



**IN THE FAIR WORK COMMISSION**  
**ANNUAL WAGE REVIEW 2022-23**

## **The Restaurant and Catering Industry Association**

1. Restaurant & Catering Industry Association of Australia (“**R&CA**”) is pleased to provide a submission for the Annual Wage Review 2022-23 (the “**Review**”). 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.
2. 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. We work to ensure that 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.

## **The 2022-23 Annual Wage Review**

3. R&CA welcomes the opportunity to provide a submission into the Review under section 289 of the *Fair Work Act 2009* (the “**Act**”).
4. Under 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.
5. When conducting the review, the Panel is required to consider several economic and social factors as outlined in section 284(1) (the “**minimum wages objective**”) and section 134(1) (the “**modern awards objective**”).
6. The minimum wages objective  
  
provides: “**284 The minimum**

## **wage objective What is the**

### **minimum wage 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 wage objective*.

## **What is the modern awards**

### **objective?**

- (2) 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 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*.”

## **The Industry and Employment**

7. R&CA conducts an annual industry benchmarking report for businesses and stakeholders to provide a snapshot of industry trends, opportunities, and challenges to inform R&CA’s position on various policy issues impacting the industry. This annual industry benchmarking report is conducted across all states and territories, with a sample that is statistically relevant, and compared upon year-by-year.
8. According to the most recent edition of the R&CA 2022 Industry Benchmarking Report (the **Report**), approximately 70% of restaurant and catering businesses are family operated, with the majority between 1-19 employees, reiterating that small and family businesses are the foundation for the Australian hospitality industry.
9. As such, a significant proportion of industry operators rely on the minimum wages provided for by the modern awards for the various classifications, grades and levels in the *Restaurant Industry Award 2020*. Further, any increase in the minimum wage and award rates will have repercussions beyond the Monday-Friday ordinary rates. Rhetoric from other stakeholders such as an increase of “only \$1 per hour” for minimum wage workers fail to take into account the repercussions from any broader decision and its impact for other relevant employees covered by the modern awards. Award rates for higher classifications, grades and levels within the modern awards

along with penalty rates on weekends and public holidays also significantly increase and small businesses face the financial consequences from the Panel's decisions. The cumulative impact for employees on higher grades and penalty rates significantly magnify any increase by the Panel.

10. Within the hospitality industry, the Report found that operators continue to face ongoing challenges to their operating costs, with businesses struggling to remain price-competitive amidst inflation. Recent decisions by the Reserve Bank of Australia to increase the cash rate, the ongoing inflationary environment for energy costs and food inputs, along with workers compensation premiums and other business inputs have all contributed to an economic environment that reduces business confidence.
11. The Report has found that for 44.9% of businesses, net profit had decreased which can be attributed to the ongoing economic conditions faced by hospitality and the impact of staffing costs on the industry. In order to counteract the high staffing costs, approximately 40% of business owners worked 20 or more unpaid hours in their business due to these challenges. Business owners were asked if they expected their business to be operating 12 months from now and 5.7% indicated that they were not intending to operate in the coming year. This demonstrates the consequences when increases in costs are mandated for businesses that are beyond their capacity to absorb these increases.
12. R&CA has observed through the Report when compared to the 2021 Industry Benchmarking Report that more businesses are choosing not to operate on Sundays and Public Holidays due to the rising penalty rates. There has been an over 6% annual increase in businesses choosing not to operate on both Sundays and Public Holidays. This reiterates the consequences of any increase in the modern award wage rates and the ramifications when they are multiplied by penalty rates of up to 250%.
13. Small businesses that are unable to afford any excessive increases in the modern award wages rates and the subsequent application of weekend or public holiday penalty rates, will discourage trading and reduce the number of available shifts for

employees, resulting in further underemployment and unemployment.

