



## Annual Wage Review 2024–25

### Initial and/or post-Budget submission

#### Cover sheet

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(Please provide the name of the person lodging the submission)

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(If this submission is completed on behalf of an organisation or group of individuals, please provide details)

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**Australian Restaurant & Cafe Association Ltd. (ARCA)**

# Submission to the Minimum Wage Review Committee

4 April 2025

Annual Wage Review  
Fair Work Commission  
Via email: [awr@fwc.gov.au](mailto:awr@fwc.gov.au)

Dear Annual Wage Review Committee,

**Re: Annual Wage Review 2024–25 (FY2026)**

## 1. Background

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The Australian Restaurant & Cafe Association (ARCA) represents Australia’s largest and most dynamic Hospitality segment, encompassing restaurants, cafes, and other foodservice businesses. ARCA is a Member based not-for-profit Industry Association and is the strongest voice for the restaurant & cafe segment of the Accommodation & Foodservice Industry, representing a segment that employs nearly 500,000 workers across nearly 56,000 restaurants & cafes in Australia **which equals nearly 50% of all the businesses in the Accommodation & Foodservice Industry, over double the closest segment (Takeaway 24%) and 4x-16x larger than other segments in the industry.**





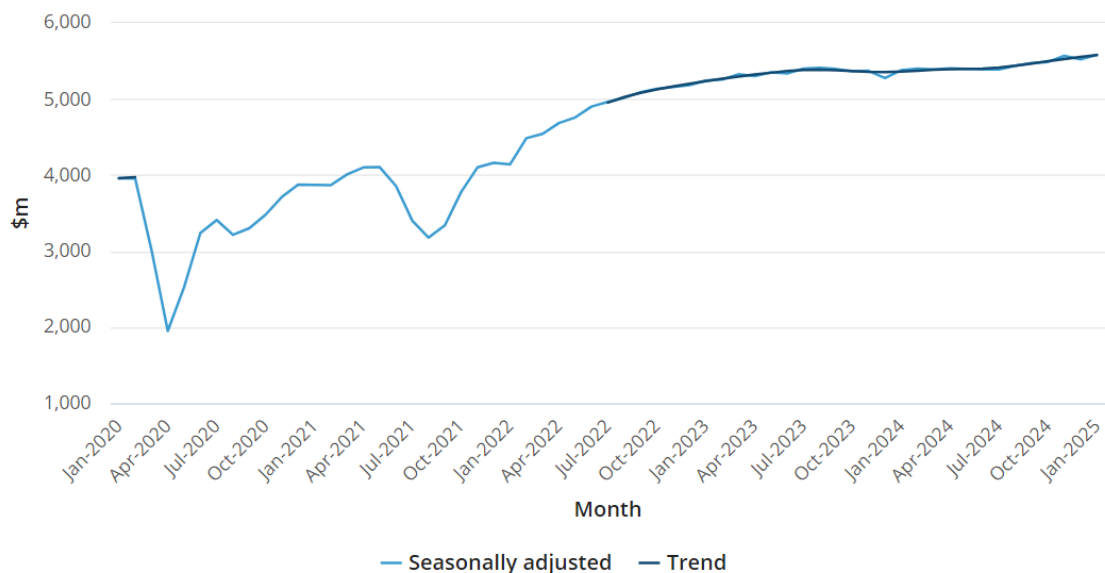
ARCA Members include many of the leading restaurants & cafes around the country which employ tens of thousands of workers within the restaurant & cafe segment as well as hundreds of pubs, hotels and small bars. An overwhelming majority of the segment is considered small businesses with 99% of restaurants and cafes earning less than \$10 million in annual revenue and 91.4% earning less than \$2 million<sup>1</sup> according to the Australian Bureau of Statistics (ABS).

## 2. Economic Context: The State of the Hospitality Industry

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### 2.1 Segment Revenue & Economic Overview

The segment (along with Takeaway Food Services) generates \$65B+ in revenue annually, according to the ABS Retail Trade, Australia monthly and quarterly estimates of turnover and volumes for retail businesses<sup>2</sup> and has been relatively flat since March 2023 (up just 5.4% in that time) as expenditure at restaurants is heavily dependent on real household discretionary incomes. Recent persistent cost-of-living pressures & international tourism remaining down from pre-COVID levels<sup>3</sup> have constrained overall consumer spending at restaurants and cafes, leading to record insolvencies and expected closures in 2025<sup>4</sup>.



