

SUBMISSION

2023-24 FEDERAL BUDGET

JANUARY 2023

The Australian Retailers Association (ARA) is the oldest, largest and most diverse national retail body, representing a \$400 billion sector that employs 1.3 million Australians and is the largest private sector employer in the country.

As Australia's peak retail body, representing more than 120,000 retail shop fronts and online stores, the ARA informs, advocates, educates, protects and unifies our independent, national and international retail community.

We represent the full spectrum of Australian retail, from our largest national and international retailers to our small and medium sized members, who make up 95% of our membership. Our members operate in all states and across all categories: from food to fashion, hairdressing to hardware, and everything in between.

The ARA has a proven track record in the delivery of training and upskilling for the retail sector through our Registered Training Organisation (RTO) the ARA Retail Institute, which marked 30 years in 2022.

EXECUTIVE SUMMARY

The health of the Australian retail sector impacts all Australians. The sector directly employs one in ten Australians and is dominated by small to medium size businesses, many of them family owned and operated. More broadly, retail services and offerings help to improve the lifestyle, wellbeing and vitality of Australian communities.

Retail performance is also a bellwether for broader economic performance. The retail sector has demonstrated remarkable resilience over the last three years, adapting and responding to multiple challenges and disruptions that have impacted consumer spending, labour markets and supply chains.

Data released by the Australian Bureau of Statistics¹ in early-2023 noted 15 consecutive months of growth in retail trade up to November 2022, with other data provided by ARA strategic partners confirming record consumer spending for Black Friday, Christmas and Boxing Day.

However, these strong headline results continue to mask the uneven impact of the post-pandemic recovery across the sector, particularly for small businesses in at-risk categories and regions. The ARA also notes that up to two-thirds of this recent growth in retail spending has been driven by price increases due to inflation.²

These and other economic headwinds are likely to see a slowdown in consumer spending through 2023, coinciding with significantly higher costs of doing business and lower profit margins.³ In the face of these potential challenges, a strong and sustained retail recovery is critical to Australia's continued economic resilience, with flow-on benefits across the whole community. In this submission, the ARA makes a series of recommendations to reduce the cost and complexity of doing business for retailers, large and small.

¹ Retail Trade, Australia, November 2022 | Australian Bureau of Statistics (abs.gov.au)

² Price not volume driving Australian retail sales growth, September 2022 | Inside Retail (insideretail.com.au)

³ Deloitte Access Economics Retail Forecasts: a sprint to Christmas | Deloitte Australia | Deloitte Access Economics

Labour and skills shortages that pre-date the pandemic continue to impact the sector. Retail job vacancies have increased significantly across the past year and the scale of the labour crisis impacting retail continues to worsen with the most recent ABS figures reporting 49,900 vacancies across the sector in November 2022. Coupled with historical underinvestment in vocational training for frontline retail roles, the sector continues to struggle to attract the talent it needs to drive productivity and maintain strong growth. To address these challenges, the ARA recommends broad engagement with jobseekers that are currently under-represented in Australia's labour market, supported by investment in skills and training.

Supply chain pressures over the past three years have created a permanent and significant state of disruption, spotlighting the ongoing challenges to food security, productivity and economic performance if current and future risks are not adequately addressed.

Over the past few years, retailers and their supply chain partners have also been disrupted by natural disasters and climate change, which represents the biggest disruptor our sector has encountered. It is imperative that retail plays a positive role in the transition to the net-zero, nature-positive, circular economy of the future.

The retail sector remains one of Australia's most diverse employers. The government's focus on initiatives such as Respect@Work, Family and Domestic Violence Leave and the provision of more affordable childcare have received strong support from our sector. However, these positive changes coincide with the rollout of the most significant industrial relations reforms in many decades, creating an extremely complex and resource intensive workplace landscape for business in 2023. More education and training is needed to ensure no business is left behind in successfully executing these changes.

"Inflation remains a concern for us. So does the rising cost of doing business along with supply chain disruptions and staff shortages, which remain top of mind for retailers. Coupled with the need to become more sustainable and more inclusive, the retail sector is in a permanent state of disruption. We need focused investment and innovation to remain resilient in the face of economic headwinds, changes in community expectations and external pressures that are largely beyond our control."

- Paul Zahra, ARA Chief Executive Officer

In light of these issues, risks and opportunities, the ARA makes the following 35 recommendations against five focus areas outlined below. Refer to the body of this submission for additional detail and rationale in support of these recommendations.

FOCUS AREA 1

SUPPORT SMALL BUSINESS RECOVERY, FOR A STRONG RETAIL SECTOR

- 1.1 Reduce complexity and cost of compliance for businesses with revenues up to \$100 million by resourcing a review of retail leasing regulation that delivers a harmonised, national framework.
- 1.2 Improve cashflow and reduce costs of doing business by expanding the 25% small business tax rate to cover sole traders and businesses with up to \$100 million revenue.
- 1.3 Drive long-term business investment by extending the Temporary Full Expensing measure.
- 1.4 Reduce the burden of payroll tax on small businesses by working with state and territory governments to deliver a harmonised and integrated national framework.
- 1.5 Encourage office workers and visitors back into Australia's largest retail precincts, through targeted incentives that increase visitation to impacted CBD and regional locations.
- 1.6 Encourage overseas tourists to spend more in the local retail economy by investing in innovation of the Tourist Refund Scheme and aligning Australia's duty-free allowances with New Zealand.
- 1.7 Address the digital divide between small and large businesses, by collaborating with industry associations to deliver programs that build capability about digital transformation, digital literacy and cyber security.

