



Australian
Retailers
Association

Select Committee on the Future of Work and Workers
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ARA SUBMISSION IN RESPONSE TO THE FUTURE OF WORK AND WORKERS INQUIRY

January 2018

Background

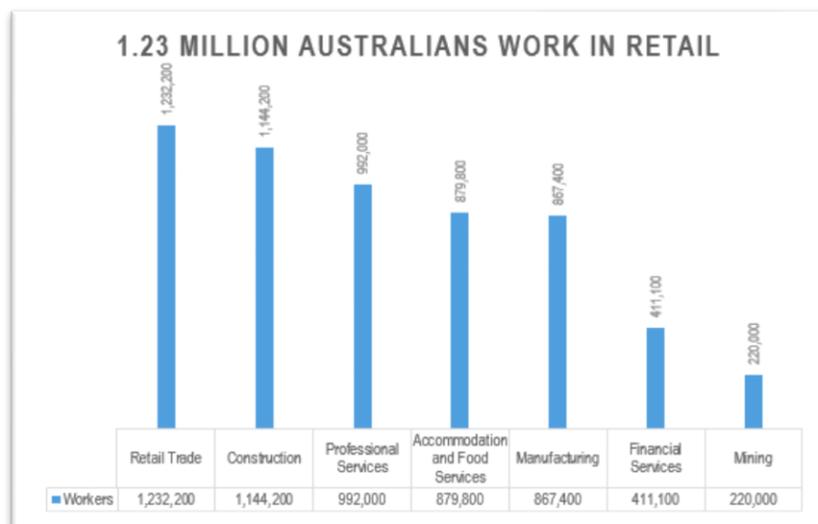
The Australian Retailers Association (ARA) offers support, information and representation to over 7,500 retailers across the nation, representing more than 50,000 shopfronts. The ARA ensures the long-term viability and position of the retail sector as a leading contributor to Australia's economy.

The ARA is committed to maintaining retail's position as Australia's largest private industry employer. Retail employment provides an important source of employment to people from all walks of life, and is often the entry point to the workforce for many individuals. In saying so, a competitive retail industry, operating under the right policy settings with the flexibility to grow, is the best way to ensure retail continues to employ more than 10 per cent of Australians in the future. The future of business is the future of work.

General Employment and Economic Conditions for Retailers:

In Australia, 131,500 retailers employ over 1.23 million Australians – retail is Australia's largest private employer, representing 10.1 per cent of the total workforce. Positioning the

retail sector as a career choice, and developing skills and expertise is crucial to maintaining the retail industry's place as Australia's largest private industry employer.



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Demographic change, globalisation and technology are confronting retailers, and the economy more broadly, in sustaining their businesses, maintaining employment, and promoting efficiencies and growth. Australia is not alone – by 2050, one in three adults will be over 65 in the OECD, and this will skew the balance of working-age employment, creating large shifts in economies worldwide.²

This signals the need for forward-thinking policy development and leadership by governments, in cooperation with private industry, to not only prepare for change, but to stay ahead of the curve. Policies and incentives to assist people in working longer, staying in, or entering for the first time, the labour market, adapting skills, and promoting flexible industrial relations systems, will be key in preparing for the future of work and workers. Governments can begin by creating policies which encourage employers to hire and retain workers of all ages, especially those approaching the 'traditional' retirement age, and enhance the employability of individuals via well-designed training and skills programs.

¹ Australian Bureau of Statistics 2017, '6291.0.05 - Employed persons by State, Territory and Industry Division of Main Job,' *Labour Force, Australia, Detailed, August 2017*.

² Scarpetta, S 2016, 'What future for work?', *OECD Observer*.

In retail, this modicum of factors has influenced the viability of the sector. Cost pressures have come into laser focus in recent times, due to increased competition, the changing landscape, and an inflexible industrial relations system. Reflected in data from the latest Sensis Business Index (SBI)³, retail trade is the least confident overall, reflecting ongoing stress regarding sales and trade, competition, cost increases and challenges relating to the Industrial Relations system.

Business confidence is a key factor in hiring workers and planning employment in the future. The results of the SBI highlight the importance of promoting confidence in all sectors, namely retail, in order to improve employment prospects and plan for the future of work.

