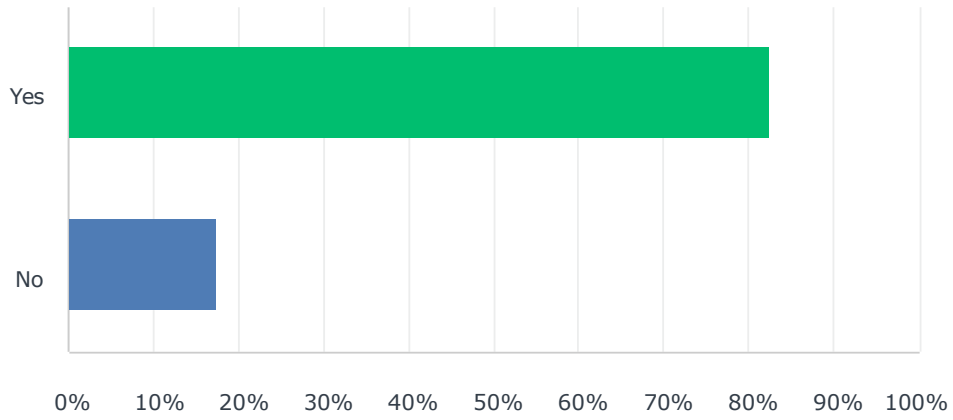
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	47.83%	11
No	52.17%	12
TOTAL		23

Q16 Apart from financial costs, was it burdensome and/or time consuming for your business to ensure compliance with state government orders and directives addressing COVID-19?

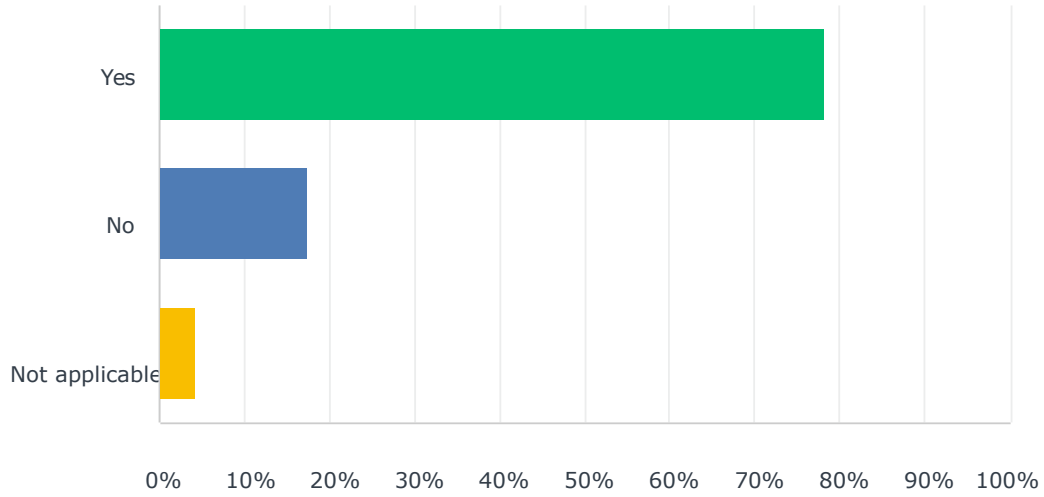
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	82.61%	19
No	17.39%	4
TOTAL		23

Q17 Was the delayed increase to minimum rates payable under your award/agreement beneficial to you as an employer? Note: in 2021, increase in wages were delayed to September 2021 for Members covered by the General Retail Industry Award and select enterprise/collective agreements.

