Restaurant & Catering

FAIR WORK COMMISSION

ANNUAL WAGE REVIEW 2024-25

INTRODUCTION

[1] The Restaurant and Catering Industry Association of Australia Incorporated (R&CA) are pleased to provide a submission for the Annual Wage Review 2024-25.

ABOUT THE RESTAURANT & CATERING ASSOCIATION

[2] R&CA is the national industry association representing the interests of more than 57,000 restaurants, cafés, and catering businesses across Australia. The café, restaurant, and catering sector is vitally important to the national economy, generating over $35 billion in retail turnover each year as well as employing 580,000 people.

[3] R&CA delivers tangible outcomes to small businesses within the hospitality industry by offering evidence-based solutions to various industry challenges. Our aim is to improve regulations and policies that impact the sector's operating environment to foster robust and prosperous businesses across Australia.

[4] We work to ensure the industry is respected for its integrity, professionalism, and dedication to excellence. This includes advocating the broader social and economic contribution of the sector to industry and government stakeholders, as well as highlighting the value of the industry to the Australian way of life.

[5] Given our remit, footprint, engagement with the sector, and ongoing advocacy, we provide you with the following submission and speak with authority.

STATUTORY FRAMEWORK

[6] R&CA acknowledges the Commission in outlining the general principles and considerations for the decision for the Annual Wage Review 2023-24.[1]

MODERN AWARD RELIANCE

[7] Since 2021, the Australian Bureau of Statistics (ABS) has microdata included for the Survey of Employee Earnings and Hours (EEH). This is beneficial to the sector as it provides

[1] [2024] FWCFB 3500.

a greater understanding of employees because of the increased level of transparency in the data, allowing for more identifiable information rather than approximates for award reliant employees.[2]

[8] Modern awards set out the minimum terms and conditions of employment on top of the National Employment Standards (NES), and are industry or occupation based.[3] The proportion of employees of the working population paid according to an award (award reliant) in 2021, was 23 per cent (or 2.66 million employees).[4] Almost half of all employees who are reliant on a modern award, are paid from the top five modern awards. Three of these top modern awards are related to our industry, these include:

- *Restaurant Industry Award 2020*;
- *Hospitality Industry (General) Award 2020;* and
- *Fast Food Industry Award 2010*.[5]

[9] The proportion of all modern award-reliant employees for the *Restaurant Industry Award 2020 (RIA)* was 5.4 per cent, accounting for 129,198 employees.[6] Our Industry also extends to other modern awards, such as, the *Hospitality Industry (General) Award 2020 (HIGA)* with a 9.5 per cent proportion (225,926 employees), and the *Fast Food Industry Award 2010 (FFIA)* with a 7.9 per cent proportion (187,239 employees).[7] Given this prevalence, the Restaurant and Catering Industry Association of Australia (R&CA) are likely to be connected or represent these employees.

NATIONAL MINIMUM WAGE

[10] The National Minimum Wage (NMW) applies to employees not covered by an award or registered agreement, [8] and is the 'most common method of setting pay for employees earning

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[2] Kelvin Yuen and Josh Tomlinson, *A Profile of Employee Characteristics Across Modern Awards* (Fair Work Commission Research Report No 1/2023, March 2023) 8 ('*Characteristics Across Modern Awards*').
[3] Fair Work Ombudsman (Cth), *Modern Awards* (Fact Sheet, March 2023) <https://www.fairwork.gov.au/sites/default/files/migration/723/Modern-awards.pdf>.
[4] *Characteristics Across Modern Awards* (n 2) 13.
[5] Ibid 15.
[6] Ibid 41.
[7] Ibid.
[8] Fair Work Ombudsman (Cth), *Minimum Wages*, (Web Page) <https://www.fairwork.gov.au/pay-andwages/minimum-wages>.