Confidence by sector

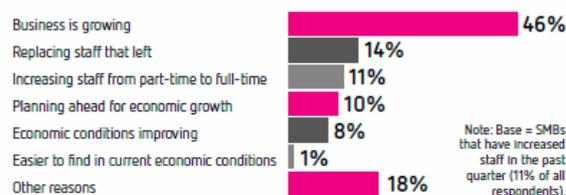
	Confident	Worried	*Net Balance
Manufacturing	59%	23%	+36
Building and Construction	57%	14%	+43
Wholesale Trade	55%	19%	+36
Retail Trade	43%	27%	+16
Transport and Storage	64%	13%	+51
Communication, Property and Business Services	69%	9%	+60
Finance and Insurance	50%	10%	+40
Health and Community Services	66%	12%	+54
Cultural, Recreational and Personal Services	71%	14%	+57
Hospitality (Accommodation, Cafes and Restaurants)	75%	13%	+62

* Net balance is defined as the difference between the percentage of SMBs with a positive outlook and the percentage with a negative outlook.

What are the barriers to taking on new employees?



Why SMBs have increased employment – Sep 2017



The Future of Industrial Relations:

In 2015, the Productivity Commission undertook an inquiry into Australia's workplace relations framework. In its review, the PC highlighted the need for a workplace relations system geared toward the future, rather than its current backward-looking nature. Demographic changes,

³ Sensis 2017, 'Sensis Business Index September 2017'.



technology and increasing competition are challenging our current industrial relations system, for example⁴:

- The shift towards a 24/7 economy;
- Preference of consumers for services on weekends;
- Immediacy of technology changing perceptions of the value of time;
- Increase of average working age, and subsequent increase in mature-age workers.

The ARA submits that the workplace relations system has not adequately caught up with these changes in recent times, and risks holding back advancements in employment across all industry if it continues to lag. The capacity of our institutions to lead, being Governments, the Fair Work Commission, Trade Unions and Industry Bodies, among others, should more accurately reflect present-day circumstances, looking towards the future rather than being mired in the past.

The PC also undertook an inquiry into the costs of doing business in retail. The report noted that labour costs as a share of revenue are higher in Australia than in the comparable nations of the United Kingdom and the United States. The PC noted in its review that government could assist retailers by ensuring that the retail sector is open and competitive, with one of the most important policy levers available to government to assist retail being Federal policies on industrial relations⁵.

In this report, the PC noted that *“addressing deficiencies in the regulatory environment... has the potential to lower retailers’ costs over time, create a more competitive and sustainable sector, and ultimately benefit consumers through greater choice and affordability.”*⁶

The ARA believes that from an industrial relations perspective, the most pressing issues for retailers centres on the ability under the current framework to engage their workforce in ways that drive productivity and align with consumer demand.

Enterprise bargaining:

Enterprise Bargaining has been a crucial means for businesses to vary safety net entitlements to develop terms and conditions tailored to their operations. This is undertaken with a focus

⁴ Productivity Commission 2015, ‘Developments in Australia’s Labour Market’ in *Workplace Relations Framework*.

⁵ Productivity Commission 2014, *Costs of Doing Business: Retail Trade Industry*.

⁶ Productivity Commission 2014, *Costs of Doing Business: Retail Trade Industry*, pp.24.





on productivity gains, while ensuring employees overall are sufficiently compensated for any reductions in safety net entitlements. The retail industry has operated within this framework in the same way that other industries have. Large and smaller retail businesses have bargained at workplace level with their employees, in most cases exchanging lower weekend penalty rates for higher base rates of pay.

The increasingly 24/7 nature of retail has seen employers of all sizes identify the need to control labour in order to provide adequate customer service. Prohibitive weekend penalty rates are commonly “bought out” through higher base rates of pay. This ensures retail employers of all sizes could operate with sufficient staffing levels on Saturdays and Sundays to drive sales, and therefore productivity gains. Concurrently, employees are compensated with higher wages during ordinary hours, and flexible working arrangements, which is beneficial for a range of employment categories, including younger workers, parents and students, to name a few.

