



IN THE FAIR WORK COMMISSION
ANNUAL WAGE REVIEW 2020-1

26 MARCH 2021

RESTAURANT & CATERING INDUSTRY ASSOCIATION

PO Box 121, SURRY HILLS NSW 2010 T: 1300 722 878 F: 1300 722 396 E: info@restaurantcater.asn.au
www.rca.asn.au

The Restaurant and Catering Industry Association

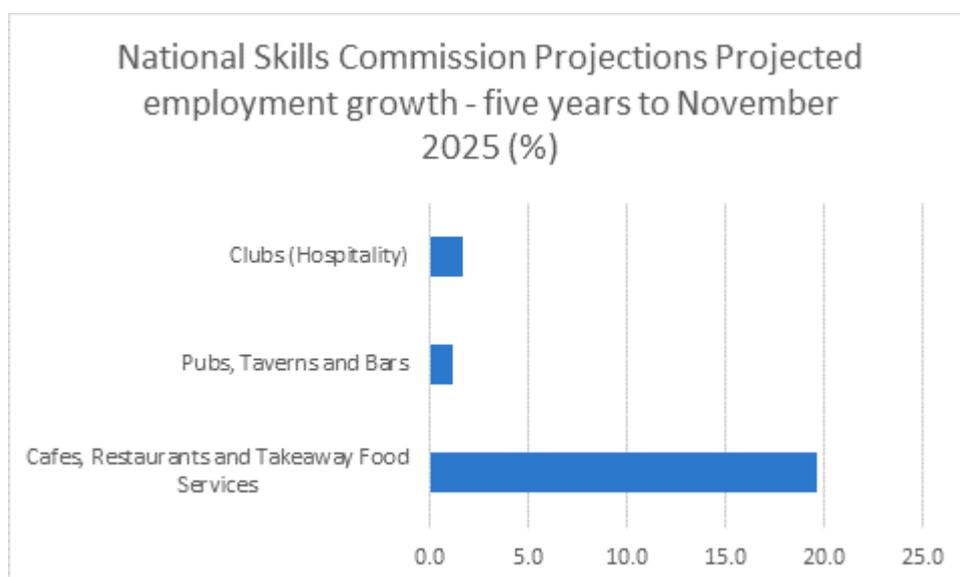
1. Restaurant & Catering Industry Association (the “**R&CA**”) is pleased to provide a submission for the Annual Wage Review 2020-21 (the “**Review**”). The R&CA is the national industry association representing the interests of more than 48,000 restaurants, cafés and catering businesses across Australia. 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.
2. The R&CA delivers tangible outcomes to small businesses within the hospitality industry by influencing the policy decisions and regulations that impact the sector’s operating environment. The R&CA is committed to ensuring the industry is recognised as one of excellence, professionalism, profitability and sustainability. 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 restaurant experience to the public.

The Industry and Employment

3. Approximately 34% of small businesses rely on the minimum wage provided for by modern awards. Of this percentage, 92% of businesses in the café, restaurant and catering industry (the “**industry operators**”) are small businesses, employing 19 people or less.
4. As such, a significant proportion of industry operators rely on the modern wage provided for by the modern awards. More recently, the projected employment growth from November 2020 to November 2025 for cafes, restaurants and takeaway food services have been estimated to be 19.6% (from 581,600 to 695,000 respectively).
5. Industry operators continue to face ongoing challenges to their operating conditions. Specifically, as it was noted in the ‘*Restaurants in Australia Industry Report*’ prepared by IBISWorld (the “**IBISWorld Report**”), “Restaurants face[d] ongoing pressure to expand food choices on menus and increase customer satisfaction through a quicker turnaround, while preserving the taste and quality of food.”

6. Given the small business arrangement for many industry operators, these challenges are further exacerbated by the limited support and financial assistance provided by the government.
7. The restaurant industry also has a low capital intensity.¹ It has been estimated that for every dollar a business spends on capital costs, \$9.10 is spent on employees' wages. As restaurants require a significant input of labour across all operations (including preparation, cooking, serving and cleaning), many industry operators have gone to the extent of leasing equipment (rather than investing in their own) in an effort to save costs.
8. While it is anticipated that the restaurant industry would face a substantial increase in employment over the next three (3) year period (see **Figure 1 below**), the R&CA submits that any significant increase in employees' wages will adversely affect the potential growth of an already economic sensitive industry.

Figure 1 – Projected Employment Growth



¹ Compares the amount of money spent on capital (e.g., machinery and equipment) with that spent on labour.

The 2020-21 Annual Wage Review

9. The R&CA welcomes the opportunity to provide a submission into the Review under section 289 of the *Fair Work Act 2009* (the “*Act*”).
10. Pursuant to section 285 of the Act, the Minimum Wage Panel (the “**Panel**”) is required to conduct an Annual Review of the national minimum wage order and the modern award minimum wages each financial year.
11. When conducting the review, the Panel is required consider several economic and social factors as outlined in section 284(1) (the “**minimum wages objective**”) and section 134(1) (the “**modern awards objective**”).
12. The minimum wages objective provides:

“284 The minimum wages objective

What is the minimum wages objective?

- (1) The FWC must establish and maintain a safety net of fair minimum wages, taking into account:
 - (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth; and
 - (b) promoting social inclusion through increased workforce participation; and
 - (c) relative living standards and the needs of the low paid; and
 - (d) the principle of equal remuneration for work of equal or comparable value; and
 - (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.

This is the *minimum wages objective*.

13. The modern awards objectives provides:

“134 The modern awards objective

What is the modern awards objective?