<sup>1</sup> ABS Counts of Australian Businesses, including Entries and Exits, June 2020 to June 2024, 17 Dec 2024

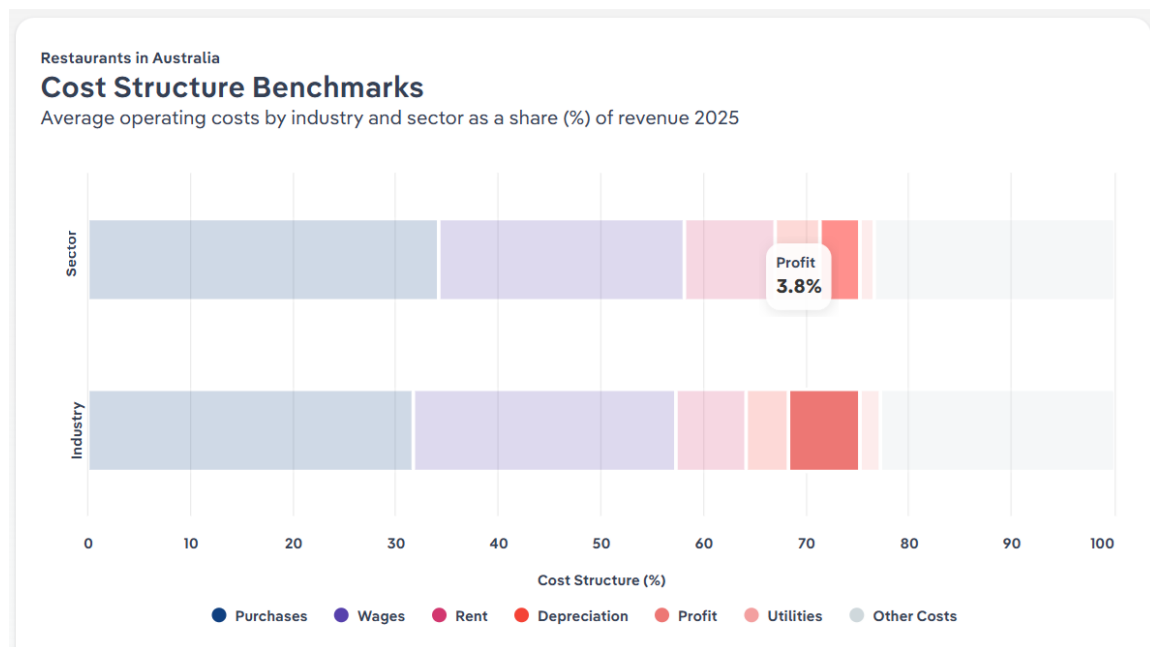
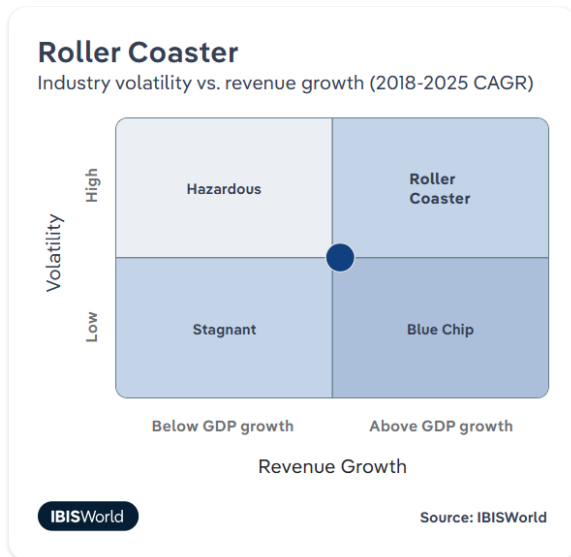
<sup>2</sup> [Retail Trade, Australia, January 2025 | Australian Bureau of Statistics](#)

<sup>3</sup> [Overseas Arrivals and Departures, Australia, January 2025 | Australian Bureau of Statistics](#)