FOCUS AREA 2

ADDRESS LABOUR AND SKILLS SHORTAGES

- 2.1 Reduce record-high vacancies for front-line retail roles by:
 - retaining and extending the Work Bonus for pensioners;
 - appointing a taskforce to develop a harmonised, national approach on minimum working age;
 - supporting the design and delivery of customised employment pathways for recently arrived migrants;
 - providing customised pre-employment training with wrap-around support services for the long-term unemployed seeking employment opportunities in the retail sector; and
 - enabling working holiday makers and international students with visas back into the country through targeted subsidies to cover the cost of international flights.
- 2.2 Create meaningful employment pathways into retail for refugees with support services to ensure a smooth transition into the Australian community.
- 2.3 Drive more skilled migration for hard-to-fill retail roles by:
 - creating pathways to permanent residency for skilled migrants; and
 - reforming management of the Skilled Migration List, to improve outcomes for government and industry.
- 2.4 Help the retail sector build a more skilled workforce by:
 - directing more VET funding to private RTOs who provide the bulk of training to the retail sector;
 - continuing to provide wage subsidies of 30% in the first year of retail traineeships; and
 - reinstating completion bonuses for retail traineeships.
- 2.5 Reduce compliance risks and costs by collaborating with industry associations to educate small business about reforms to the workplace relations landscape.

FOCUS AREA 3

INCREASE SUPPLY CHAIN RESILIENCE

- 3.1 Provide support to Australian retailers whose cashflow has been critically impacted by supply chain disruption by extending the SME Recovery Loan Scheme by a further 12 months.
- 3.2 Reduce bottlenecks and red tape at Australia's ports by continuing to invest in productivity and innovation measures, with the authority and resources for relevant agencies to deploy urgent regulatory intervention as required.
- 3.3 Commit to protecting critical road and rail infrastructure, by providing funding to Infrastructure Australia to conduct a review and define the investment pipeline required to improve resilience during natural disasters.
- 3.4 Increase local manufacturing capability where vulnerabilities exist along critical supply chains, like food and packaging, by extending and expanding the Supply Chain Resilience Initiative.
- 3.5 Build preparedness ahead of future natural disasters, by funding Emergency Management Australia to conduct scenario planning and testing with retailers and their supply chain partners, to ensure the sector can continue to serve impacted communities during times of natural disaster.
- 3.6 Continue to invest in climate resilience and natural disaster mitigation along the supply chain.

FOCUS AREA 4

ENABLE SUSTAINABLE BUSINESS PRACTICES

- 4.1 Help businesses transition to the net-zero, nature-positive, circular economy by collaborating with industry associations to develop new skills standards and deliver new training programs.
- 4.2 Reduce energy costs, consumption and emissions, by providing financial incentives targeted at businesses not covered by the Safeguard Mechanism.
- 4.3 Help businesses transition to low-carbon freight and logistics (including the uptake of electric vehicles and batteries) with targeted incentives to reduce initial outlay or increase operational costs of alternatives.

- 4.4 Accelerate and streamline the phase-out of single-use plastics, by establishing a multi-jurisdictional taskforce to develop a harmonised, national approach that reduces costs and complexity for business.
- 4.5 Accelerate the transition to the circular economy by investing in:
 - innovative product design and technology being developed by small business and social enterprise.
 - new interventions for post-consumer waste and new markets for circular feedstocks.
 - additional resource recovery and recycling infrastructure, particularly in regional communities.
 - education and infrastructure programs to increase recycling rates on hard-to-recycle materials.
- 4.6 Reduce waste to landfill, by expanding the Federal Environment Minister’s Priority List for product stewardship to include pre-consumer waste.
- 4.7 Reduce waste to landfill by providing additional tax incentives for businesses wishing to donate excess inventory to charity.
- 4.8 Improve the performance and impact of product stewardship schemes by providing funding to increase transparency and ensure good corporate governance.
- 4.9 Fund the establishment of a Commonwealth Anti-Slavery Commissioner to improve performance and impact of the Modern Slavery Act.
- 4.10 Enable retailers to share information and take coordinated action to address modern slavery by collaborating with industry to develop a digital platform and standardised reporting format.

FOCUS AREA 5

SUPPORT SAFE AND INCLUSIVE WORKPLACES

- 5.1 Continue to improve gender equality and workforce participation of women by making additional reforms that further increase the affordability and flexibility of childcare.
- 5.2 Reduce compliance risks and costs by collaborating with industry associations to educate small business about the implementation of Respect@Work reforms and Family and Domestic Violence Leave.
- 5.3 Increase engagement with First Nations businesses by collaborating with industry in a targeted campaign to educate retailers about Supply Nation and adding retail as a new category on Indigenous Business Direct.
- 5.4 Increase engagement with First Nations jobseekers by funding targeted incentives to design and deliver customised employment pathways into retail for Aboriginal and Torres Strait Islander people.
- 5.5 Support more people with disability to enter the retail workforce by investing in services and programs that encourage employers to recruit and retain people living with disability.
- 5.6 Accelerate implementation of the Welcome Here Project to increase the number of retailers offering safe places for Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ+) people seeking refuge from violence.
- 5.7 Improve mental health outcomes for small business owners by continuing to fund proven programs.

These priorities and recommendations have been informed by consultation with our membership, including members of the following ARA Advisory Committees:

- industry affairs
- tax
- retail leasing
- travel retail
- skills and employment
- workplace relations
- supply chain
- sustainability
- diversity, equality and inclusion.

The ARA has also engaged with other stakeholders including:

- Business Council of Australia (BCA)
- Australian Chamber of Commerce and Industry (ACCI)
- Council of Small Business Organisations Australia (COSBOA)
- Australian Small Business and Family Enterprise Ombudsman (ASBFEO)
- Independent Tertiary Education Council of Australia (ITECA)
- Business Council for Sustainable Development Australia (BCSDA)

OVERVIEW OF ARA RECOMMENDATIONS

1.0 SUPPORT SMALL BUSINESS RECOVERY, FOR A STRONG RETAIL SECTOR

While retail trade data demonstrates strong growth in consumer spending, headline results continue to hide the uneven impact of the post-pandemic recovery across the sector. With small business disproportionately impacted by the pandemic, the ARA believes that significant investment is required to reduce costs and complexity for small businesses, to maintain and a strong and vibrant sector.