the NMN or less is by [an] award (49 per cent).'[9] The Australian Government's approach for its submissions to the annual wage reviews, has been to include all employees on adult rates of pay earning less than or equal to the prevailing NMW.[10] However, that approach can lead to a distorted view of our industry because Employee Earnings and Hours (EEH) includes penalty rates, allowances and other payments such as bonuses for ordinary time earnings,[11] commonly from penalty rates from working on weekends.[12]

PRODUCTIVITY

[11] In the submission to the Annual Wage Review 2023-4, R&CA highlighted that according to the Productivity Commission, the Accommodation and Food Services industry contributed to the largest decline in productivity of all sectors.[13] This is determined when the size of an industry is compared with how productivity is measured, specifically, labour productivity and multifactor productivity (MFP).[14] Labour productivity is the ratio of output to hours worked, whereas MFP is the ratio of output to combined input of labour and capital.[15] MFP and labour productivity growth mostly follow similar patterns.[16] Therefore, that while there may have been a strong increase in the hours worked in the industry, these hours also reduced the capital-labour ratio leading it to be the largest decline on record.[17] In other words, the fall in the MFP for 2022-23 'suggests that the additional hours worked did not produce a commensurate increase in output'.[18]

[12] The MFP assists to understand the 'quality' of labour, and where MFP declined, it's likely the result of 'less experienced or less productive labour.'[19] For long-term income growth, productivity in labour must increase, as the underlying connection between labour productivity and wages means that an increase in productivity will support a rebound in real wage growth.[20]

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[9] Josh Tomlinson, *Characteristics of Employees on the National Minimum Wage* (Fair Work Commission Research Report No 1/2024, February 2024) 23 ('*Characteristics NMW*').
[10] Ibid 17.
[11] Ibid 19.
[12] Ibid.
[13] Productivity Commission (Cth), *Annual Productivity Bulletin 2024*, (Bulletin, 29/02/2024) 5 <https:www.pc.gov.au/ongoing/productivity-insights/bulletins/bulletin-2024> ('*Productivity Bulletin*').
[14] Ibid.
[15] Productivity Commission (Cth), *What is Productivity?*, (Web Page) <https://www.pc.gov.au/what-is-productivity>.
[16] Productivity Bulletin (n 13) 5.
[17] Ibid.
[18] Ibid.
[19] Ibid 3.
[20] Ibid 8.

[13] The Annual Wage Review 2023 decision (*AWR 2023 decision*) confirmed that 'poor productivity performance was a moderating factor in the determination of the quantum of minimum wage increases awarded.'[21] Importantly, the relationship between high wages growth and the reduction in productivity had caused a significant increase in the nominal unit cost of labour.[22]

[14] The outlook for productivity remained uncertain in May 2024 according to the Reserve Bank.[23] However, the Reserve Bank commented that a 'slower recovery in productivity growth could have implications for both inflation and growth.'[24]

[15] The Reserve Bank in February 2025, stated that while '[o]verall, solid growth in wages along with still-weak productivity – which is around pre-pandemic levels – has kept growth in unit labour costs above rates consistent with inflation being at target.'[25]

[16] Accommodation and Food Services industry had increased employment in the year to November 2024,[26] Analysis of the interactions of various labour market indicators showed that the vacancy rate and unemployment rate exhibit an inverse relationship. Periods of high unemployment are typically accompanied by lower vacancy rates. This suggests shortage pressures are likely to be lower during these times.[27]

[17] In the quarter ending December 2024, the Accommodation and Food Services industry recorded the highest recruitment rate of 63.0%, as well as the lowest recruitment difficulty rate of 27.0%.[28] However, in context, as reported by the Jobs and Skills Council, overall 'the smoothed series has remained relatively flat for the last six months and is below that recorded a year ago. This has occurred in the context of declining internet job vacancies over the year to November 2024 and slower employment growth over the last six months.'[29]

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[21] [2024] FWCFB 3500 [70].
[22] Ibid.
[23] Reserve Bank of Australia, *Statement on Monetary Policy* (Report, May 2024) 44-5.
[24] Ibid 61.
[25] Reserve Bank of Australia, *Statement on Monetary Policy* (Report, February 2025) 3.
[26] Jobs and Skills Australia, *Labour Market Update – December 2024* (Report, 3 March 2025) 6.
[27] Ibid 3.
[28] Ibid 12.
[29] Jobs and Skills Australia, *REOS Recruitment Insights Report – December 2024* (Report, December 2024) 1.