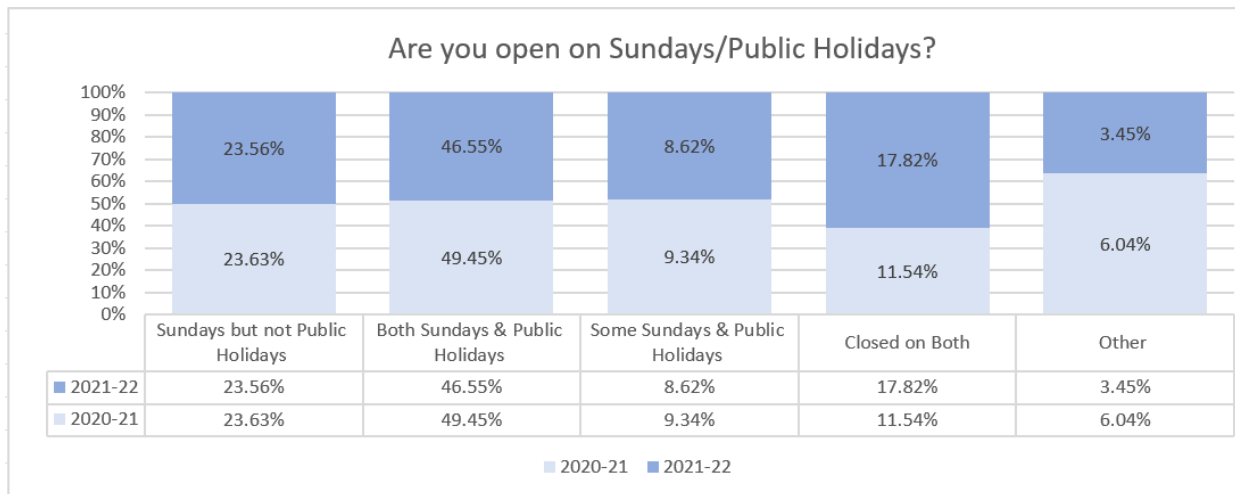


Figure 1: Sunday and Public Holidays - 2022 Industry Benchmarking Report vs 2021 Industry Benchmarking Report

14. The restaurant industry also has a low capital intensity. It has been estimated that for every dollar a business spends on capital costs, \$9.10 is spent on employees' wages.<sup>1</sup> This reiterates the trends within the hospitality industry on the significant impact of employee costs on the operating budget of a business and its impact on the viability of its future.



15. The R&CA also notes that the superannuation guarantee will increase to 11% from July 2023, in alignment with the annual 0.5% rise and this must be taken into account by the Panel. This increased costs for businesses is a relevant outflow and business expense for the benefit of the employee. Further, the increase of 0.5% for the

<sup>1</sup> IBM World 2019-20, Restaurants in Australia Industry Report FY2020, Operating Conditions: Capital Intensity p.30

superannuation guarantee will be compounded by any increase in the minimum wage and modern award minimum wages as decided by the Panel.

## **Inflation**

16. R&CA notes that the Reserve Bank of Australia expects inflation to decline by approximately 4% over 2023 and to around 3% by mid-2025.<sup>2</sup>
17. Consumer spending is forecast to drop at a 0.5% annualised rate in the second and third quarters of 2023.<sup>3</sup>
18. This slowdown in inflation should be met with a considered approach for the wage review as a cautionary measure to prevent further economic instability.
19. A push for an inflation-matching wage increase will pose a very significant risk to the Australian economy by adding further inflationary pressure.
20. Failure to curb inflation will lead to additional increases for interest rate rises and risk further wage-inflationary spirals in the Australian economy.
21. An unsustainable wage increase will jeopardise the recovery and viability of small businesses, which are already feeling the pinch from rising operational costs and reduced consumer spending.
22. As businesses struggle to remain price competitive, an unsustainable wage increase will result in major price hikes across the sector, with the cost burden carried by consumers.
23. The Report revealed the total cost of occupancy for business owners has doubled over the last five years.
24. The industry is also anticipating an increase in costs to meet regulatory requirements of the mandatory 'Country of Origin Seafood Labelling' scheme.

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<sup>2</sup> Statement by Philip Lowe, Governor: Monetary Policy Decision 2023, Reserve Bank of Australia

<sup>3</sup> March Quarter 2023, Consumer Price Index, Australian Bureau of Statistics

25. Family and small businesses are also dealing with the impacts of interest rate increases, supply chain disruptions that increase business costs, rising energy prices while struggling to maintain competitive pricing.
26. Currently, 35% of Australian hospitality businesses indicate inflation as their greatest challenge, with 79% of cafes and 70% of bars and pubs increasing menu prices to offset inflation.<sup>4</sup> The Report found that 84.3% of operators are considering a further increase in menu prices which can be attributed to the increase in wages costs. This emphasises the risk of a wage-price spiral that threatens the economic conditions and viability for the hospitality industry.
27. Reduced operation hours, and job losses, particularly for casual workers, are likely outcomes if unsustainable wage increases are introduced. This will lead to further underemployment and unemployment while reducing consumer and business confidence in the hospitality sector for the foreseeable future.
28. 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**

29. With consideration to all the above, R&CA submits that any increase in the National Minimum Wage should be no more than a 3% increase which will be parallel to the 0.5% increase in the superannuation guarantee from 1 July 2023. We thank the Commission for considering our submission. If you wish to discuss R&CA's views further, do not hesitate to contact the Policy Department by email at [policy@rca.asn.au](mailto:policy@rca.asn.au) or on 1300 722 878.
30. We thank you again for the opportunity to make this submission.

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<sup>4</sup> Lightspeed 2022 Report: State of the Global Hospitality Industry