



Shop Distributive and Allied Employees' Association

THE UNION FOR WORKERS IN  
RETAIL. FAST FOOD. WAREHOUSING.

# Annual Wage Review 2021-22

## Shop, Distributive and Allied Employees' Association Submission

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**Submitted by:** Gerard Dwyer  
National Secretary- Treasurer

SDA National Office  
Level 6  
53 Queen Street  
MELBOURNE VIC 3000

**Telephone:** (03) 8611 7000

**Email:** [general@sda.org.au](mailto:general@sda.org.au)

## Introduction

1. The Shop Distributive and Allied Employees' Association (SDA) supports the submission of the Australian Council of Trade Unions (ACTU) and welcomes the opportunity to make a supplementary submission to the 2022 Annual Wage Review (AWR).
2. The SDA is one of Australia's largest trade unions with over 210,000 members. Our members work in retail, warehousing, online retailing, fast-food hairdressing, beauty, pharmacy and modelling.
3. The majority of SDA members are women (60%, approximately 131,000), under 35 years (57%, approximately 120,000 workers), and low-income. Retail and food services are two of the three lowest industries for median weekly earnings. The retail industry employs one of the largest proportions of Australian workers, accounting for approximately 10% of the nation's workforce.

## Wages for retail and fast-food workers are going down

4. Over the last two years, retail and fast-food workers have been met with delayed wage increases, wage increases below CPI and below productivity improvements in the sector.<sup>1</sup>
5. In the twenty-year period 2001-2019 there has been a minus 7% wages deficit when compared to productivity gains in the retail sector (see paragraph 20).
6. Citing the economic recession caused by the pandemic,<sup>2</sup> the outcome of the 2020 AWR for most retail and fast-food workers was a significantly lower minimum wage annual increase of 1.75%, postponed to February 2021, whilst still burdening the same workers with the earlier mandated 15% cut to permanent retail workers' Sunday penalty rates.
7. The 2021 AWR decision<sup>3</sup> provided a 2.5% increase to award wages. For fast-food employees, this came into effect on 1 July 2021. Retail employees, however, were yet again prejudiced by a delay to their wage increase. The postponed increase for the GRIA took effect from the first full pay period on or after 1 September 2021.

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<sup>1</sup>Productivity Commission, PC Productivity Insights: Recent Developments (2021) <https://www.pc.gov.au/research/ongoing/productivity-insights/recent-developments-2021/productivity-insights-2021-recent-developments.pdf>.

<sup>2</sup> Annual Wage Review 2019-20 [2020] FWCFB 3500, see for example [533]-[538], [547].

<sup>3</sup> Annual Wage Review 2020-21 [2021] FWCFB.

## No Delay to Wage Increase

8. These decisions have negatively impacted retail workers, prejudicing them financially during a critical time. In a March 2022 survey (SDA survey) of over 6,100 retail workers, 77% of respondents 'strongly agreed' that a further delay to the AWR increase will result in (further) financial hardship for them. Most respondents reported that their financial situation in the last 5 years has worsened and can be attributed to the rising cost of living alongside low/no/deferred wage increases as well as loss of jobs or reduced employment opportunities in the family due to COVID-19. This assessment by the workers themselves of their own financial circumstances indicates dire financial pressures for retail workers and supports the conclusion that an appropriately compensatory wage increase is not just timely, but critically overdue.
9. These frontline workers have been essential to the economy, tirelessly serving the Australian community during the height of the pandemic. Instead of being rewarded for their efforts, they have instead had to suffer the impact of a sector-wide declining in real wages in the context of broader wage stagnation generally.

## COVID-19 impact on retail workers

10. COVID-19 has put an additional strain on Australian workers, who have already been suffering from wage stagnation. Wages are not keeping up with the rising cost of living. Headline CPI increased by 3.5% for the year to December 2021, the highest in ten years.<sup>4</sup> However, wages have not kept pace with inflation and have not done so for some time. The wage price index to December 2021 increased by 2.3%, 1.45 points less than the increase in CPI for the same period.<sup>5</sup> This disparity has a particular impact on retail workers, who are among the lowest paid workers. The SDA survey shows that 81% of retail workers 'strongly agreed' that the rising cost of living was putting pressure on their household budget.<sup>6</sup> The rising cost of housing, groceries and fuel have been cited as major financial stressors for retail workers whose wages have simply not kept up.<sup>7</sup>
11. The SDA has engaged Associate Professor Martin O'Brien of the University of Wollongong to review and update the report and findings that were made in a report previously presented to the Fair Work Commission (FWC) on behalf of the SDA in the Penalty Rates case AM2014/305. In that matter there was uncontested<sup>8</sup> evidence of Dr Ian Watson in his report entitled Employee

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<sup>4</sup> Australian Bureau of Statistics ('ABS'), Consumer Price Index, Australia, December 2021 (25 January 2022) <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>.

<sup>5</sup> ABS, Wage Price Index, Australia, December 2021 (23 February 2022) <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release>.