The ARA also remains concerned about inflation and other economic headwinds that could see a slowdown in consumer spending through 2023 coupled with higher costs of doing business and lower profit margins across the sector. The ARA therefore urges the government to continue investing in measures that reduce inflationary pressures, for consumers and businesses alike.

A strong and sustained retail recovery, powered by small business, is critical to continued economic resilience in the face of significant uncertainty, with flow-on benefits across the whole community.

In addition to the budget measures proposed, the ARA recommends government maintains open dialogue with key industry stakeholders, including retailers, to address underlying factors that may result in higher prices that would continue to drive business costs higher and create additional inflationary pressure.

Recommendations	
<p>1.1 Reduce complexity and cost of compliance for businesses with revenues up to \$100 million by resourcing a review of retail leasing regulation that delivers a harmonised national framework.</p>	<p>The ARA participated in a number of reviews into retail leasing regulation in 2022, across Tasmania, Western Australia, South Australia and New South Wales. Reviews in Victoria and Queensland are anticipated in 2023.</p> <p>Without a national framework, the ARA believes that government and industry are missing an opportunity to deliver national alignment and harmonisation on retail leases.</p> <p>The ARA strongly recommends that government provides resources to conduct a review of retail leasing arrangements across the country to inform the design and adoption of a national framework, based on a best practice model approach.</p> <p>A national framework would reduce costs, complexity and compliance issues for retail businesses with revenues up to \$100 million.</p>
<p>1.2 Improve cashflow and reduce costs by expanding the 25% small business tax rate to cover sole traders and businesses up to \$100 million revenue.</p>	<p>Australia's current corporate tax rate for medium-sized businesses is amongst the highest in the developed world.</p> <p>To help reduce costs of doing business and improve cash flow for small and medium-sized enterprises, including retailers and their supply chain partners, the ARA recommends the threshold for the small business tax rate is increased to cover businesses with revenues up to \$100 million.</p> <p>This measure would cover more than 95% of the ARA's members, many of whom have experienced higher costs and cashflow challenges over the past three years.</p>
<p>1.3 Drive long-term business investment by extending the Temporary Full Expensing measure.</p>	<p>Business investment remains a key driver of productivity and innovation but has been adversely impacted by the pandemic.</p> <p>With low business confidence coinciding with unmet demand from deferred business investment over the past three years, the ARA recommends that the Temporary Full Expensing measure be extended for a further 12 months.</p> <p>For retailers and their supply chain partners, this extension would provide added incentive to invest in end-of-life replacement of vehicles, plant and equipment – improving productivity and reducing ongoing running costs.</p>

<p>1.4 Reduce the burden of payroll tax on small businesses, by working with state and territory governments to deliver a harmonised and integrated national framework.</p>	<p>Australian government’s collected \$24 billion from payroll tax in 2019-20, with different rates and thresholds in each jurisdiction.</p> <p>While payroll tax is managed by state and territory governments, the ARA believes that there is a positive role for the federal government to play in leading a coordinated effort to reduce the cost and administrative burden of payroll tax on business.</p> <p>To realise this opportunity, the ARA recommends that federal, state and territory governments work together to deliver a harmonised and integrated national approach to payroll tax.</p> <p>This recommendation is aligned with ACCI’s position on reforming payroll taxes, particularly its proposal to invest in digitisation and uniformity of platforms used by the states and territories.</p> <p>The ARA also supports ACCI’s proposal that payroll tax reform be included as a standing agenda item of the Council for Federal Financial Relations.</p>
<p>1.5 Encourage office workers and visitors back into Australia’s largest retail precincts, through targeted incentives that increase visitation to impacted CBD and tourist locations.</p>	<p>Office occupancy rates in Melbourne and Sydney continued to rebound in the lead-up to Christmas 2022 but the number of office workers coming into CBD locations five days a week remains significantly below pre-pandemic levels.</p> <p>The impact of this change in visitation patterns continues to be exacerbated by a sustained fall in international tourists coming into the country, which has disproportionately impacted retail trade in CBD locations, along with key tourist precincts across regional Australia.</p> <p>While the Property Council of Australia has said it is encouraged by the gradual improvement in occupancy rates, Tourism Research Australia has indicated that the recovery of international tourism will take some time, with overseas visitor arrivals remaining below pre-pandemic levels until 2025.</p> <p>The ARA therefore recommends that all levels of government co-invest in programs and campaigns aimed at revitalising Australia’s CBDs, to boost foot traffic in key retail precincts where many small businesses are struggling to remain viable as they enter a fourth year of disruption.</p>
<p>1.6 Encourage overseas tourists to spend more in the local retail economy, by investing in innovation of the Tourist Refund Scheme and aligning Australia’s duty-free allowances with New Zealand.</p>	<p>In addition to increasing the number of overseas tourists, the ARA believes there is an opportunity to increase retail spend per tourist by removing irritants for consumers and ensuring parity with competing tourism markets – namely, New Zealand.</p> <p>The ARA is aligned with ACCI’s view that the Tourist Refund Scheme should be digitalised and recommends that government invest in innovation to improve the user experience for consumers. The Tourist Refund Scheme is a key driver of retail spending that attracts visitors to Australia, and investment in digitisation will eliminate costs for government, reduce friction for consumers and maximise retail spend by tourists.</p> <p>The ARA also recommends that the limit on duty-free allowances be increased and brought in line with New Zealand. This would mean increasing the limit for general goods from \$900 to \$1500, with corresponding allowances to bring in up to 4.5L of wine and up to 1123ml of spirits, liqueur or other spiritous beverages.</p> <p>This will provide Australia’s wine and spirit producers, along with their retail partners, the ability to compete on a level playing field with New Zealand and drive incremental retail spend in Australia.</p>
<p>1.7 Address the digital divide between small and large businesses, by collaborating with industry associations to deliver programs that build capability about digital transformation, digital literacy and cyber security.</p>	<p>One of the positive trends to emerge from the pandemic has been the acceleration of consumer’s acceptance of online shopping and the shift towards digitalisation in the retail sector. The ARA believes it is important that small businesses are supported in this transition so they can realise the benefits of operating in the digital economy.</p> <p>The other emerging trend for all businesses, including retailers large and small, is the rise of cyber security risks through 2022, with recent breaches demonstrating that even large, well-resourced corporations can be vulnerable to cybersecurity attacks.</p> <p>The ARA recommends additional funds be allocated to address the digital gap between large and small businesses, to:</p>

- encourage small business to invest in digital innovation, accelerating the move away from higher risk legacy systems and platforms;
- ensure smaller retailers are adequately informed and resourced to manage ongoing cybersecurity threats; and
- build digital literacy and ensure that the most vulnerable members of the Australian community are not disenfranchised by the adoption of digital technology, particularly in relation to payments.