OECD research supports a flexible and well-organised bargaining system as integral to a well-functioning Industrial Relations system⁷:

“When collective bargaining is well-organised and representative, it can help manage and reduce the extent of any trade-offs between different policy objectives.”⁸

However, Enterprise Bargaining Agreements in Australia have been stifled due to their relationship with the inflexible Better-off Overall Test (BOOT). From the perspective of the retail industry, the operation and application of the BOOT has resulted in a near collapse of bargaining, leading to the conclusion that the BOOT is acting contrary to its intent.

Most recently available data on Enterprise Bargaining shows that in the September Quarter 2017, there were 205 current agreements in the retail industry. This is the lowest figure since 2003, and down from 343 in the comparable period three years earlier (September 2014):

- In December 2011, there were 2013 current agreements in the retail industry, which represents peak numbers;

⁷ OECD 2017, *Employment Outlook 2017*.

⁸ OECD 2017, *Employment Outlook 2017*, pp.164.



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- Thus, enterprise bargaining in the retail industry has fallen by 90 per cent over the last 6 years, whilst retail trade has grown by 24 per cent (seasonally adjusted) in that time.⁹¹⁰

ARA members have highlighted the difficulties with EBA approvals processes as one of the most challenging issues for their business. The inflexibility which characterises bargaining has reduced the opportunity for retailers to hire additional staff and achieve efficiencies to remain competitive, which in the long run, may worsen job prospects for employees. The ARA calls on Government to address issues with EBAs, by reducing the complexity of the BOOT, and, more generally, simplifying the bargaining process.

Recommendations:

- Improve the flexibility of the industrial relations system in retail, and for industry more broadly, to lower costs and increase employment opportunities;
- Reform the Enterprise Bargaining system, in particular, simplifying the Better-off Overall Test to improve flexibility and promote efficiencies.

Technology, Platform Work and Retail:

Digitisation, the unprecedented and continually growing power of technology, including internet saturation, artificial intelligence, and collaborative platforms, have changed the understanding of work. The nature of work and its relationship with technology has already begun to change markets, including through platforms, which connect markets in completely different ways.

Retailers have not been immune to these changes, operating in an environment requiring continuous adjustment to new ways of working, planning, selling and consuming. Online retailing has created the largest challenge to traditional 'bricks-and-mortar' retailers, with growth in online shopping during 2016 at 10.2 per cent as opposed to 3.3 per cent for

⁹ Department of Jobs and Small Business 2018, *Trends in Federal Enterprise Bargaining: September Quarter 2017*.

¹⁰ Australian Bureau of Statistics 2018, '8501.0.12 – Retail Turnover, State by Industry Subgroup, Seasonally Adjusted', *Retail Trade - November 2017*.





traditional retailing.¹¹ This has increased the importance of the customer experience, including service, which is reliant upon a stable, yet adaptable workforce.

Disruptive technologies, including platform work, may be assisting some retailers in bridging the gap between physical and online forms of retail. The potential to access new markets, especially for those involved in food retailing, offers the potential to assist retailers in remaining competitive.

However, platform work is unlikely to reach a point of market saturation in the retail industry. Due to the nature of the industry, with ongoing service requirements, product and brand knowledge, and sales expertise, the prevalence of non-ongoing work which might be outsourced is limited. There is an ongoing need for a stable mix of employment in retail, including full-time, part-time and casual employment. Research by the Grattan Institute is supportive of this position:

“There are few large platform workforces in manufacturing, retail and wholesale trade, health care, or financial services. Traditional employment relationships, whether continuing or casual, seem to prevail for now in these industries”¹²

Platforms have allowed workers to access new opportunities, including flexible working arrangements, supplementing or diversifying their income, and/or entry/re-entry into the workforce for the low-skilled and disadvantaged. In addition, the flexibility of platforms may afford existing industries the opportunity to supplement, rather than replace, traditional forms of work when necessary. It is, therefore, important to remember the position of both professional and platform-based contracting to the economy, and the flexibility this provides for workers.

