

MINIMUM WAGE ACTU modelling cites \$50 per week lift but economist doubts assumptions

Pay boost could create 57,000 jobs

Anna Patty

The peak union organisation says a \$50-per-week increase in the minimum wage would create up to 57,000 jobs in the first year.

The ACTU's economic modelling submitted to the Fair Work Commission's annual review of the national minimum wage argues the wage increase would create 50,000 to 57,000 jobs in the first year and 30,000 in the second, based on an increase in spending, including deductions for average savings and inflation.

But a leading economist said the modelling used by the ACTU ignored the possibility that some of



ACTU secretary Sally McManus.

the additional spending would go into profits or other costs.

The ACTU likened the impact on the second year to that of a public spending stimulus. However, independent economist and vice-chancellor's fellow at the University of Tasmania, Saul Es-

lake questioned that assumption. "To say an increase in wages that has to be funded by employers has the same effect on the economy as an increase in government spending funded by borrowing is simply not true," he said.

The ACTU said its projections were conservative and based on two estimates which accounted for inflation and the tax and transfer system. They were based on an assumption that 40 per cent to 70 per cent of each extra dollar received would be spent on the economy.

The ACTU said its estimates about jobs growth were based on the federal government's submission to the commission's wage review and approaches taken in fed-

eral budget papers to calculating jobs growth figures. "When people on lower wages get a pay rise they spend it in the local economy and that creates more jobs," ACTU secretary Sally McManus said.

Mr Eslake said it was reasonable to argue that an increase in household income from wages could lead to an increase in spending which should in turn lead to higher employment.

However, he was not convinced that dividing the amount of additional spending by annual median total weekly earnings to estimate how many additional jobs would be created as a result of that additional spending was correct.

"It appears to assume that all of

the additional spending can and will be applied by whoever supplies the additional goods and services to which this additional spending is directed, to putting on more staff," he said.

"This would seem to ignore the possibility that some of the additional spending would go into profits; and that even if it doesn't, some will go into additional materials and other input costs."

The Australian Industry Group, which is calling for a below-inflation pay rise of just \$12.50 per week, arguing businesses are under pressure, said the impacts of increased minimum wage rates on aggregate demand were more complex than the ACTU suggested.

Former AFL player buys 'tired' Vicinity centre for \$135m

PROPERTY

Simon Johanson

Shopping mall owner Vicinity Centres has sold its "tired" suburban Brandon Park shopping centre in Melbourne to Newmark Capital for \$135 million in a further sign of listed property trusts ring-fencing their portfolios against tougher retailing conditions.

The divestment of the mall in Wheelers Hill is one of the last in a long \$1.5 billion sell down of assets that Vicinity first flagged in December 2015.

The shopping centre's 23,043 square metres of gross leasing area, anchored by a Coles, Aldi, Kmart and 85 speciality stores, was picked up by Newmark, a syndicate fund run by former Hawthorn AFL star Chris Langford and Simon T. Morris.

Another Newmark fund owns the city-fringe Jam Factory retail complex in South Yarra where it is staging a major \$450 million redevelopment that will see the property converted to a glitzy 15-storey \$1.25 billion retail and office com-

plex. Two years ago, Newmark bought a hotel and shopping complex, the Como Centre also in South Yarra, for \$236.5 million.

Mr Langford said the group liked to buy sites with strong real estate fundamentals and good passing income from which it could unlock development potential.

"It's a significant landholding in a prominent location. It might be a little tired, but it's a well established trading centre," he said.

Mr Langford said Newmark hoped to have a development plan before the local council within two years, upgrading the retail and targeting medical and office uses.

Vicinity, the country's second largest listed landlord, co-owned Brandon Park with Telstra Super.

Vicinity will get \$67.5 million of the sale proceeds, reflecting a 3.8 per cent premium to book value, chief executive and managing director Grant Kelley said.

The deal, negotiated by JLL's head of retail investments Simon Rooney, was struck on a passing yield of 6.7 per cent.

"Unlisted funds continue to be drawn to the sub-regional sector,



Strong bones: The Brandon Park shopping centre in Wheelers Hill has been picked up by Newmark Capital.

given the attractive yields available relative to premium core assets," Mr Rooney said.

Australia's commercial real estate has seen strong growth in values across all sectors. That performance may be peaking with the first signs yields are starting to slip, a recent JLL report, *Australian Shopping Centre Investment Review & Outlook 2018*, notes.

"The first signs of yield decomposition in this cycle have emerged. We expect this trend to extend to other markets across multiple sub-sectors from early 2018," it said. "We expect competition for prime retail assets to remain strong, with yields for core assets in most retail sub-sectors likely to stabilise at their current levels, at least through 2018."

The risk-reward ratio of owning a mall was becoming less appealing, even for superannuation funds, an analysis by Morgan Stanley said. "Fortress malls", like Vicinity-owned Chadstone, will need to keep spending large sums on upgrades to fend off the threat of online shopping, making them less appealing to investors over the long term, they said.

Starbucks to close 8000 stores for anti-racism training

HOSPITALITY

Starbucks, moving swiftly to confront a racially charged uproar over the arrest of two black men at one of its stores in Philadelphia, plans to close more than 8000 US stores for several hours next month to conduct racial-bias training for nearly 175,000 workers.

The announcement on Tuesday comes after the arrests sparked protests and calls for a boycott on social media. A video shows police talking with two black men seated at a table. After a few minutes, officers handcuff the men and lead them outside as other customers

say they weren't doing anything wrong. Philadelphia-area media said the two were waiting for a friend. It is estimated the closures will set back the company around \$US16.7 million (\$21.5 million) in lost sales, according to Bloomberg calculations. The company booked \$US22.4 billion in revenue last year.

Starbucks, which was once ridiculed for urging its employees to write "Race Together" on coffee cups to start a national conversation on race relations, has found itself through the looking glass: under fire for its treatment of black people.

The company reacted from a high level: Starbucks CEO Kevin Johnson called the arrests "reprehens-

ible" and said he wanted to apologise to the two men face-to-face. The company and a lawyer for the two men said they did meet, and Johnson delivered the apology. Starbucks also said the employee who called police no longer works at the store, but declined to give details.

Johnson had also promised to revamp store management training to include "unconscious-bias" education. Starbucks said its US company-owned stores and corporate offices will be closed on the afternoon of May 29 for the training, which will eventually be incorporated into the instruction process for all newly hired employees.

The episode highlights the risks



Starbucks is revamping its processes.

large corporations run when they tie their brands so closely to social messaging. In 2015, then-CEO Howard Schultz shrugged off the "Race Together" fiasco as a well-intentioned mistake and pressed

on with his public efforts to engage in the debate over race in America. Johnson was scrambling to keep the Philadelphia incident from shattering the message Schultz was going for: Starbucks is a corporation that stands for something beyond profit.

"The more your brand is trying to connect emotionally to people, the more hurt people feel when these kinds of things happen," said Jacinta Gauda, the head of the Gauda Group, a New York strategic communications firm affiliated with the Grayling network.

"They are breaking a promise. That's what makes it hurt deeper."

AP