

Address by Christena Singh, Author, Sensis® *Business Index* to the
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Thank you for that kind introduction.

I am very glad to have been invited to address this conference and present some of our latest data on what small retailers think about workplace relations.

It is an area that we have been doing a lot of research on over the last few years.

We have been doing research on this topic specifically, because it is one that small firms keep telling us is of great importance to them.

But it is a topic that lacks a lot of hard data and analysis, with comments and debate often being formulated without data.

So we felt that it was important to put some objective data behind this topic, to aid and assist the debate in an area of importance to many small and medium firms.

At Sensis, we are proud of our commitment to Australian small and medium businesses.

Those of you from overseas might not know Sensis, but many of you will know us as the company being Yellow®, the White Pages®, the Trading Post®, City Search®, whereis®, UBD® and Gregory's® in Australia, and SouFun® in China.

We're Telstra's advertising business and Australia's leading information resource.

We're also one of the largest and fastest growing media businesses in Australia.

Our 350 print directories, maps, atlases and guides, ten web sites, three voice, one satellite navigation and seven mobile services are used by almost 13 million Australians every month to find the people, business and places they need.

And there's another function these services perform. We support almost 600,000 Australian businesses by providing a critical ingredient of their success – customers.

But apart from providing this essential ingredient, we are strongly committed to supporting businesses in other ways.

One of the key ways we support small business is through information, ideas and advocacy.

We do a large amount of research into many aspects of the small business sector.

The Sensis® *Business Index* – Australia's most comprehensive, long-running survey of small and medium businesses – is the flagship of our SME research program.

As part of this survey, we talk with 1800 owners of small and medium businesses every quarter to ask them, basically, how they are going.

The debate in Australia around workplace relations is a long standing one. We have investigated this issue in depth several times in the history of the Sensis® *Business Index*, and have been tracking small and medium businesses views on workplace relations quarterly now since August 2005.

And to get right to the chase, we have been tracking workplace relations to ensure that the views of small firms are heard.

Often the debate surrounding this topic takes place between experts in the field.

There is nothing wrong with this, it adds strong theoretical perspective to the issue.

But it is also important that those that operate within the workplace relations system every day, the 1.9 million small and medium businesses in Australia, are also heard.

This is important to ensure that the issue does not remain “theoretical” but is embedded in the realities of doing business.

It is important because it has often been said that “unfair dismissal” should not really be a problem for businesses – following procedures should mean that a business never gets into this situation.

It is said by some that it is an issue of “perception”.

And this holds the implication that it is not a reality.

But this ignores the reality that one in five SMEs have faced an unfair dismissal issue over the years.

It is positive that four out of five have not, but one in five is too great a proportion to ignore – this is a real issue for many businesses.

We have published much data on workplace relations in the Sensis® *Business Index* over the years, and you have the latest national data in front of you.

But while we have published data regularly, what has been published is really only the tip of the iceberg – the data that we have on workplace relations and its impact on SMEs is rich and deep.

So it gives me great pleasure today to be able to focus specifically on how workplace relations has been affecting the retail sector, and to present new, unpublished data outlining what Australia’s smaller retailers have told us is important to them.

But first, some context.

The Sensis® *Business Index* surveys 1800 small and medium businesses around Australia, from a large array of industry sectors in every state and territory. It looks at diverse businesses located around Australia in metropolitan and regional areas.

We just released our latest results yesterday on the state of the economy for Australia’s SMEs.

They reported some of the highest performance in years.

And not just performance, expectations in both the short and medium terms were at exceptionally high levels.

So it was interesting to note that on the back of this strong performance and expectations confidence overall did not move.

It remained unchanged at 59 per cent.

In context, 59 per cent is a very strong level.

In fact, we surveyed each side of the interest rate rise, and confidence was even higher before the announcement of the rise.

But overall confidence was unchanged.

And even though businesses felt that they would be performing well a year from now, they thought that the economy would be worse.

But while we saw relatively strong results overall for Australia's SME population, the same situation did not apply to Australia's small and medium retailers.

