

Ensuring retail success since 1903



ARA Federal Budget & Election skills submission 2013

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Background and skills shortage:

Since 1903, the Australian Retailers Association (ARA) has been the peak industry body in Australia's \$243 billion retail sector, which employs over 1.2 million people. As an incorporated employer body under the Workplace Relations Act and with a range of member services including business consulting, policy development, advocacy and education, the ARA promotes and protects over 5,500 independent and national retailers throughout Australia.

The ARA has a heritage of protecting and promoting the retail industry's interests. As Australia's retail sector has proliferated, diversified and matured, so has the ARA. In the past year we have seen an immense change within the organisation with the reinvigoration of its brand, a new executive team and the expansion of the ARA's service offering. The ARA operates as a true national association with very strong State and Territory relationships.

Through its broad- ranging engagement the ARA has identified a series skills shortages and needs in the retail services sector. There are management level and basic skills shortages appearing right across the Australian retail sector. Both major and small to medium retailers are reporting significant difficulties in acquiring skilled staff at almost every pay level within the sector. Australian retailers are telling the ARA and are willing to go on record that they are finding the increased level of international trade exposed competition difficult to meet due to a lack of skills and knowledge needed in the sector to become internationally competitive.

The ARA is proposing a series of areas any future Government will need to address if they wish retail to grow and meet the growing international competition they now face.

Future skills competitiveness requires:

- Develop a culture within the service industries which promotes and enhances the skills development of its workforce.
- The successful performance of the retail sector is crucial for Australia, as the largest private employing industry; retail is especially significant for the jobs it provides for so many.
- Improving the skills base of the workforce is emerging as a critical factor if Australia is to meet the economic environment and social challenges of the future.
- In terms of retaining the retail workforce a recent study by the Australian Centre for Retail Studies identified that the two most significant factors for staff satisfaction were organisational support and organisational engagement. This supports the growing academic literature on the importance of these aspects. Furthermore, the research found that training was a factor that can contribute to retention.
- Skilled migration may provide a short term solution but a long term sustainable solution requires continual improvement of the skills of the existing workforce and higher level skills for new entrants.
- There remains a clear need for improved links between training organisations and industry. This can be achieved through innovative and creative education training systems, which will result in enhanced skill use and increased productivity in the service industries' workforce.

Present position:

- The retail industry employs 1,208,000 (10.6%) of the workforce in Australia. This has increased 0.3 percent per annum of the past five years; projected growth is 0.8 percent per annum in the five years to 2015-16.
- Employment in the retail industry is skewed towards younger and female workers. In 2011, 55.8 percent of employment in retail trade comprised of female employees and 24.7 percent of retail employees were aged between 15 and 24.
- There is a high level of part time and casual work, as well as high levels of turnover. In 2012, 40.3 percent of employees in retail were classified as casual as opposed to permanent. Additionally 53.9 percent of workers were employed part-time as opposed to full time. There are a significant proportion of employees who are employed in retail alongside further study. The Household, Income and Labour Dynamics in Australia Survey (HILDA) indicated that 44 percent of part-time employees gave "going to school, college or university" as the major reason for part-time employment, which compares to 24.1 percent of part-time employment across all employees.
- The characteristics of the workforce contribute to higher levels of turnover within the industry, compared to other industries. In 2012, 23.8 percent of the industry had been with their employer for less than one year, compared to 18 percent across all industries. While employees in retail report difficulties in retaining employees in their workplace, it is believed that many of the students working in retail tend to leave the industry altogether upon completion of their studies. However, industry feedback suggests that the remainder of the retail workforce tends to remain within the industry.
- The workforce is very mobile and key skills are lost, due to the competition from international labour markets and higher wage industries.
- Two thirds of the retail workforce has no post-school qualifications.

- Furthermore, it has been shown that retail also supports other industries, creating approximately 5,000,000 jobs in other sectors. These industries also especially assist young people in gaining access to work experience, where they can develop the employability skills that they will take with them through their entire career, both in service industries and beyond. Finally retail is a key part of our communities, especially in regional areas.

Key points that the ARA would like a commitment to:

Employment/skills shortage:

Present position:

Retail businesses are experiencing significant skills shortages in management and while the Retail Services training Package has management training at the Diploma and Vocational graduate Certificate level, qualifications have been particularly affected by funding changes in Victoria.

Employees in the retail sector have low levels of tertiary qualifications. As there is a high correlation between tertiary education and effective performance, there is a clear need to professionalise the retail industry through higher levels of qualifications. Furthermore, industry is keen to see relevant outcomes in terms of employability and qualifications that improve productivity.

These qualifications provide crucial management and business skills. Moreover, the removal of this higher-level qualification may entrench existing perceptions that the retail sector requires low-levels of skill and lacks professionalism.

There is a serious risk that the reduction of funding for retail qualifications will result in a loss of productivity in the sector, which is crucial given the intensified competition from online and international outlets. Additionally, this places an extra burden on small and micro enterprises struggling to up skill their staff. The funding available per hour also affects the number of RTOs providing these courses, which is particularly negatively impacting regional areas.

Solution:

- Review the funding model for the delivery of Retail Management level qualifications.
- Provide adequate funding for the delivery of higher level retail management training across metropolitan and regional Australia.