[18] Despite positive responses for recruitment, in the quarter ending December 2024, the productivity for the Accommodation and Food Services industry was the second lowest from the identified industries with a 2.1% decline.[30]

[19] In other words, where available roles are filled for the holiday season, the unit cost for labour is high as a result of the low productivity in the industry.

ECONOMIC CONSIDERATIONS

[20] The inflationary environment compared to last year is significantly flatter. The Reserve Bank is forecasting an ease to the Consumer Price Index (CPI).[31] The decline in productivity is having an adverse effect upon businesses to act profitably. This is significant because for December 2023, reporting on company gross operating profits and wages for our industry showed a fall in operating profits by 2.2 per cent, while wages rose by 0.5 per cent.[32] In other words, generally, during the busiest time of the year for the industry, the cost for wages increased and the operating profits decreased.

[21] The Reserve Bank in February 2025, have highlighted that 'input cost pressures persist, with liaison suggesting that…industries such as hospitality – are having difficulty in fully passing on cost growth to prices, resulting in compressed margins.'[33]

[22] From the 1 July 2025, there will be an increase in take home pay for employees from the Federal Governments tax breaks that are intended to help Australians with the cost of living and inflationary pressures.[34] While the Federal Government states that these tax cuts won't add to inflation,[35] tax cuts will result in an increase in take-home pay:[36] which has the same outcome as a wage rise. R&CA and other employer associations cautioned any dramatic increase to the minimum wage last year as it would become inflationary. Unfortunately, this

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[30] Productivity Commission (Cth), *Quarterly Productivity Bulletin: Appendix – March 2025* (Bulletin, March 2025) 2.
[31] Reserve Bank of Australia, Statement on Monetary Policy – February 2024, (Web Page, February 2024) < https://www.rba.gov.au/publications/smp/2024/feb/>.
[32] Australian Bureau of Statistics, *Business Indicators, Australia: Analysis by Industry, Accommodation and Food Services, Current Prices* (Web Page, December 2023) <https://www.abs.gov.au/statistics/economy/businessindicators/business-indicators-australia/latest-release#analysis-by-industry>.
[33] Reserve Bank of Australia, *Statement on Monetary Policy* (Report, February 2025) 34.
[34] Australian Government, *Budget Overview 2025-26* (Report, 25 March 2025) 12.
[35] Australian Government, *Tax Cuts to Help Australians With the Cost of Living* (Fact Sheet, 2024) 1 <https://treasury.gov.au/sites/default/files/2024-01/tax-cuts-government-fact-sheet.pdf>.
[36] Ibid.

came to pass. R&CA is mindful that we should not be drawn into the same inflationary trap and highlights the adverse effects of inflation for a wage rise this year.

OUR POSITION

[23] R&CA highlight the ongoing challenges with inflation and the lowest productivity for our industry covering nearly 1 in 5 employees on a modern award. Any increase in the NMW higher than the indicators for inflation to be controlled, will only add to the erosion of real incomes that will be assisted to increase by the Federal Governments tax cuts.

[24] R&CA notes and supports the submission of the Australian Chamber of Commerce and Industry (ACCI) and other employer groups.

[25] Given all of the above, R&CA submits that a responsible increase in the NMW is no more than 2.5 per cent.

[26] R&CA thank the Commission for their consideration, and welcome engagement on 1300 722 878 or policy@rca.asn.au.