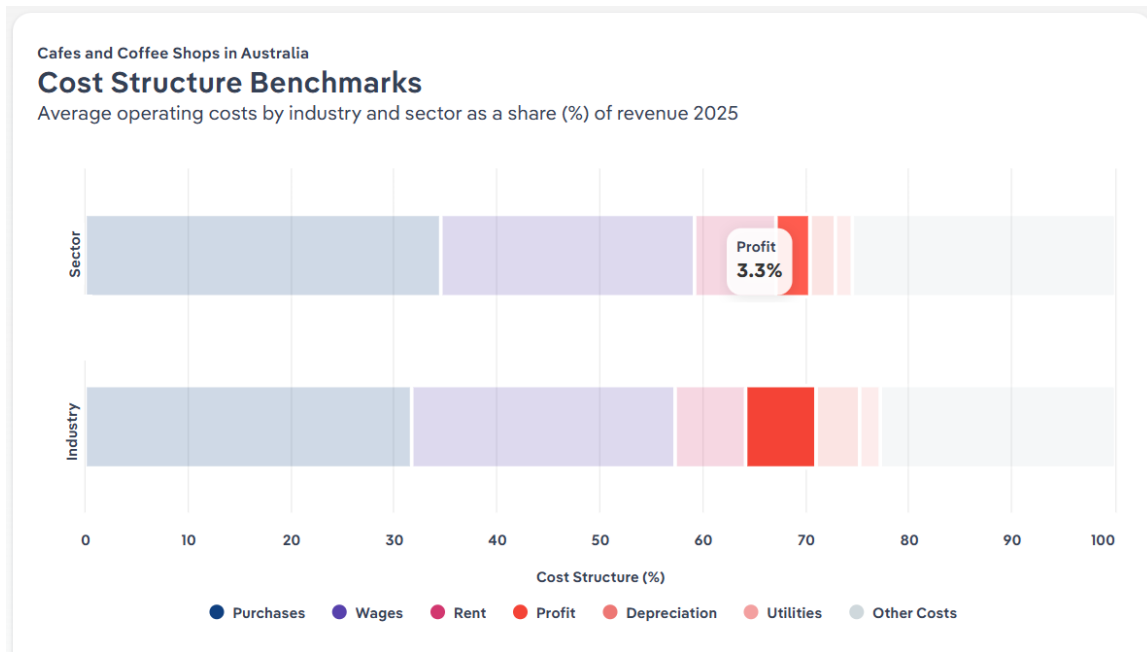
<sup>4</sup> [Record high hospitality closures in past year; Key measure of business stress leaps 47% year-on-year | CreditorWatch](#)

## Restaurants are struggling to maintain margins

Profitability varies depending on a venues size. Large restaurants benefit from economies of scale, while smaller cafe establishments suffer greatly when demand is flat. The segment's profitability has shrunk over the last FY, as cost-of-living pressures have weighed on industry demand while inflationary pressures have boosted restaurants' operational costs. According to IBIS World, outlook in the segment is expected to be a "Roller Coaster" and highly unpredictable, with restaurants on just 3.8% and cafes on 3.3% expected profit margin in 2025<sup>5</sup>. The segment can not absorb wage increases without price hikes.



<sup>5</sup> [At a Glance - H4511A Restaurants in Australia - MyIBISWorld](#)



### FY2024 Entry/Exit

As businesses in the segment are also finding it extremely difficult to deal with elevated operational costs and flat demand, these factors have curbed the segment’s profitability and forced businesses to exit (and inhibited growth) over FY24. The segment was relatively flat, and venue numbers grew by just 0.9%, though faring better than the overall Industry with Accommodation down -1.8%, Catering down -1.7%, Pubs (hotels), Taverns and Bars down -0.9%, and Clubs down 0.7%. The segment trailed Takeaway Food Services, which boomed in FY24 growing 4.6% overall.

## Australian Bureau of Statistics

**8165.0 Counts of Australian Businesses, including Entries and Exits, June 2020 to June 2024**  
 Released at 11.30 am (Canberra time) 17 December 2024