With 30 years' experience providing training to the retail sector, the ARA's Retail Institute would be well placed to design and deliver training programs that meet these objectives.

2.0 ADDRESS LABOUR AND SKILLS SHORTAGES

Retail job vacancies remain at record high levels, with over 31% of retailers looking for employees.⁴ Filling front-line retail roles and reducing vacancies is a key priority for our sector, requiring a holistic approach to increasing workforce participation among segments of the labour market currently under-represented, including older and younger Australians, women, migrants, people living with disability and First Nations Australians.

While there is still an urgent need to fill these frontline roles, there is also a need to expand the pool of skilled labour and place higher value on the skills acquired by those workers, supervisors and managers. There also needs to be consideration that retailers need access to highly skilled global talent for some highly specialised roles, to drive innovation and productivity in our sector.

The ARA recommends a holistic, whole of government policy approach to support increased workforce participation, to optimise outcomes for employers and employees, and avoid unintended consequences.

Recommendations

2.1 Reduce record-high vacancies for front-line retail roles

Vacancies for front-line retail roles remain at all-time highs despite efforts that industry and government have made to address the issue.

The ARA recommends a holistic approach to engaging with segments of the labour market that are currently under-represented - including pensioners, young people, people living with a disability, the long-term unemployed, recently-arrived migrants, working holiday makers and international students.

Specifically, the ARA recommends the following measures.

a. Retain and extend the Work Bonus for aged pensioners

The ARA has previously welcomed the extension of the federal government's scheme allowing aged pensioners to earn an additional \$4,000 without losing entitlements. The ARA recommends that this scheme is extended indefinitely, beyond the current end date of 31 December 2023.

b. Appoint a taskforce to develop a national approach on minimum working age

The ARA recommends the federal government lead a reform agenda to create national consistency on state and territory regulations around workforce participation by school-aged Australians. The current regulations vary across jurisdictions making it overly complex to employ students who would like to work limited hours on weekends, holidays and evenings without interfering with their education. A national framework should specify a consistent minimum age for working.

c. Support the design and delivery of customised employment pathways for recently arrived migrants

To ensure that retailers reflect the communities they serve, and provide meaningful employment opportunities to migrants, the ARA recommends that government fund the design and delivery of customised programs that provide pre-employment and on-the-job training supported by wrap-around services to help acclimatise recent

⁴ Job Vacancies, Australia, November 2022 | Australian Bureau of Statistics (abs.gov.au)

	<p>arrivals to the Australian job market. The ARA’s Retail Institute would be well-placed to collaborate with government on this type of initiative.</p> <p>d. Provide customised pre-employment training with wrap-around support for the long-term unemployed seeking employment opportunities in the retail sector</p> <p>With record-low unemployment and record-high vacancies in the retail sector, the new approaches are required to engage all segments of the Australian workforce, including the long-term unemployed. The ARA’s Retail Institute has a proven track record of matching jobseekers with employers, with pre-employment training and on-the-job training supported by wrap-up around services provided by community partners to ensure a smooth and sustainable transition back into the workforce, or into the workforce for the first time.</p> <p>The ARA therefore recommends further and deeper collaboration between government and the sector to secure employment pathways for people who have been out off the job market for some time, helping to reduce government expenditure and solve the labour shortage currently experienced by retailers, particularly for front-line roles in regional communities.</p> <p>e. Enable working holiday makers and international students with visas back into the country through targeted subsidies to cover the cost of international flights</p> <p>The ARA understands that between 60,000 and 90,000 holiday makers and international students have been issued visas but remain out of the country as air fares are currently cost-prohibitive. The ARA recommends that government provide funding to relevant visa holders, to help cover the costs of international flights.</p> <p>The ARA also recommends that the recent changes for international student visa holders and the working holiday visa program are retained indefinitely. Any future changes should be informed by analysis about the impact on affected sectors, including retail and hospitality.</p>
<p>2.2 Create meaningful employment pathways into retail for refugees with support services to ensure a smooth transition into the Australian community.</p>	<p>With displacement of people across the globe increasing due to conflict, natural disasters and climate change the ARA believes the retail sector can play a positive role in providing employment opportunities to refugees as they acclimatise to life in Australia. There are examples from around the world of retailers employing refugees in front-line roles and support functions to help address labour shortages and establish strong connections between refugees and local communities.</p> <p>The ARA recommends a collaboration with government to provide a similar employment experience in Australia. The program could provide pre-employment training and on-the-job training, supported by language assistance and support from the community in the form of coaching, mentoring and networking.</p> <p>Subject to the provision of funding and support in navigating government schemes that support refugees, the ARA’s Retail Institute could partner with government in delivering programs that support refugees and help the retail sector address record high vacancies, particularly in regional communities.</p>
<p>2.3 Drive more skilled migration for hard-to-fill retail roles by reforming management of the Skilled Migration List and providing pathways to permanent residency.</p>	<p>The global retail sector has become much more reliant on data and technology to make complex business decisions about sales forecasts, product range and inventory levels. As a result, local retailers have been recruiting overseas talent in areas like merchandise planning, digital transformation and data management as they build their own internal capability, improve productivity and drive innovation.</p> <p>In other parts of our sector and membership, trade-qualified roles like hairdressers, beauty therapists and truck drivers are experiencing critical shortages that pre-date the pandemic.</p> <p>The ARA does not believe that the Skilled Migration List is fit-for-purpose and is failing to address the long-term workforce challenges that parts of our sector are facing. The ARA also feels that the language of skilled and unskilled occupations is problematic and unhelpful, given the classification of many “unskilled” roles as essential during the pandemic, such as truck drivers, workers in food processing and front-line retail workers.</p> <p>Therefore, the ARA recommends that management of the Skilled Migration List be reformed, to improve outcomes for government and industry. The aim would be to</p>

