

Thank you, your Honour. My name is Suresh Manickam, CEO of Restaurant and Catering Industry Association of Australia. Thank you for the opportunity to participate in the consultation with the Expert Panel to complement the written submission from the Restaurant & Catering Industry Association of Australia, regarding the Annual Wage Review. R&CA represents over 57,000 restaurants, cafés, and catering businesses across Australia, and we are proud to advocate for their interests and contribute to the growth and prosperity of the industry.

The hospitality sector, which includes cafes, restaurants, and catering businesses, plays a vital role in our economy. It generates over \$35 billion in retail turnover annually and provides employment to approximately 580,000 individuals. R&CA is committed to ensuring that this industry thrives by addressing challenges that impact its operating environment.

In our written submission, R&CA respectfully requests that the Panel considers an increase of 3% in the National Minimum Wage, aligned with the 0.5% increase in the superannuation guarantee from 1 July 2023. R&CA welcomes the opportunity to contribute to the Annual Wage Review, and we believe it is crucial to take into account the perspectives of the industry and its businesses. The decision by the Expert Panel will directly impact the viability of hospitality businesses in Australia and the future of gastronomy in our nation. Your decision will be the difference between encouraging entrepreneurship in this space, or stifling it.

R&CA conducts an annual industry benchmarking report for businesses to provide a snapshot of industry trends, opportunities, and challenges. This report is conducted across all states and territories, with a sample that is statistically relevant, and compared upon year-by-year.

Our recently conducted industry benchmarking report reveals valuable insights into the challenges faced by operators within the hospitality industry. As such, a significant proportion of industry operators rely on

the wages provided for by the modern awards for the various classifications, grades and levels. It is important to note that any increase in minimum wages will have repercussions beyond the basic rates, affecting higher classifications, grades, and levels as well as penalty rates for weekends and public holidays.

In fact, our benchmarking report shows that 44.9% of businesses experienced a decrease in net profit, largely attributed to staffing costs. To cope with these challenges, approximately 40% of business owners worked 20 or more unpaid hours. Moreover, some businesses have chosen not to operate on Sundays and public holidays due to rising penalty rates. There has been an over 6% annual increase in businesses choosing not to operate on both Sundays and Public Holidays. This demonstrates the nexus of unsustainable staffing costs leading to higher rates of unemployment and underemployment.

The next challenge faced by our businesses, like many, is inflation. Inflation is currently the greatest challenge for hospitality businesses, and an unsustainable wage increase may exacerbate these difficulties, leading to reduced operating hours, job losses, and decreased confidence in the sector.

The industry faces ongoing challenges with operating costs and maintaining price competitiveness. Factors such as the recent increase in the cash rate, inflationary pressures, rising energy costs, and workers' compensation premiums have contributed to a difficult economic environment, reducing business confidence. Though these factors of inflation, interests rates and energy prices affect most Australians, including employees, it is imperative that these increased costs are also faced by small businesses.

Our benchmarking report reveals that total occupancy costs for business owners have doubled in the past five years. Additionally, regulatory requirements, supply chain disruptions, rising energy prices, and

increased menu prices to offset inflation are challenging family and small businesses.

Major price hikes across the sector would become unavoidable, further impacting consumers. 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.

The impact of increasing employee costs on small businesses cannot be understated. Furthermore, the upcoming increase in the superannuation guarantee, which rises to 11% from July 2023 is a cost faced by businesses, must be considered alongside any decision on minimum wages.

Considering these key considerations, R&CA respectfully requests that the Panel considers a maximum increase of 3% in the National Minimum Wage, aligned with the 0.5% increase in the superannuation guarantee from July 2023. We firmly believe that this balanced approach will contribute to the stability and sustainability of the industry, while taking into account the broader economic context. We thank the Expert Panel for their time and consideration.

Restaurant
& Catering