<sup>6</sup> SDA, AWR 2022 Survey (March 2022).

<sup>7</sup> Ibid.

<sup>8</sup> See Transcript of Penalty rates case AM2014/305 hearing [22173]-[22174].

Earnings in the National Retail Industry<sup>9</sup> (Watson Report). The Watson Report was based on HILDA and ABS data and embarked upon a careful (and, as noted, ultimately unchallenged) scientific method to avoid arbitrary outcomes and to provide confidence in its findings and conclusions.<sup>10</sup> The O'Brien Report updates the report and findings and additionally includes further data sources that were not available previously. The findings of Dr Martin O'Brien confirm the findings and conclusions of the Watson Report as being no less (and potentially even more) relevant to the circumstances which confront retail workers today.

12. The O'Brien Report reaffirms that:

- a. Employees in the retail industry are amongst the lowest paid workers in the nation.<sup>11</sup>
- b. Together with the hospitality and food services industries, the retail industry has the largest proportion of low paid workers in the nation.<sup>12</sup>

13. The O'Brien Report confirms the following findings from the Watson Report that:

- a. 'General Retail Industry employees were less likely than Other Industry employees to be able to raise funds for emergencies easily. They are more likely to have to make "some sacrifices", take "drastic action", or simply not be able to raise these funds. Retail households are over 10% more likely than non-retail households to be unable to raise emergency funds or to have to do something drastic to raise these funds.'<sup>13</sup>
- b. 'A greater proportion of General Retail Industry employees could not pay utilities, could not pay mortgage or rent on time, and had been forced to ask for help from family, friends or welfare organisations in the past year.'<sup>14</sup>
- c. Retail employees earn less than 90% of the household income earned by employees from other industries, but their spending on non-discretionary items was the same or more than the other industry employees' expenditure on the same items. Retail employees must afford essential items, such as groceries, utilities, fuel, telephone, and internet with much less than their non-retail counterparts. While retail employees have the same needs as employees from other industries, they do not have the same income capacity.<sup>15</sup>

14. The O'Brien report has additionally found that:

- a. '... non-discretionary data showed a decline in relative expenditure of General Retail employees on mortgages compared to Other Industry employees, decreasing from 89% in 2013 to 74 - 78% in more recent periods. This trend is explained with reference to the

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<sup>9</sup> Ian Watson, Employee Earnings in the National Retail Industry (Expert Report, 30 April 2015) ('Watson Report'). Note: This report was SDA Exhibit 35 in the Penalty rates case AM2014/305.

<sup>10</sup> Ibid above n 9, 3 lines 7-21.

<sup>11</sup> Dr Martin O'Brien, *O'Brien Report for S285 – Annual Wage Review 2021-22 – (C2022/1)* (Expert Report, 29 March 2022) 4 [10]-[11] ('O'Brien Report').

<sup>12</sup> Ibid 41 [94].

<sup>13</sup> Ibid 6 [19].

<sup>14</sup> Ibid 6 [20].

<sup>15</sup> Ibid 4 [13].

corresponding rent expenditure category. Indeed, the only expenditure category where General Retail Industry employees spend more than their Other Industry counterparts on a non-discretionary item is for rent, which has increased from 92% to 102% in 2019 and 105% in 2020.<sup>16</sup>

- b. 'General Retail Industry employees were 10 to 13 percentage points less likely to own their house or be paying off a mortgage in 2019 and 2020, and between 8 and 14 percentage points more likely to be renting, compared to Other Industry employees. Furthermore, the propensity of General Retail Industry employees to own a house fell by 2 percentage points from 59% to 57% between 2019 and 2020, while the propensity to rent increased by 4 percentage points from 38 to 42%.<sup>17</sup>

15. Retail workers are struggling to keep up with cost-of-living expenses, and this has only been exacerbated by the pandemic. While government support such as JobKeeper and COVID-19 payments provided some support, their premature cessation deprived retail employees of crucial support during the pandemic.

16. As 'essential workers,' retail workers laboured at the frontlines of the pandemic. They were threatened with recurring bouts of uncertainty during the lockdowns imposed, sometimes unpredictably, in various states. However, many retail employees persisted in their customer-facing roles despite staff shortages, the increased threat (and the reality) of contracting the virus and passing it on to their families<sup>18</sup> and the heightened incidences of customer abuse and violence. In 2021, the uncertainty caused by the more infectious Delta and Omicron strains of COVID-19 put further pressure on retail workers and they continued to risk their health and safety to keep the nation running. A further delay to a wage increase for these workers is no way to reward them for their essential contribution then (and now). Any submission in support of yet another deferral or staggered implementation of a wage increase should be rejected.

## Retail Profitability during COVID-19

17. Despite early concerns about whether the economy would recover from lockdowns and store closures, some indicators show that a recovery is well underway. According to the 2022 Federal Budget, GDP is expected to grow 4.25% in 2021-22 and 3.5% in 2022-23.<sup>19</sup> This level of growth could see total economic output by the end of 2022 at the level anticipated in the absence of the pandemic.<sup>20</sup>

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<sup>16</sup> Ibid 5 [16].