	<p>remove the barriers to migration for all in-demand roles for a more flexible and responsive system that delivers the skills the employers need in a timelier manner. Some of the ways that government could meet these objectives include:</p> <ul style="list-style-type: none"> - Improving the flexibility of labour market testing by giving the department authority to waive technical requirements - Reducing the period of time that a role needs to be advertised locally for accredited sponsors with a strong track record of recruiting and training Australians - Extending the validity of market testing to six months <p>The ARA also recommends that highly skilled, temporary visa holders be provided a pathway to permanent residency to retain their skills and knowledge in Australia to remove the disincentive for visa applicants in this category having to leave the country after two years.</p> <p>Australian employers are in a global war for talent for hard-to-fill retail roles like merchandise planning, digital transformation and hairdressing. The retail sector needs to bring overseas talent into the country to help address long-term workforce challenges that part of the sector is facing today, while driving productivity and innovation into the future.</p>
<p>2.4 Help the retail sector build a more skilled workforce</p>	<p>The ARA recommends increased investment in retail traineeships to help future-proof the sector and reposition retail as a career. While training and skills development needs to be targeted at jobseekers, programs also need to include existing employees to help them upskill and build a career pathway, particularly in the digital transformation of the industry to maintain global competitive advantage.</p> <p>Specifically, the ARA recommends the following measures.</p> <p>a. Direct more funding to private sector providers</p> <p>The ARA welcomes the government’s investment in vocational education and training through the TAFE system but notes that over 50% of retail traineeships are delivered by the private sector, like the ARA’s Retail Institute. The ARA therefore recommends that government allocate some of its record investment in the VET sector into private RTOs who are best placed to specialised training packages that meet the needs of individual sectors.</p> <p>b. Continue to provide wage subsidies of 30% in the first year of retail traineeships</p> <p>The ARA recommends that wage subsidies continue to be provided for retail traineeships to help offset the costs of employers providing additional on-the-job support like coaching and mentoring buddies, and the time taken in managing trainees.</p> <p>c. Reinstate completion bonuses for retail traineeships</p> <p>Completion bonuses provide a valuable incentive to employers to support trainees through to the end of their traineeship. The ARA therefore recommends that completion bonuses be reinstated for retail traineeships.</p>
<p>2.5 Reduce compliance risks and costs by collaborating with industry associations to educate small business about reforms to the workplace relations landscape.</p>	<p>In the ARA’s submission regarding the Employment White Paper Terms of Reference, we affirmed our support for many of the recent workplace relations reforms but also expressed concern about implementing some aspects of the government’s agenda.</p> <p>The awards system is overly complex and recent changes have, in some cases, increased confusion around bargaining processes. The ARA believes that careful thought is required around implementation and enforcement.</p> <p>In-line with this position, the ARA recommends that government increase funding to the industry associations like the ARA to design and deliver a comprehensive education campaign to ensure workplace relations reforms are understood by employers.</p> <p>This will reduce confusion, complexity and compliance risks for impacted employers.</p>

3.0 INCREASE SUPPLY CHAIN RESILIENCE

Ongoing supply chain disruptions at every stage of the retail value chain continue to increase costs, prolong delivery times and create complexity for Australian retailers.

Supply chain pressures have created visible and significant disruption in the past three years spotlighting the ongoing challenges to food security, productivity and economic performance if we do not address current and future risks.

Members are dealing with this disruption and uncertainty by increasing their stock holdings and placing orders well in advance. While this may help to mitigate immediate risks to inventory levels, this approach potentially creates new risks to profitability, cash flow and working capital for many retail businesses.

Recommendations

3.1 Provide support to Australian retailers whose cashflow has been critically impacted by supply chain disruption by extending the SME Recovery Loan Scheme.

There is ongoing disruption to supply chains caused by external factors largely beyond the control of retailers and their suppliers, leading to higher costs for the Australian retail sector. These higher supply chain costs also have the impact of constraining cashflow.

The ARA recommends that the government continue to provide relief to Australian retailers impacted by supply chain disruption, through the extension of the SME Recovery Loan Scheme.

The SME Recovery Loan Scheme, which originally included a government guarantee of up to 80% of the loan value, is designed to provide assistance to SMEs dealing with the financial impacts of the pandemic and other disruptions.

3.2 Reduce bottlenecks and red tape at Australia's ports by continuing to invest in productivity and innovation measures, with funding for relevant agencies to deploy last-resort regulatory intervention.

International trade has been heavily disrupted over the course of the past three years, with concerns that the current challenges may prevail for some time. These issues have been compounded by concerns about excessive red tape, a lack of productivity growth and the lingering threat of industrial action at Australia's ports.

The ARA recommends that government continue to improve productivity of Australia's ports, in line with the recommendations outlined in ACCI's submission to Productivity Commission review into Maritime Logistics, with a particular focus on digitisation.

Specifically, the ARA recommends further investment in the Simplified Trade System,⁵ specifically to include implementation of a single trade window. This would reduce compliance costs and increase efficiency for businesses that currently need to deal with multiple agencies and regulatory bodies in relation to imports and exports.

The ARA believes these measures would improve Australia's competitiveness and allow businesses to expand into new markets, while reducing inbound bottlenecks. These measures would also improve transparency for both industry and regulators.

3.3 Commit to protecting critical road and rail infrastructure, by providing funding to Infrastructure Australia to conduct a review and define the investment pipeline required to improve resilience during natural disasters.