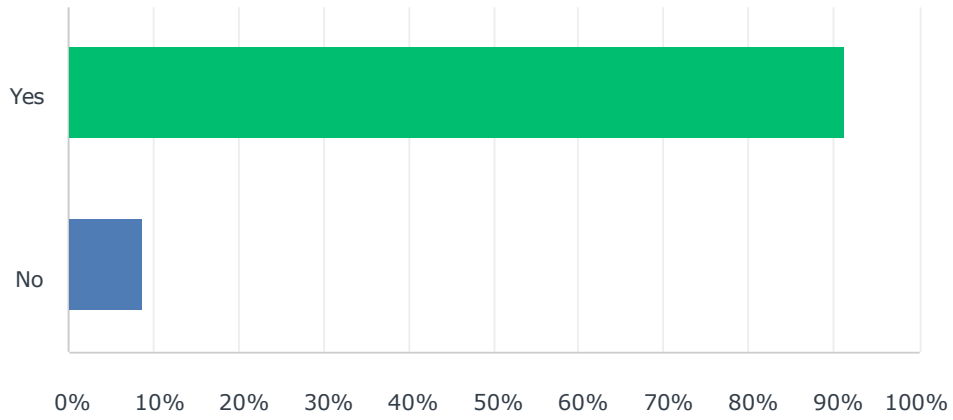
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	78.26%	18
No	17.39%	4
Not applicable	4.35%	1
TOTAL		23

Q18 Would it benefit your business if the 2022 increase to minimum rates payable under your award/agreement were delayed past July 2022?

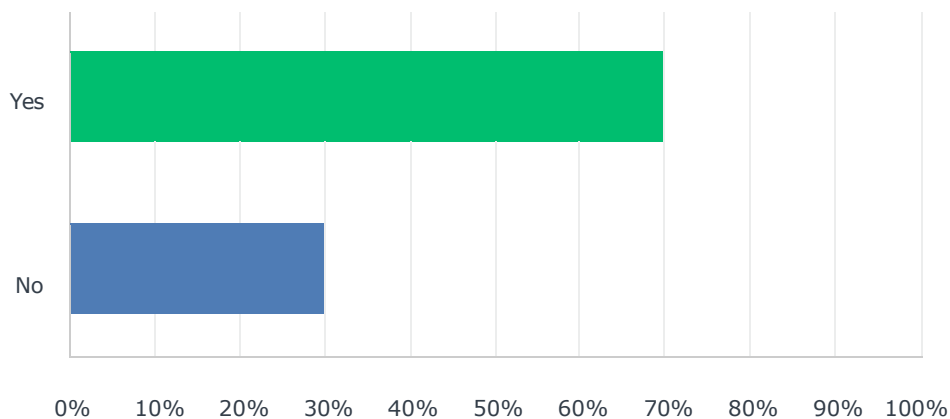
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	91.30%	21
No	8.70%	2
TOTAL		23

Q19 Has the 0.5% increase in superannuation guarantee affected your ability to remain competitive and employ staff?

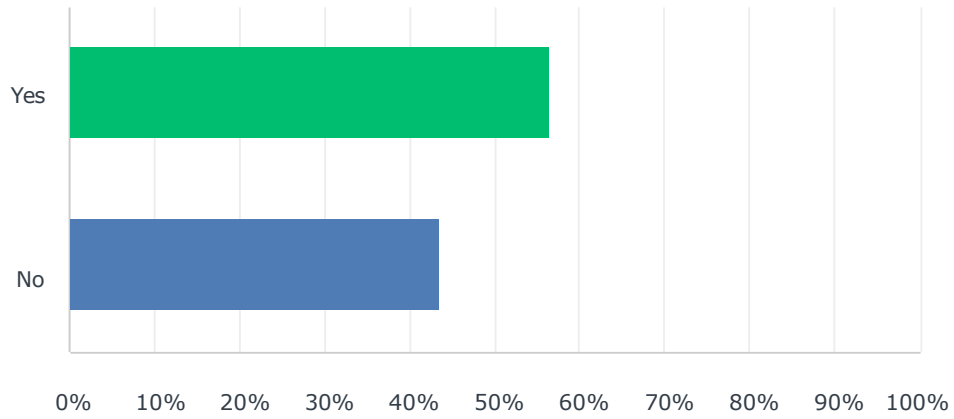
Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	69.57%	16
No	30.43%	7
TOTAL		23

Q20 Was your business affected by staff shortages in 2021/2022?

Answered: 23 Skipped: 0



ANSWER CHOICES	RESPONSES	
Yes	56.52%	13
No	43.48%	10
TOTAL		23