As you can see, confidence in the retail trade sector was the lowest of any industry sector, and has been below average for a considerable time now.

Confidence also fell more than for any other sector, dropping by a large 18 percentage points over the quarter.

Lower confidence was reinforced by the performance of small and medium retailers during the past quarter, with results in sales, profitability, employment and capital expenditure all below average.

Expectations in these indicators in the retail sector was also below average.

Small and medium retailers told us that the main issues dampening their confidence this quarter was a concern that there might be a change of government federally, and uncertainty in the lead up to a federal election.

The SME sector has told us that they are strongly supportive of the Federal Government, with support levels at historically high levels due to the government's workplace relations changes.

But this is not the only concern where small and medium retailers have mentioned workplace relations unprompted.

They were concerned about decreasing business, rising interest rates and consumer spending.

They were also concerned about the drought, and specifically, the water restrictions that are impacting on many businesses as they adjust to changing consumer preferences.

But the also told us that they were concerned about "changes to government policy", specifically the recent changes to the workplace relation system.

So this is certainly a topic of importance to the retail sector – over the past few years we have seen workplace relations thread its way through all parts of our survey in a way that we have not seen for any other issue.

It has certainly aroused a passion within the business community.

So far I have talked about the unprompted occurrences of workplace relations in the survey.

Each quarter though we ask businesses specific questions on workplace relations as well.

So despite the passion and the debate in the community, many people find it interesting that the most common response given by SMEs when asked how the changes to the workplace relations system will impact on their business, is that there will be no impact.

If you think about small businesses this is perhaps not so surprising.

And it is important also not to interpret businesses saying that it has no impact on them as they do not care about it.

Because quite often the same businesses that have said it has not impacted on them will say that it is the key reason for their support or otherwise of a government.

No impact means just that. It has not had a positive or negative impact on their business.

For some businesses they tell us that it has had no impact because they feel they treat their staff well, reporting paying them above their standard entitlements and conditions, and maintaining a flexible working relationship with them.

Businesses that do not employ staff are more likely to report that the changes will not impact them.

And this is not unusual for workplace relations as an issue. When we ask about most issues, businesses are fairly likely to say that it will not impact them.

So when we examine issues we tend to look at the net impact, just as we look at net confidence and net balance in performance indicators.

And what we see when we look at the net balance is that small and medium retailers on balance feel that the changes will have a positive impact – this is made up of the 19 per cent that feel it will have a positive impact, minus the eight per cent that feel that it will have a negative impact.

Whilst this is not the highest net balance result – that occurs upstream in the wholesale trade sector – it is certainly not the lowest either.

But the sector also has one of the higher percentages of businesses that felt that the changes would impact negatively on their businesses.

Let's look at the reasons why.

Firstly, the positives.

Small retailers felt that the workplace relations changes would impact positively on them mainly because it would be easier for them to hire and fire staff.

In the retail sector this translates into hiring, as we did not have any retailers tell us that they had fired staff, only hired as a result of the changes.

In addition to this, small and medium retailers told us that they felt the new system was more flexible, that it was easier to dismiss problematic staff, that they were more likely to hire staff and that they supported the removal of the unfair dismissal laws.

In addition, they told us that it was easier to run their business, that they felt their staff were happier, that it was easier to adjust their staffing levels to meet the level of demand in their business, that they felt the new system was fairer, and that they were able to negotiate mutually beneficial arrangements with their employees.

On the negatives we found small and medium retailers telling us that they felt the changes had made it harder to employ people; that their workers were anxious about the changes; that they faced increased regulation and red tape and that they felt it was no longer an even playing field.

In addition, they felt that wages being lowered was a potential negative impact, with other businesses telling us that the increased wages that they had to pay was impacting negatively on their business, and they had noticed a negative impact on morale.

While most retailers were not planning on making changes in their business, some 13 per cent hoped to make some changes in their business as a result of the changes to the workplace relations system.

The changes that retail businesses hoped to make under the new system was the introduction of AWAs and new workplace agreements. These were followed by hiring more staff and increasing pay rates.