Significant rail and road outages in 2022 and early 2023 demonstrated the impact adverse weather events can have on the national supply chain.

The ARA recommends continued investment in both road and rail infrastructure by providing resources to Infrastructure Australia to define the investment pipeline required to improve resilience in vital infrastructure.

In particular, the ARA also recommends government undertake a review of the investment required to improve rail resilience in light of the increasingly severe weather events caused by climate change, to inform funding decisions in future budgets.

⁵Home - Austrade

<p>3.4 Increase local manufacturing capability where vulnerabilities exist along critical supply chains, by extending and expanding the Supply Chain Resilience Initiative.</p>	<p>To improve the resilience of critical supply chains, the ARA believes that government and industry need to invest in developing sovereign manufacturing capability, particularly where vulnerabilities exist along local supply chains like food and packaging.</p> <p>The ARA therefore recommends that government's Supply Chain Resilience Initiative be extended and expanded, including a review of the Sovereign Manufacturing Capability Plan, to ensure that vulnerabilities exposed during the pandemic can be addressed.</p>
<p>3.5 Build preparedness ahead of future natural disasters, by funding Emergency Management Australia (EMA) to conduct scenario planning and testing with retailers and their supply chain partners, to ensure the sector can continue to serve impacted communities during times of natural disaster.</p>	<p>The ARA commends the role that Emergency Management Australia (EMA) has played in convening a number of National Coordination Mechanisms (NCM) over the past three years, in response to the pandemic, natural disasters and supply chain disruptions.</p> <p>However, the ARA also makes the observation that some of these NCM took some time to establish and reach optimal impact, with valuable time in the first few days of emergency response taken to confirm roles, responsibilities and routines.</p> <p>The ARA therefore recommends that EMA be funded to conduct scenario planning and simulation with retailers and their supply chain partners, so that these roles, responsibilities and routines are understood ahead of time for the rapid deployment of established emergency management plans in response to natural disasters.</p> <p>This means less time taken to define the parameters of a response, and more time responding so that retailers can restore critical infrastructure sooner and continue to support the communities they serve.</p>
<p>3.6 Continue to invest in climate resilience and natural disaster mitigation along the supply chain.</p>	<p>Retailers and the communities they serve continue to be exposed to natural disasters. The ARA welcomes the investment being made by all levels of government to build climate resilience and mitigation against natural disaster but recommends additional, more targeted investment in protecting key retail precincts in regional communities.</p>

4.0 ENABLE SUSTAINABLE BUSINESS PRACTICES

Over the past few years, retailers and their supply chain partners have also been disrupted by more frequent natural disasters and climate change, which represents the biggest disruptor our sector has encountered. It is imperative that retail plays a positive role in an economy-wide transition to the net-zero, nature-positive, circular economy of the future.

Recommendations

<p>4.1 Help businesses transition to the net-zero, nature-positive, circular economy by collaborating with industry associations to develop new skills standards and deliver new training programs.</p>	<p>The ARA's Retail Institute is the leading body for the education and professional development needs of the Australian retail sector. With a proven track record of delivering accredited programs in partnership with government, the ARA's Retail Institute also has capability to design new skills standards and deliver high quality non-accredited courses.</p> <p>Working with overseas partners, the ARA has access to international best practice insights, case studies and materials to support retailers – large and small – on their transition to the net-zero, nature-positive, circular economy.</p> <p>The ARA recommends a collaboration with government, building on this established knowledge base to develop and deliver customised, non-accredited training courses to help Australian SME retailers plan, set and achieve their own ambitious targets.</p> <p>Working with industry stakeholders and experts, the ARA has already designed a comprehensive training program to educate retailers about the transition to net-zero emissions. Going forward, the ARA plans to design similar programs to support the transition to nature-positive, circular thinking.</p>
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<p>4.2 Reduce energy costs, consumption and emissions, by providing financial incentives targeted at businesses not covered by the Safeguard Mechanism.</p>	<p>As energy prices continue to increase the cost of doing business, the ARA believes there is an opportunity for government to provide targeted financial incentives to reduce energy costs, by incentivising businesses to reduce energy consumption.</p> <p>Any investment that reduces energy costs would also take inflationary pressure out of the retail value chain and help the retail sector reduce its greenhouse gas emissions. As noted, the ARA is working with the sector to support the transition to net-zero emissions but the capital investment in measures that reduce consumption remains a key barrier for some businesses, particularly for the vast majority of ARA members not covered by the Safeguard Mechanism.</p>
<p>4.3 Help businesses transition to low-carbon freight and logistics, with targeted incentives to reduce initial outlay or increase operational costs of alternatives.</p>	<p>More many retailers, greenhouse gas emissions from their freight and logistics remains a future opportunity in their net-zero transient plans because other investments better return or shorter paybacks.</p> <p>To improve the business case for low-carbon alternatives (particularly electric vehicles) the ARA recommends that government reduce the initial outlay removing the Goods and Services Tax (GST) and import duties on electric vehicles, provide rebates for electric charging stations for commercial vehicles, and increase the fuel excess over time to reduce the cost gap associated with operating an electric vehicle.</p>
<p>4.4 Accelerate and streamline the phase-out of single-use plastics, by establishing a multi-jurisdictional taskforce to develop a harmonised, national approach that reduces costs and complexity for business.</p>	<p>The ARA has been calling for a national framework for the phase-out of single-use plastics. Without a nationally consistent approach, the phase-out of these problematic and unnecessary plastic items has been more costly and complex than necessary.</p> <p>The current approach has also resulted in unintended consequences, including movement of stock between jurisdictions, redundant stock being sent to landfill and unsustainable alternatives being sourced that deliver no net environmental benefit at a higher cost to business.</p> <p>Feedback from ARA members has also highlighted the need to ensure consumer education and awareness is built in parallel to the phase-out process so that they are prepared to accept replacements for plastics in-store or at the point of sale.</p> <p>The ARA therefore recommends the establishment of a multi-stakeholder taskforce that aims to define a national timeline and consistent approach across jurisdictions.</p>
<p>4.5 Accelerate the transition to the circular economy by expanding the Recycling Modernisation Fund (NRF).</p>	<p>The NRF has delivered some positive outcomes in terms of Australia's recycling capacity for glass, plastic, tyres, paper and cardboard. However, the ARA believes the program should be expanded to support Australia's transition to the circular economy. Specifically, the ARA recommends the following measures.</p> <p>a. Incentivise innovative product design and technology being developed by small business and social enterprise.</p> <p>New business models, products and technology will play a key role in the transition to the circular economy. The ARA recommends the expansion of the NRF to include more materials and provide seed funding to small businesses and social enterprises working on innovative solutions. This funding would be extended to the roll-out of proven concepts to de-risk the investment made by small business and social enterprise in diverting more resources from landfill.</p> <p>b. Fund new interventions for post-consumer waste and new circular feedstocks.</p> <p>The ARA recommends that the NRF be expanded to scope to include other forms of post-consumer waste, initially including wool, cotton and synthetic materials used in clothing, footwear and accessories. The ongoing design of a product stewardship scheme for clothing textiles is an important first step in the journey toward a more circular retail value chain but additional investment is required to design and deliver the collection, sorting and processing interventions that will be needed to ensure that these materials are captured and create new markets for circular feedstocks.</p>