- (1) The FWC must ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions, taking into account:
 - (a) relative living standards and the needs of the low paid; and
 - (b) the need to encourage collective bargaining; and
 - (c) the need to promote social inclusion through increased workforce participation; and
 - (d) the need to promote flexible modern work practices and the efficient and productive performance of work; and
 - (e) the principle of equal remuneration for work of equal or comparable value; and
 - (f) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and
 - (g) the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards; and
 - (h) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy.

This is the *modern awards objective*.”

Previous Annual Minimum Wage Decision

14. At present, the national minimum wage stands at \$753.80 per week, or \$19.84 per hour.
All modern award minimum wages were increased by 1.75% percent following the Annual

Wage Review 2019-20 Decision [2020] FWCFB 3500 (the “**Review**”). However, these increases to award wages took effect separately on three different dates for three different categories of awards, as set out below:

- a. Group One Awards (increase applied from the first full pay period starting on or after **1 July 2020**);
 - b. Group Two Awards (increase applied from the first full pay period starting on or after **1 November 2020**); and
 - c. Group Three Awards (increase applied from the first full pay period starting on or after **1 February**).
15. R&CA had previously argued for a 12 month freeze to any changes to the modern award wages and the National Minimum Wage. R&CA further submitted that it would not be reasonable in the COVID-19 climate for any increase in wages as it would adversely affect small and medium sized industry operators

Performance of the Sector Post-JobKeeper

16. R&CA notes that Australia’s GDP contracted 0.2% in 2019-20 resulting from the COVID-19 pandemic. On a global scale, with significant restrictions to many of Australia’s trading partners, the economy had previously been forecast to contract by 4.00% in 2020 and then rebound by 4.75% and 3.75% growth in 2021 and 2022 respectively.
17. Regardless, R&CA recognises the detrimental impacts on the Australian economy, including industry operators, as a result of the continued challenges arising from the COVID-19 pandemic. The abrupt opening and closing of state borders in response to COVID-19 outbreaks have been detrimental to the food and accommodation industry. So much is true as it was estimated that restaurants and cafes lost \$27 million in produce as a result of the five (5) day lockdown imposed by the Victorian Government over the 2021 Valentine’s Day weekend.
18. According to Small Business Australia, it is estimated that approximately half a million people could lose their jobs once the JobKeeper program ends in March, with close to

100,000 businesses at risk of shutting permanently. It also found 32% nationally of the hospitality food and accommodation sector were still receiving JobKeeper payments.

19. Separately, R&CA notes that the superannuation guarantee will rise in July 2021 from 9.5% to 10%. R&CA submits that this increase will effectively increase the load for employers, which will be borne entirely by the employer who are already under financial distress.
20. While R&CA supports both federal and state government's fiscal support provided to the hospitality, food and accommodation sector, R&CA recognises the need for continued support and initiatives, especially for the period following the conclusion of the JobKeeper scheme, as many industry operators consider other avenues, as such as redundancies, for survivability. R&CA submits that any increase to the National Minimum Wage will be detrimental to many industry operators, who will be struggling to keep their businesses afloat following the JobKeeper scheme and the increase to the superannuation guarantee.

Considerations Specific to the Industry

21. Figures from the R&CA Industry Benchmarking Report 2020 (the "**Report**") revealed that business confidence had dropped significantly in the previous year as a result of the COVID-19 pandemic, with industry outlook at an all time low over the next twelve (12) months. Business costs in particular have been significantly impacted with significant drops in food costs as well as wage costs overall as takeaway and delivery revenues resulted in a more streamlined business model, revealing that less staff were required to keep businesses afloat.
22. It was revealed from the 2019 Benchmarking Report that the most important issue for industry operators was the inability to increase prices in line with rising costs, followed closely by high minimum wages and skills shortages. Comparatively, the Report revealed that wage costs have continued to remain the single largest issue facing the industry (at 34%), together with skills shortage (19.5%) and the COVID-19 restrictions (18.3%) respectively.

23. More recently, industry operators have financially struggled due to the emergence and significant growth of online food delivery platforms within the market. Figures from the 2019 Benchmarking Report revealed that 55.5% of the 656 respondents surveyed stated that the fees associated with online food delivery were too high, and that it was impossible to make a profit using online food delivery platforms. Notably, the Report highlighted the increased role of takeaway and delivery to the restaurant industry resulting from the COVID-19 pandemic as the industry further expanded its aggregators into alternative options such as pick-up and delivery.
24. R&CA has observed that the COVID-19 pandemic has impacted industries in different ways. In particular, R&CA notes that those engaged in the hospitality and food service industries have been most impacted, with significant employment losses during the height of the COVID-19 pandemic. Concerningly, the industry has also been faced with a significant skills shortage in light of the international travel restrictions, especially in front of house roles where working holiday visa workers prevalently occupied these roles. R&CA notes that these losses were the direct result and have been further aggravated by other important features, such as the inability for hospitality operators to work from home.
25. The R&CA respectfully requests that the Panel take into consideration the above key considerations when arriving at their final determination.

The R&CA's Position

26. With consideration to all the above, R&CA submits that any increase in the National Minimum Wage for those awards covered under the Group 3 tier should not occur until 1 February 2022 to ensure consistency with the Commission's timeline imposed by the Commission's Annual Wage Review 2019-20.
27. If, in the alternative, the Commission decides that the new rate is to take effect from 1 July 2021, R&CA advocates a quantum of 0% increase in the National Minimum Wage.

We thank the Commission for considering our submission. If you wish to discuss R&CA's views further, do not hesitate to contact the Industrial Relations Department by email on ir@rca.asn.au.

We thank you again for the opportunity to make this submission.

Regards

A handwritten signature in black ink, appearing to be 'Wes Lambert', with a stylized, cursive script.

Wes Lambert CPA FGIA MAICD

Chief Executive Officer

Restaurant and Catering Australia