**Businesses by Main State by Industry Class by Turnover Size Ranges, June 2024 (a) (b)**

### Operating at the End of FY2024

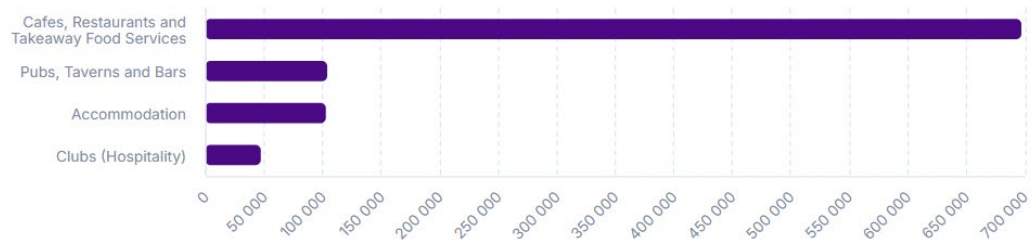
State Name	ANZSIC Industry Code	ANZSIC Industry Label	Total no.	Change no.	Percentage Change %	Entry Rate %	Exit Rate %
New South Wales	4511	Cafes and Restaurants	19,227	60	0.3	18.3	18.1
Victoria	4511	Cafes and Restaurants	17,937	81	0.5	17.2	16.6
Queensland	4511	Cafes and Restaurants	9,038	126	1.4	19.3	18.2
South Australia	4511	Cafes and Restaurants	2,882	141	5.1	22.5	17.2
Western Australia	4511	Cafes and Restaurants	4,257	76	1.8	18.8	16.8
Tasmania	4511	Cafes and Restaurants	1,037	-26	-2.4	16.4	18.3
Northern Territory	4511	Cafes and Restaurants	243	-5	-2.0	18.5	18.1
Australian Capital Territory	4511	Cafes and Restaurants	1,108	49	4.6	20.3	16.1
Other Territories/Currently Unknown	4511	Cafes and Restaurants	0	-2			
	4511	Total Cafes and Restaurants	55,730	500	0.9	18.4	17.4

## 2.2 Employment

The Accommodation and Foodservice Industry employs approximately 965,900 or 6.7% of the Australian Workforce ranking it the 5<sup>th</sup> largest employer out of 19 Industries, accounting for a significant portion of Australia’s workforce.<sup>6</sup> Key trends include:

- A majority (53%) of the workforce being female.
- The highest youth employment of all Industries with a Median Age of 25.
- Critical shortages in roles such as Chefs & Cooks and over 49,000 open roles on Seek.com.au<sup>7</sup> as of March 2025.
- The Cafe, Restaurant & Takeaway Food Service segment employs 697,500 or 72% of the workforce in the industry and is **Australia’s largest employing industry sector**<sup>8</sup>.

Employment by industry sectors



Source: ABS, Labour Force Survey, Detailed, November 2024, Jobs and Skills Australia (JSA) trend data.  
 Note: the sum of sectoral employment may not equal the industry total as data are trended separately, and not further defined (nfd) classifications have been excluded.

## 3. Productivity

Over the past 15 years (2010 to 2024), Australia’s labour productivity growth has experienced a notable decline:

- 1998/99 to 2017/18: Average annual labor productivity growth was approximately 1.3%.
- 2017/18 to 2023/24: This growth rate decreased significantly to around 0.2% per year.

Specifically, from 2017/18 to 2023/24, the market sector’s labour productivity growth averaged 0.6% annually, down from 1.6% in the preceding two decades.

<sup>6</sup> [Accommodation and Food Services | Jobs and Skills Australia](#) December 2024

<sup>7</sup> [Seek.com.au](#)

<sup>8</sup> [Australian Government Employment Outlook to May 2024.docx](#)

Recent data indicates further declines. In the September quarter of 2024, labor productivity decreased by 1.74% year-over-year, following a 1.12% decline in the previous quarter.

Plus, productivity may decline with larger increases in Minimum Wages increase based on the **Pearson correlation coefficient** between **Minimum Wage increases** and **productivity growth** from **2010 to 2024** is **-0.593**, with a **p-value of 0.0199**.

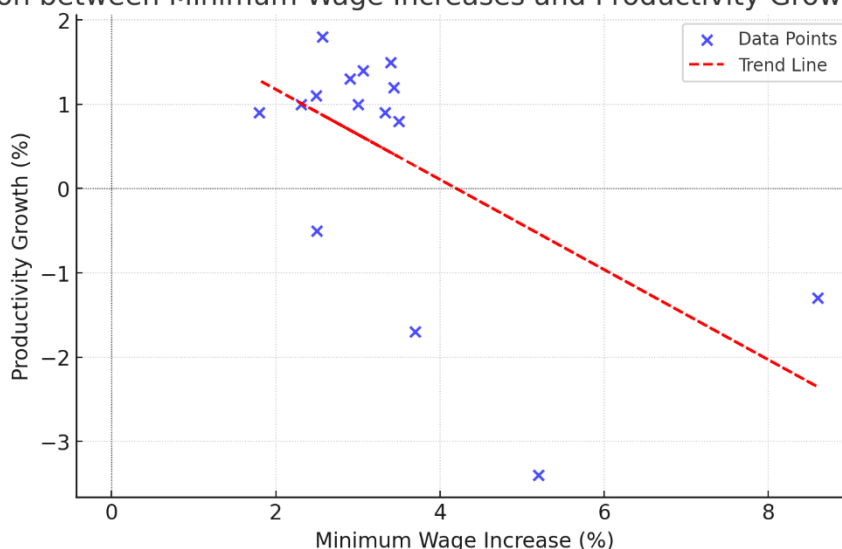
#### Interpretation:

