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Submission to the House Economics Committee: Inquiry into the use of technology to assist in improving productivity

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The Australian Retail Council (ARC) welcomes the opportunity to provide a submission to the House of Representatives Economics Committee regarding its inquiry into the use of technology to assist in improving productivity.

Executive summary

Improving Australia's productivity performance is one of the nation's most pressing economic challenges. Australia's productivity growth has been weak for more than two decades. The result has been slower growth in real wages, lower business investment and a weaker international position, and technology presents one of the best opportunities to turn this around. The five years to March 2026 saw the weakest productivity growth on record, with GDP per hour worked falling 3.5% over that time, and real wages remain around 2011 levels after recent inflation shocks eroded purchasing power.

Retail is one of Australia's largest private-sector employers, a substantial contributor to national economic output and an integral part of the daily lives of Australian consumers. The sector employs millions of Australians directly and indirectly across storefront operations, supply chains, logistics, distribution, technology, financial services and customer service functions.

As a highly competitive sector operating on low margins, retail has historically been among the earliest adopters of productivity-enhancing technologies. These include real-time inventory management integrated with point-of-sale systems, frictionless mobile instore checkouts, and automated distribution tools including live delivery tracking.

Furthermore, Artificial Intelligence is also reshaping how Australian consumers compare and purchase goods, and retailers are adapting to meet these changing expectations. ARC's *2026 AI Readiness and Adoption Survey* shows that retailers are recognising AI as a strategic priority, with more than half the survey's respondents identifying AI as either a critical or important focus.

Australia's competitive advantage is likely to be strongest where technology is applied to solve practical business and consumer challenges. Lessons learnt from international experiences demonstrate that policy settings that champion technology adoption, including lowering barriers to uptake of technology, building broad workforce capabilities, and easing the burden on small business, see the greatest productivity gains.

Retail should be recognised as an important testing and deployment environment for emerging technologies. Few sectors have the same direct interaction with consumers as retail. Retail businesses provide an opportunity to trial innovations at scale and gather rapid feedback from customers. In many instances, the retailer is the primary point of interaction between a consumer and the broader supply chain.

We have organised our detailed comments in relation to the inquiry's terms of reference.

ARC recommends that the Australian Government:

1. Include **technology adoption and diffusion** as an **explicit objective** of a national productivity policy
2. **Use technology** to reduce regulatory and reporting burden through a **"report once" framework**
3. Ensure regulation **supports innovation** through risk based, technology neutral frameworks
4. **Invest in the foundations of technology** enabled productivity; digital infrastructure, cyber security and workforce capability
5. Establish a **national technology adoption program** informed by international best practice

Detailed comments

The Tech Council of Australia's 2026 report found that the technology sector contributed approximately $248.5 billion to the Australian economy in 2025, equivalent to 8.9 per cent of GDP, making it the nation's second-largest economic sector after mining. Importantly, almost half of this contribution now comes from technology adoption across non-technology industries, demonstrating that productivity gains are increasingly being realised through the application of technology rather than its development alone.

The Productivity Commission's report into Harnessing data and digital technology reinforces the importance of technology adoption as a key driver of Australia's future productivity growth. The report identifies data, digital technologies and artificial intelligence as modern engines of economic growth, with the potential to deliver substantial productivity improvements across the economy over the coming decade.

Historical experience reinforces these lessons. The greatest productivity gains from previous technological revolutions, including electrification, computing and the internet, occurred not when technologies were first invented, but when they became widely adopted across industries and business processes. Australia's productivity opportunity similarly lies in accelerating technology diffusion throughout the economy, supported by investment, skills development, infrastructure and fit-for-purpose regulation.

1. Harnessing technological innovation in priority technology fields identified as vital to Australia's economic success

Emerging technologies can enable more efficient business operations, strengthen supply chains, improve customer experiences and unlock new sources of value. To realise these benefits, policy settings should support investment, adoption and commercialisation while ensuring retailers of all sizes can access the capabilities needed to innovate and grow.

Retailers and ARC members note the significant gains from recent developments with AI, whether it is helping them forecast demand, allocate stock, support pricing decisions and reducing waste. Australia Post's eCommerce Report 2026 found that by 2030, agentic AI is estimated to influence 30 per cent of digital commerce transactions. For a retailer with thousands of products across many stores, a small improvement in forecast accuracy can lead to widespread improvement through lower inventory costs and improved product availability.

Supply chain technologies represent one of Australia's greatest opportunities to achieve productivity improvements. ARC members note several solutions can assist businesses in reducing delays and responding more effectively to disruptions. Additionally, technology throughout the supply chain has fundamentally reduced workplace hazards and improved inclusion for retailers. Automated centres have reduced workplace injuries to

one-third of the level experienced in manual sites. They also remove manual lifting barriers, making supply chain careers accessible to a broader demographic.

Digital workforce scheduling systems, automated workforce planning tools and operational management platforms can significantly improve labour productivity. Retailers increasingly rely on data-driven workforce management systems to deploy employees more effectively during peak demand periods while maintaining service standards.