Some changes to conditions were also mooted, with retailers looking at more flexible working arrangements and changing sick leave arrangements.

Overall, fourteen per cent reported that they had already made changes. This was one of the highest results for a sector, with the average being 11 per cent.

As anticipated, the most likely change reported by small and medium retailers was to put in place new workplace agreements and AWAs, with some businesses reporting that they were currently in the process of establishing new agreements.

As well as this, some businesses reported having increased their level of compliance paperwork.

Other retailers told us that they had increased pay, made casual employees permanent and put on new employees.

Overall though, the research points to more work that needs to be done informing small retailers of the changes.

Only 19 per cent felt that they thoroughly understood the changes, with 65 per cent partially understanding and 17 per cent reporting that they did not understand them at all.

There has also been considerable debate as to whether the changes to the workplace relations system are appropriate – do they go far enough? Or have they gone too far?

Most small business told us that they felt they were just about right.

Almost half of all retailers reported that they felt this. In addition, some 28 per cent felt that they went too far, with only six per cent reporting that they did not go far enough.

There are two other issues that we looked at in the latest Sensis® Business Index that are the topic of some debate at the moment, and I will discuss both of those issues briefly – union right of entry into workplaces and the new fairness test changes to the workplace relations system.

First, right of entry.

What we found is that most small and medium retailers were more likely to see a union official on TV than in real life – only a handful had received a visit personally.

With such small numbers, I will talk broadly about the results, but despite being small they warrant mentioning.

Because whilst most were not visited, those that did have a visit reported considerable deviation from what is required.

Firstly, in about a quarter of visits, no notice was given to the business.

In fact, over two-thirds were not shown the required permit.

Most retailers reported that the stated purpose of the visit was most likely to be to investigate an alleged breach of a workplace law or to hold discussions with potential employees.

While nine out of ten visits did keep to their stated purpose, one in ten did not.

So overall, whilst most union official did give notice, most did not show a permit, and a few deviated from their stated purpose.

Whilst, theoretically, none of these actions should happen under current regulations, small and medium retailers are telling us that they did.

The last issue that I will mention today, the new fairness test, has caused some contention amongst SMEs as we saw at the beginning of these results.

Overall, despite a large amount of publicity, only 57 per cent of small and medium retailers are aware of the new fairness test. This was slightly higher than the 55 per cent of SMEs that were aware of it on average.

Whilst most small and medium retailers felt that it would not have an impact, those that felt it would impact were slightly more likely to feel that the impact would be negative.

Those that felt that it would have a positive impact believed that they already treat their employees fairly, that it would be easier to do business and that they had good relationships with their staff.

In addition, businesses felt that it would be positive as their employees would be better off and that they would get more money, that it was reasonably straight forward, fairer for both parties and that they were happy to have their fairness put to the test.

Looking at the negative impacts, small and medium retailers told us that they felt that it would cause more paperwork; that it would be harder to do business and a small proportion said that it would impact negatively as their staff would get more money.

And those that felt that it wouldn't have any impact at all told us that they felt their business was too small to be affected; and that it wouldn't have any impact in general.

In addition, they provided a range of reasons relating to their belief that they treated their staff well, that they didn't have any issues with workplace relations in their business.

And finally, all employers are required under the new fairness test provisions to provide their employees with the workplace relations fact sheet by 20 October.

We asked them how they are going with it.

Of the 57 per cent that were aware of the fairness test, there are equal proportions of small and medium retailers that either have or have not handed out the fact sheet, with a small proportion that have started,

At this stage, with about a month and a half to go, there is still a lot of paper to be handed out!

That is the conclusion of the data we have prepared for today, and I thank you again for this opportunity and the time that you have taken to listen.

Not so much to us, as these are not necessarily our views, but to what small and medium retailers have told us.

Because they have told us, not just now but over many years, that workplace relations is an issue that they have strong views on.

So I hope that you have found the data that we have presented today useful – and I would be happy to answer any questions that you may have.

Thank you.