	<p>c. Investment in additional resource recovery and recycling infrastructure, particularly in regional communities.</p> <p>Regional Australia has less access to recycling and resource recovery infrastructure compared to major metropolitan markets, leading to higher rates of waste disposal and lower recycling rates. The ARA recommends that more NRF funding be directed to regional communities to reduce waste, improve the local environment, and stimulate economic development through the creation of new jobs and businesses.</p> <p>d. Collaborate with industry on education and infrastructure programs to increase recycling rates on hard-to-recycle materials.</p> <p>Some consumers struggle to recycle certain materials due to a lack of access to appropriate facilities or knowledge about how to dispose of them properly. The ARA recommends collaboration with industry on joint initiatives for schemes that increase recycling rates on hard-to-recycle materials, through education and innovation.</p>
<p>4.6 Reduce waste to landfill by expanding the Federal Environment Minister’s Priority List for product stewardship to include pre-consumer waste.</p>	<p>ARA community partner, Good360 Australia, estimates that 2% of all retail merchandise does not get sold and is disposed of as pre-consumer waste. Analysis conducted by Deloitte Access Economics estimates the opportunity cost of this inventory to be in the range of \$2.5 billion per annum.</p> <p>The ARA recommends that pre-consumer waste be added to the Environment Minister’s Priority List for product stewardship, providing access to valuable funding that will design and deploy pragmatic solutions to help address the problem.</p> <p>It is also important that the consortium led by the Australian Fashion Council incorporate pre-consumer waste into the design of the Product Stewardship Scheme for clothing textiles.</p>
<p>4.7 Provide additional tax incentives for businesses wishing to donate excess inventory to charity, rather than send to landfill.</p>	<p>In Australia, there is a current proposal for a tax rebate on food relief donations, inclusive of transport and logistics costs associated with donating food. This is in line with tax incentives for donations that are already available in some other countries.</p> <p>The ARA believes there is an opportunity to extend any future scheme to include non-food items as well, to help remove one of the last remaining barriers to diverting more pre-consumer waste, post-consumer waste and end-of-life assets from landfill.</p> <p>The ARA therefore recommends a phased approach to providing tax incentives for businesses wishing to donate excess inventory to charity, starting with food and then extending to non-food categories once economic modelling has been conducted.</p>
<p>4.8 Improve performance and impact of product stewardship schemes by providing funding to increase transparency and ensure good corporate governance.</p>	<p>The number of product stewardship schemes in Australia has increased in recent years in response to community expectations and government policy. The ARA welcomes this trend but has concerns about inadequate oversight and governance of these schemes leading to poor environmental outcomes and a dilution of consumer confidence.</p> <p>The recent collapse of the REDcycle recycling program for soft plastics highlighted the need for greater oversight over social enterprises and non-profits delivering well-intended product stewardship solutions. It also demonstrated the need for broad-based collaboration between government, industry and community to improve the performance and impact of these schemes going forward.</p> <p>The ARA therefore recommends funding be provided to establish a National Product Stewardship Office to deliver a national framework for product stewardship schemes, provide greater oversight over these schemes and define the minimum performance criteria to ensure the ongoing viability of these schemes.</p>

<p>4.9 Fund the establishment of a Commonwealth Anti-Slavery Commissioner to improve performance and impact of the Modern Slavery Act.</p>	<p>The ARA recommends that funding be allocated for the establishment of Commonwealth Anti-Slavery Commissioner, to oversee and enforce reporting requirements outlined in the Modern Slavery Act.</p> <p>The Commissioner would also provide feedback and guidance to organisations on the proposed changes outlined above, as well as the publication of a summary of findings of Statements made under the Act.</p> <p>As outlined in our consultation into the review of the federal government’s review into the Modern Slavery Act, the role of the Anti-Slavery Commissioner could be modelled on the eSafety Commissioner in terms of framework and powers.</p>
<p>4.9 Enable retailers to share information and take coordinated action to address modern slavery by collaborating with industry to develop a digital platform and standardised reporting format.</p>	<p>Given the challenges that ARA members report in meeting their obligations under the Modern Slavery Act, the ARA believes there is a unique opportunity to develop a standardised reporting template for Modern Slavery Statements and capture standardised data from suppliers who may be supplying similar information to multiple retailers.</p> <p>The ARA recommends that the government allocate funding to the co-design, development and deployment of a digital platform that enables retailers to identify modern slavery risks, share pre-competitive information with peers and competitors, and take coordinated action to address modern slavery along the global supply chain.</p>

5.0 SUPPORT SAFE AND INCLUSIVE WORKPLACES

The ARA recommends a holistic, whole of government policy approach to support increased workforce participation, to optimise outcomes for employers and employees, and avoid unintended consequences.