<sup>17</sup> *O'Brien Report*, above n 11, 5 [17].

<sup>18</sup> SDA, above n 6.

<sup>19</sup> The Commonwealth of Australia, Budget 2022-23, Budget Paper No. 1 (2022) 5-6. Note: MYEFO forecasted that GDP is expected grow 3.75% in 2021-22 and 3.5% in 2022-23, see: Parliament of Australia, Mid-Year Economic and Fiscal Outlook 2021-22 (2021).

<sup>20</sup> Association of Superannuation Funds of Australia, ASFA Economic Snapshot: Federal MYEFO 2021-22 (17 December 2021).

18. Despite signs of a positive economic recovery and the community learning to live with COVID-19, there has been no corresponding improvement for low-income workers, like retail workers. Retail trade figures have performed strongly over the past 12 months (February 2021 - February 2022). Three of the last four months have exhibited growth, with retail trade growing by 9.1% for the year to February 2022.<sup>21</sup> This positive recovery follows an increase in household spending which rose 6.3% in the December 2021 quarter,<sup>22</sup> surpassing pre-pandemic levels for the first time. The trend of high household spending and strong retail trade outcomes is expected to continue as Australia moves past lockdowns, but this will be unsustainable if wage growth does not follow (see applicable ACTU submission paragraphs 83 to 87).
19. The labour share of income – the percentage of the national GDP that is paid out in wages – has been in decline since before the pandemic. Retail employees receive a declining share in the profits from the retail sector.<sup>23</sup> Retail industry profit more than doubled the increase in total wages paid in retail trade between 2001-2019.<sup>24</sup> Despite the positive recovery of industries, including retail, workers' share in the profits has only declined. Non-discretionary – or “essential” – retail continued to operate during the pandemic, but employee compensation remained steady.
20. Though wages have stagnated in retail trade, productivity has been increasing in the long term.<sup>25</sup> In a twenty-year period, labour productivity grew by 55% per hour,<sup>26</sup> while wages per hour grew by only 48%<sup>27</sup> - a 7% shortfall for increasingly productive retail workers. Despite their significant contribution to the nation's economic recovery, retail workers have not benefited from this and have continued to work with no real wage growth. Despite pessimistic predictions, retail trade performance has exceeded expectations, yet retailers have neglected to pass on the benefit to retail workers in the form of increased wages.

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<sup>21</sup> ABS, Retail trade, Australia, February 2022 (29 March 2022) <https://www.abs.gov.au/statistics/industry/retail-and-wholesale-trade/retail-trade-australia/latest-release>.

<sup>22</sup> ABS, Australian National Accounts: National Income, Expenditure and Product, December 2021 (2 March 2022) <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/dec-2021>.

<sup>23</sup> ABS, Estimates of Industry Multifactor Productivity, 2020-21 financial year (13 October 2021) <https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release>.

<sup>24</sup> ABS, Business Indicators, Australia, Wages and salaries, current prices – data download table 17, September 2021 (29 November 2021) <https://www.abs.gov.au/statistics/economy/business-indicators/business-indicators-australia/sep-2021>; Australian Bureau of Statistics, Business Indicators, Australia, Company profits before income tax, current prices – data download table 9 (29 November 2021) <https://www.abs.gov.au/statistics/economy/business-indicators/business-indicators-australia/sep-2021#data-download>.

<sup>25</sup> Productivity Commission above n 1.

<sup>26</sup> ABS, above n 26.

<sup>27</sup> Note: figure derived from comparing average total hourly earnings in retail in May 2000 with the equivalent figure in August 2020, See: Australian Bureau of Statistics, Employee Earnings and Hours, Australia, May 2000 (27 March 2001).

## No Delay to Wage Increase

21. Retail workers should not be dealt a delayed pay rise this 1 July 2022. Retail workers have worked tirelessly at the frontlines of the pandemic, providing essential services to the Australian community.
22. Through their hard work, these workers have made a significant contribution to the economy. Retail workers (approximately 10% of the workforce) and fast-food workers also have the capacity to contribute significantly to the economy through their spending, but this is constrained by the decline in their real wages. The AWR process provides the Fair Work Commission with the avenue to promote economic prosperity by providing 'fair' and 'relevant' wage increases for retail workers that in turn encourages and supports consumer spending.
23. While the economy has been making a positive recovery, this has not resulted in a corresponding wage increase for retail and fast-food workers. Retail workers, who have risked their health and safety during the pandemic, and who continue to do so, are still suffering from pay freezes. A majority of retail workers are struggling to keep up with the rising cost of living and are unable to support themselves through emergencies. Their hard work during the pandemic should be rewarded – not ignored.
24. With the unprecedented and expected economic recovery that Australia has experienced, these essential Australian workers should not be forced to suffer any delay in receiving a pay increase in 2022.
25. The O'Brien Report is attached to this submission.