For example, a retailer that uses technology to reduce checkout times, provide real time stock visibility or improve delivery speed may significantly enhance the customer experience without generating a corresponding increase in recorded economic output. In highly competitive markets, many productivity gains are passed through to consumers in the form of lower prices, better service or broader product choice. As a result, official productivity measures can understate the economic and social benefits of technology adoption. Government should therefore recognise that productivity enhancing investments can deliver substantial consumer gains, even where conventional productivity indicators show only modest improvements.

ARC-commissioned research found that even a one per cent increase in retail productivity is estimated to lift real GDP by around $3.2 billion each year and reduce consumer prices, saving households around $1.3 billion annually, or around $115 per household per year.

ARC recommends the government can best assist by incentivising private investment, particularly by lowering barriers to adoption. Strongly designed pilot programs and procurement opportunities that give businesses the confidence to commit capital should be prioritised, as productivity gains will come from many incremental improvements across the economy.

2. Improving productivity through technology adoption and diffusion in different economic sectors, including market and non-market sectors

Technology adoption has the potential to improve productivity across almost every sector of the Australian economy. However, the sectors most likely to experience the largest gains are those with complex supply chains, significant administrative requirements, large workforces or data-intensive operations. As such, retail is particularly well-positioned to benefit from these technologies.

For example, individual retailers have spent billions in capital expenditure on supply chain automation, machine learning demand forecasting and store-level tools, such as Electronic Shelf Labels, which save millions of pieces of paper every week.

While many retailers are investing in digital technologies and artificial intelligence, adoption remains uneven across the sector. Differences in business size, available capital, workforce capability, digital maturity and confidence mean that implementation experiences vary considerably. Larger organisations often have dedicated technology teams, greater access to capital and specialist expertise, but small and medium enterprises frequently face different challenges. SMEs may recognise the benefits of technology but remain constrained by upfront costs, implementation risks, workforce capability gaps and limited internal resources to evaluate competing technology solutions.

Data access, interoperability and common standards are equally important. Productivity gains are often constrained when businesses must interact with fragmented digital systems or duplicate information across multiple platforms. Greater interoperability between government systems, businesses and supply chain participants can reduce administrative burden, improve information flows and support more efficient operations.

3. Opportunities to facilitate uptake of, and promote investment in, productive technologies

Whether in AI, automation, supply chain digitisation and analytics, investment in these technologies often requires large upfront capital expenditure to properly implement. Frequent changes to obligations, uncertainty about future requirements and overlapping frameworks can delay or deter those investments, particularly for businesses operating across multiple jurisdictions.

However, there is a key opportunity for government to directly lift productivity by reducing the time businesses spend with it. Government also has an important role in reducing administrative burden and improving the efficiency of interactions between businesses and public sector agencies. Streamlined digital government services, common reporting frameworks and interoperable systems can reduce time spent on compliance and administrative processes while improving service delivery outcomes.

ARC and its members have identified several business reporting requirements, namely payment times reporting, WGEA reporting and sustainability and environmental reporting, that create substantial recurring expenditure and administrative effort that is not commensurate with the benefits from the relevant regime. The use of technology, particularly in using existing government data, should be reused to avoid duplicative reporting across multiple different government bodies.

ARC recommends that government pursues a genuine "report once" framework under which verified business information provided to one government entity can be reused across agencies wherever possible. Retailers should not be required to repeatedly submit substantially similar information under different reporting systems, definitions or reporting periods.

Further, rushed legislative catch-up risks creating a more fragmented regulatory landscape than intended. Existing laws like the Australian Consumer Law and Security of Critical Infrastructure (SOCI) Act are fit for purpose and can be updated. However, these legislative instruments must avoid compliance overreach across cyber and critical infrastructure.

Successful technology adoption often requires substantially more than purchasing software or hardware. Retailers frequently incur significant costs associated with systems integration, cyber security, data management, workforce training and other forms of ongoing maintenance. Policy settings should recognise these implementation costs as an essential component of investment in productivity.

The Productivity Commission has estimated that a mature data-sharing regime could add up to $10 billion to Australia's GDP. Strengthening whole-of-government coordination and harmonisation of reporting requirements, via mapping and alignment, will help avoid repeated permit applications, duplicated records and administrative coordination, ultimately strengthening the economy and improving productivity.

4. Barriers to technological innovation and the use of technologies to improve productivity in Australia

Regulatory complexity is one of the most significant barriers to technology investment. Retailers must meet overlapping obligations on privacy, consumer protection, reporting requirements, workplace relations and cyber security.

For example, privacy and cyber security are closely related concerns for retailers. ARC supports strong privacy protections. Retailers hold significant amounts of customer data and depend on the trust of their customers, meaning that privacy frameworks should be focused on outcome rather than process. As obligations grow in

number and complexity, inconsistent requirements divert resources away from security improvements customers need. Requirements should thus be risk-based and aligned across government frameworks.