For example, gender equity policies that collectively address the issues of childcare, pay equity and under-representation in leadership positions will support much higher workforce participation among women in comparison to pursuing these opportunities in isolation.

Similarly, Australians living with disability, younger Australians, mature-age workers and those with a culturally and linguistically diverse background should all be supported via policy settings to address barriers to workforce participation and provide the necessary incentives to employees and employers.

We note and support many of the measures outlined in Jobs and Skills Summit Outcomes paper but hold the view that these well-intended initiatives need to be supported by other interventions outside the labour market.

<p>Recommendations</p>	
<p>5.1 Continue to improve gender equality and workforce participation of women by making additional reforms that further increase the affordability and flexibility of childcare.</p>	<p>The most immediate priority for the Australian retail sector, in terms of diversity and inclusion, is to address gender inequality in our sector. Despite women controlling an estimated 75% of consumer spending and representing 57% of the retail workforce, data from the Workplace Gender Equality Agency (WGEA) notes that:</p> <ul style="list-style-type: none"> - Female directors represent 27% of board positions - Female CEOs lead 17% of Australian retail businesses - There is a 15% gender pay gap between women and men working in similar roles. <p>The ARA welcomes many of the governments’ initiatives to improve gender equality and increase workforce participation, particularly reforms that have made childcare more affordable for Australian families. However, the ARA recommends additional reforms to increase women’s participation in the workforce, particularly those seeking or working part-time hours, by providing greater flexibility in childcare arrangements.</p> <p>The ARA also recommends that government places greater focus on increasing access to childcare in regional areas, given member feedback that inadequate access to childcare is one of the factors contributing to record-high vacancy rates and low retention rates.</p>

<p>5.2 Reduce compliance risks and costs by collaborating with industry associations to educate small business about the implementation of Respect@Work reforms and Family and Domestic Violence Leave.</p>	<p>The ARA has welcomed the government’s commitment to fully implement the Respect@Work Report and introduction of Family and Domestic Violence Leave. These changes will create safer, more inclusive workplaces and help progress gender equality in all industries, including the retail sector.</p> <p>While retailers are amongst some of Australia’s largest employers, the sector is overwhelmingly dominated by small businesses, including micro-businesses and sole traders with only a handful of employees.</p> <p>The ARA remains concerned about the impact of this legislation on smaller members. Many of these businesses may not have the capability or capacity to successfully implement these changes, resulting in higher costs and potential compliance risks.</p> <p>The ARA recommends that government collaborate with industry associations to build awareness and provide information to these businesses about these two pieces of legislation that will be implemented through 2023. The ARA’s RTO, the Retail Institute, would be well placed to support this collaboration.</p>
<p>5.3 Increase engagement with First Nations businesses.</p>	<p>Despite the scale and reach of the Australian retail sector, engagement with Indigenous suppliers remains relatively low in comparison to other sectors.</p> <p>The ARA recommends additional funding be provided to Supply Nation to establish retail as a new category on the Indigenous Business Direct digital platform, supported by investment in a targeted communications and engagement plan that connects more Indigenous suppliers with more retailers.</p>
<p>5.4 Increase engagement with First Nations jobseekers.</p>	<p>In 2019, the ARA partnered with the First Nations community in South-west Sydney and a number of members to develop a customised program for local Indigenous jobseekers, comprising pre-employment training, on-the-job training and ongoing support from mentors in the community. While the initial cohort was relatively small, the program received positive feedback and delivered high retention rates.</p> <p>The ARA recommends dedicated funding be made available to incentivise retailers to design and deliver customised employment pathways for Aboriginal and Torres Strait Islander people.</p>
<p>5.5 Support more people with disability to enter the retail workforce by investing in services and programs that encourage employers to recruit and retain people living with disability.</p>	<p>The ARA is committed to working with members to provide meaningful training and career pathways for people living with a disability.</p> <p>Since 2013, the ARA’s Retail Ready program has provided training and career pathways to more than 1,300 candidates who identify themselves as having a disability. More recently, the ARA has worked with Disability Employment Service partner Global Skills to offer accredited skill-set programs to upskill jobseekers aligned to their abilities and secure job placements with some of Australia’s largest retailers. These and other programs have a demonstrated track record of providing benefits to jobseekers industry and government.</p> <p>The ARA welcomes that investment that government has made into employment options for people living with a disability but has identified a need to provide greater support to employers, particularly hiring managers and line managers.</p> <p>The ARA therefore recommends additional investment in programs that help build awareness and reduce the stigma of employer people with a disability. The ARA’s Retail Institute would be well-placed to partner with government on this type of initiative.</p>
<p>5.6 Accelerate implementation of the Welcome Here Project to increase the number of retailers offering safe places for Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ+) people seeking refuge from violence.</p>	<p>The Welcome Here Project aims to increase the number of safe places where Lesbian, Gay, Bisexual, Transgender and Queer (LGBTQ+) people seeking refuge from street-based violence. Local businesses, including retailers, display signage on their shopfront to signify their premises as a safe place, supported by training and education.</p> <p>With the LGBTQ+ community representing an important segment for the retail sector, in terms of consumers and employees, the ARA recommends that government provide funding to accelerate the roll-out of the Welcome Here Project, to reduce street-based violence against LGBTQ+ people and the associated physical and emotional impacts.</p>

5.7 Improve mental health outcomes for small business owners by continuing to fund proven programs.

In a member survey conducted by the ARA in mid-2021, members ranked mental health impacts as one of the highest priorities for the retail sector.

As businesses enter a fourth year of disruption, the ARA recommends government should retain its focus on early intervention through the delivery of targeted programs like the New Access for Small Business Owners.

To deliver on this measure, the ARA also recommends that funding be extended to the Australian Small Business and Family Enterprise Ombudsman and Beyond Blue.

The ARA appreciates the opportunity to provide feedback to the budget consultation process and looks forward to further engagement as the budget programs and policies are implemented.

For any questions about this submission please contact policy@retail.org.au.