As with all disruptive forces, questions arise around the effects of platforms and new technologies on workers, and the workforce more generally. While historically, technological revolutions have created shifts in employment patterns, this has largely been driven by slow institutional and political responses. Disruption of the workforce by technological change should, rather, be considered in the context of complementing existing jobs and job tasks, and providing opportunities for workers and businesses to grow. There is no future of work without the future of business.¹³

¹¹ Australia Post 2017, *Inside Australian Online Shopping: 2017 eCommerce Industry Paper*, pp.7.

¹² Minifie, J 2016, ‘Peer-to-Peer Pressure: Policy for the sharing economy’, *Grattan Institute*, pp.36.

¹³ Productivity Commission 2016, *Digital Disruption*.





The ARA advocates for adaptive, forward-thinking policy responses to technological change, to allow businesses and workers to benefit. Over-regulation and reactionary policy will only constrain opportunity. Government should be cautious about its approach to regulating platform work and independent contracting. The ARA prefers an information-based approach, providing businesses and individual contractors with information about their legal and financial rights and obligations.

Skills, Education and the Retail Workforce:

The ARA is firmly of the view that education needs to keep pace with the skills required for a changing workforce. Changes brought about by the major drivers affecting industries will have a significant impact, including on workforce polarisation, and widening skills gaps.

Previous periods of major economic, social and industrial change have seen a substantially delayed response by Governments, institutions and skills and education markets. Education and skills development will become increasingly critical to enabling economic growth going forward. Building a workforce with skills for the future will require targeted action in order to capitalise on the opportunities.¹⁴

The ARA calls on Government to support educational measures to assist the development of skills and expertise in the Australian retail industry. Specialised retail VET providers should be given extra assistance and support as the market leaders in equipping the retail industry with the necessary skills for success. This can be achieved through helping to fund retail industry run training courses to improve skills for future retail entrepreneurs.

This is an important step in addressing the future of the workforce, especially with the ongoing skills polarisation brought about by technological change. According to the OECD,

“Two service industries have seen the clear shift of employment towards the bottom of the skill distribution (Hotels and Restaurants and Wholesale and Retail Trade).”¹⁵

The ARA believes that all levels of Government should work with Industry to offer better incentives for workers and businesses to re-skill, re-train and upskill. Training opportunities should be more widely accessible, and not necessarily linked to an individual’s work status or

¹⁴ Deloitte 2016, *The Future of the Workforce: Critical drivers and challenges*.

¹⁵ OECD 2017, *OECD Employment Outlook 2017*, pp.94.





individual workplace. This is especially important where platform and contract workers are concerned, where workers are responsible for their own training and skills.

Recommendations:

- Move away from the heavily siloed nature of education and training, and outdated practices which are hindering skills development;
- Work closely with business and industry to develop 21st Century education and training systems;
- Support a more dynamic workforce by prioritising transferability of skills and preserving opportunities to access training and further education:
 - o France recently introduced a system which allows workers to preserve accumulated training rights throughout their careers, even when they switch employer.¹⁶
 - o Skills aggregation and transferability will be important for both individuals and employers in the future, and will unlock economic potential.

Summary:

The retail industry provides a vital source of employment and income for over 1.23 million Australians. Moreover, retail acts as a barometer for the overall economy, reflecting consumer sentiment, and people's confidence in their finances and the economy as a whole.

The retail industry, like many others, has experienced a period of change brought about by advancements in technology and globalisation, which have also impacted on the world of work. Thus, the importance of ensuring the competitiveness of all industries, not least retail, will be vital to the future employment opportunities for all Australians.

Government should prioritise a forward-thinking, flexible industrial relations system which can adapt to future needs more readily. Skills development and education must prioritise lifelong learning and skills transferability to better position both individuals and businesses to capitalise on the opportunities of the future. Finally, Government should recognise the importance of technology and platform work in providing new, flexible working arrangements which can supplement traditional forms of employment.

The ARA is grateful for the opportunity to submit to this inquiry. If you have any further questions, please do not hesitate to contact ARA director of Policy, Government and Corporate Relations, Heath Michael, at heath.michael@retail.org.au.

¹⁶ OECD 2017, *OECD Employment Outlook 2017*, pp.110.





Kind regards,



Heath Michael

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Australian Retailers Association