AI is another sector where customers need confidence that it will be used responsibly. ARC recommends that approaches based on risk, principles and outcomes are more effective than those that are technology specific and prescriptive. The Australian Government has committed to minimising harms in its National AI Plan, and existing laws and regulatory structures should be prioritised. The Productivity Commission recommends that technology-specific regulations should only be used as a last resort. This is particularly for smaller retailers who may lack the resources to fully audit against AI tools that larger retailers have, where many have with dedicated compliance and governance teams. ARC recommends safe harbour provisions be considered where SME retailers can demonstrate they took reasonable steps to mitigate against failure, rather than from negligence or intentional misconduct.

Reliable digital connectivity is a basic productivity input, akin to transport and energy, and weak distribution networks with limited access to technology services, like cloud and other services, constrain the benefits of technology across the economy. Equally, retail operations are also increasingly relying on physical infrastructure and well-planned land use. Land must be available for distribution centres, rail upgrades required and broader infrastructure requirements need to be planned for ahead of them.

5. Workforce and skills requirements to enable effective and productive use of new technologies

Technology only lifts productivity when people can use it well. Investments from retailers in AI, analytics, automation and workforce platforms deliver productivity gains when staff receive appropriate training and support to use these tools in daily operations, decisions and customer service. Businesses and workers require the capability to identify use cases and measure outcomes.

Australia's education and training system provides a strong foundation for digital capability development, but it will need to evolve more rapidly in response to technological change. Universities, vocational education providers and industry each have an important role to play. Universities are critical for developing advanced technical expertise and supporting research capability. Vocational education providers are often best placed to deliver practical, job-ready skills that can be quickly deployed in workplaces. Industry plays an equally important role by identifying emerging workforce needs and helping ensure educational programs remain aligned with current business requirements.

The most successful technology implementations are those that actively engage employees throughout the process. Workers are often best placed to identify operational challenges, practical applications and implementation risks, and employers should be encouraged to facilitate discussions on these issues.

Workforce engagement is a productivity tool. Businesses that involve employees early, develop their capabilities and communicate clearly throughout implementation are more likely to adopt technology successfully, improve productivity and foster continuous improvement. Australia's productivity ultimately depends not only on access to technology but also on the skills, adaptability and engagement of those who use it. Organisational change, business growth and employee capability can be supported by complementary initiatives at the state and territory, and federal levels.

Employers should support managers to undertake training and qualifications that improve capability in technology-enabled change management and organisational transformation. Workers should have ongoing opportunities to update and expand their skills throughout their careers as technologies continue to evolve. Short

courses, micro credentials, industry-led training programs and workplace learning initiatives should therefore form an important part of Australia's workforce development strategy.

The Government could consider a reinvigorated Productivity, Education and Training Fund as a targeted mechanism to help businesses of all sizes build workforce capability and maximise the productivity benefits of new technologies. Any such fund should be outcomes focused and supported by clear accountability, evaluation arrangements and targeting identified capability gaps.

6. International trends and experiences of major technology-driven productivity improvements

Creating the conditions that enable businesses to adopt new technologies, at scale, is where the largest productivity growth is seen. A competitive economy depends on lifting productivity growth and this needs regulatory settings that are predictable, proportionate and designed to minimise unnecessary administrative burden. International benchmarking indicates Australia's administrative and regulatory burden is comparatively high against peers, ranking second-highest among G7 economies (behind Japan) and 33 per cent above the OECD average in 2023 (up from 15 per cent above the OECD average in 2018).

Singapore has focused heavily on supporting technology adoption by businesses rather than relying solely on technology development. As part of its SMEs Go Digital program, the Singapore Government provides businesses with access to approved digital solutions, grant support and AI adoption tools. More than 84 per cent of Singaporean SMEs have adopted at least one digital solution, while businesses participating in the program have reported significant productivity improvements and cost savings.

The European Union's *AI Act* has established a risk-based framework that imposes obligations based on the level of risk posed by an AI system, seeking to protect consumers while still enabling innovation. In contrast, countries such as South Korea have combined substantial investment in AI infrastructure, talent and adoption with national strategies aimed at accelerating AI deployment across both industry and government.

For Australia, the challenge is to strengthen international collaboration while maintaining sovereign capability in strategically important technologies. Australia should seek out opportunities to participate in global research partnerships, international standards development and technology supply chains, while continuing to invest in domestic capabilities in areas such as AI, cybersecurity, digital infrastructure and critical technologies.

Please contact policy@retail.org.au if you have any questions about this submission.

About ARC

ARC represents the Australian retail sector. Valued at $444 billion, retail is the nation's largest private sector employer, supporting more than 1.4 million jobs, including more young Australians aged 15 to 24 years than any other industry. ARC's membership is diverse. From family-owned small and independent businesses, comprising 95 per cent of our membership, to large national and international retailers supporting communities across metropolitan and regional Australia. With more than 155,000 retail outlets nationwide and a growing online presence, the retail sector is embedded throughout the economy, playing a critical role in the supply chain of Australian businesses. ARC advocates for policies and reform that drive growth, resilience, and long-term prosperity for Australian retail and the millions who rely on it. At a time of rapid change, from technological disruption and international competition to shifting consumer behaviour and sustainability expectations, effective policy settings are critical for retailers, workers, consumers, and communities.