- The negative correlation (**-0.593**) suggests that as **Minimum Wage increases**, **productivity growth tends to decline**.
- The **p-value (0.0199)** indicates that this correlation is **statistically significant** at the **95% confidence level** ( $p < 0.05$ ). This means there is a **moderate, significant inverse relationship** between wage increases and productivity growth.

#### Implications:

- **Higher wage increases may be linked to slower productivity growth**, potentially due to increased labour costs without proportional efficiency gains.
- This **does not prove causation**, but it raises concerns about how frequent wage hikes may impact business efficiency, automation adoption, and economic output.
- Policies aimed at improving **labour productivity (e.g., training, technology investment, infrastructure improvements)** are crucial if wages continue to rise.

Correlation between Minimum Wage Increases and Productivity Growth (2010-2024)





The **scatter plot** visualizing the correlation between **Minimum Wage Increases (%)** and **Productivity Growth (%)** from **2010 to 2024** with the **negative slope** confirming that higher minimum wage increases tend to coincide with lower productivity growth.

#### 4. Economic Rationale for a 2.0% Increase

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##### 4.1 Keeping Wages in Line with Inflation

- The **Consumer Price Index (CPI)** is projected to stabilize in the 2-3% range in FY26, following higher inflation in previous years<sup>9</sup>. A **2.0% increase** ensures that minimum wage earners experience no real wage erosion while allowing businesses some flexibility.
- **The Minimum Wage increase should not be viewed as a performance increase, rather as a cost-of-living increase, thus should not outpace future inflation under any circumstance.**

##### 4.2 Supporting Household Spending and Economic Growth

- Minimum wage workers tend to spend growing portion a of their earnings on essential goods and services. A moderate increase supports consumer demand, which is vital for economic growth.
- Research suggests that modest wage increases have **multiplier effects**, boosting local economies without significantly impacting inflation.

##### 4.3 Business Viability and Employment Considerations

- A **2.0% increase** strikes a **balance between wage growth and employer sustainability**. Higher increases (e.g., 5% or more) may lead to job reductions, while lower increases may erode workers' real incomes.
- Small businesses in industries such as **hospitality and retail** are finding it difficult to recover from economic challenges, making a gradual wage increase preferable<sup>10</sup>.

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<sup>9</sup> [Overview | Statement on Monetary Policy – February 2025 | RBA](#)

<sup>10</sup> [Record high hospitality closures in past year; Key measure of business stress leaps 47% year-on-year | CreditorWatch](#)





#### 4.4 Comparative Analysis

- **International Trends:** Australia's minimum wage remains competitive among OECD nations<sup>11</sup> with a higher minimum wage than similar countries and economies. A **2.0% increase** aligns with trends in developed economies facing similar economic conditions.
- **Past Adjustments:** In FY2025, the **3.75%** increase was reflective of high inflation. With inflation now moderating, a **more measured increase** is appropriate.

#### 4.5 Impact Assessment

- **Cost to Employers:** A moderate increase allows businesses to adjust without significant operational disruptions or layoffs.
- **Macroeconomic Stability:** A **2.0% increase** avoids excessive wage-driven inflation in certain segments of the economy while ensuring fair compensation.

#### Recommendation

A **2.0% increase in the Annual Minimum Wage** in FY2026 is a responsible and balanced approach that considers economic conditions, business sustainability, and worker welfare. It ensures that wage earners maintain purchasing power without placing excessive strain on employers. We urge the Fair Work Commission to adopt this recommendation in the upcoming wage review.

Yours sincerely,

Wes Lambert CPA, FGIA, CAE, MAICD

Chief Executive Officer

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<sup>11</sup> [Minimum Wage by Country 2025](#)