Traineeships:

Present position:

The changes in incentive payments for apprenticeship / traineeship have made a major negative impact on the retail industry with the withdrawal of training commencement incentives for retail, as announced in the last federal budget. Overall, the changing VET landscape is encouraging a greater focus on the price of training; this will ultimately lead to a decline in the number of students undertaking service industry training package qualifications— in many cases, generic business qualifications, with fewer units of competency will be favoured. A greater focus on price also has the effect of driving down incentives for quality as well.

Solution:

- Maintain funding for apprenticeship / traineeship support including services, mentoring and advisory. Focus on the proven benefit of the work integrated learning approach. The apprenticeship / traineeship incentive policy needs to return to what its original objective is to provide an effective financial incentive to employers to offer apprenticeship / traineeship opportunities. Retail traineeship training is an investment in the career path within the retail industry

Careers:

Present position:

Sectors such as retail often provide the first job for many Australians, whether a part-time job while studying or a first full-time job – for many individuals providing the basic ‘know how’ for their future working life, in the service industries or beyond. In this respect, the jobs are critical for the development of employability skills in young people. Compared to other industries, only a small percentage of workers in the retail industry hold qualifications, but the proportion holding qualifications have been increasing. Retail managers (50 percent) were most likely to hold qualifications and retail assistants (28 percent) and checkout operators (23 percent) were least likely to hold qualifications.

The undervaluing of the work in the service industries can result in poor funding support, a lack of recognition for careers in the industries, and issues around the quality of training and assessment.

The complexity of the industries needs to be understood by the skill market and policy makers. Industry consultation identified that pathways to higher education are attractive to large enterprises, with the view that linking formal study to job roles will make study meaningful and will assist in filling identified skills gaps. The opportunity to undertake formal study would be particularly useful to those staff moving into more senior positions. Employers tend to use higher education programs to increase retention rates within their organisation.

Solution:

Building a highly skilled workforce will deliver a highly productive economy. Continuous lifelong learning is crucial for ongoing improvements in productivity and participation.

Harmonisation of federal and state VET funding:

Present position:

Price harmonisation refers to the process of removing pricing disparities for the same product across regional markets. Essentially, it involves negotiation between retailers and their suppliers, with the former asking the latter to make their pricing structures more equitable. In the case of training delivery, there is a disparity in the state and federal VET funding dollar rate per hour and eligibility criteria offered between all states and territories. This is particularly frustrating for national companies when providing training across a number of state and territory boundaries and a time is a disincentive for these companies to engage in training their staff.

Solution:

Review the funding model for training delivery across all states and territories and develop a harmonised model.

Present position:

The elimination of close to half of all Certificate II incentives and the reduction of part time traineeship incentives has particularly impacted on the retail services sector. It has been suggested that the Government should not be paying for “large employers to train”. The incentive adjustment hits businesses of all sizes; it is not a payment to train it is an incentive to encourage employers to enter into a structured integrated learning contract which delivers a qualification at the end of the arrangement.

Solution:

The reinstatement of Certificate II incentives will ensure that the training is delivered at the level that is required by the retail industry. It will also improve the school to work transition highlighting a stronger recognition of the importance of a Certificate II pathway as a nationally recognised qualification and a career progression.

Present position:

The investment and approach of the National Workforce Development Fund (NWDF) is to be applauded. The model is delivering industry driven training which has the best chance of directly addressing skills shortages and business needs. Small business engagement in the NWDF is critical; however a new category of business needs to be implemented.

Solution:

Businesses employing less than 20 employees should be required to pay 10 percent compared to the current 33 percent. The success of the Enterprise Bases PPP was predominately based on a 10 percent contribution.

ARA's membership, associates and partners

Independent retailers:

Independent retailers, defined as those small retailers with between one and five stores make up over 90 percent of the ARA membership. They are typically small family owned businesses operating across all areas of retail. They can be found in CBDs and major shopping centres but are also prevalent in suburban and regional strip shop precincts. In addition to the proprietor they typically employ a small number of staff (three to four) in each store. They are great supporters of the ARA and make excellent use of its various services and in particular, its member benefits.

Chain retailers:

National Retail Chains make up approximately five percent of the membership and with, of course, a disproportionate number of total outlets. The number of outlets varies between 10 and 700 but the norm would be approximately 20 to 30 stores. Chains are typically multi-state and centrally owned and managed. Staff numbers within chains vary greatly. They make great value of the association's services, especially the ARA's employment relations services and are keen participants in ARA events and awards. The smaller chains make excellent use of ARA members' benefits.

Franchisors and franchisees:

National Retail Franchisors and Franchisees make up the balance of the ARA membership. Franchisees make use of the association in much the same manner as independent retailers while franchisors operate similarly to chain retailers.

Industry types:

Because of the wide disparity in members from single store independents to nationwide chains it is important to bear in mind that the percentages listed below are based on membership numbers not outlets or turnover.

Type of retailer	Membership %
Clothing and Footwear	20.00
Furniture & Household Goods	9.00
Hair & Beauty	20.00
Hardware	11.00
Sporting Goods	5.00
Electrical Goods	5.00
Giftware	5.00
Supermarkets	5.00
Toys	2.00
Others	18.00
Total	100.00

Summary:

With industry skills shortages well proven, attractive up skilling lacking, traineeships and higher wages still unable to find required skill sets within the Australian jobs market, one of the most effective measures the Government could implement is to focus sufficient resources on retail skills. Retailers are now saying to meet the challenge from the international retail market, the solution is to import those skills and they need sufficient support in local skills development as a long term solution. The key areas in need of addressing are:

- Traineeship support including services, mentoring to provide and effective financial incentive to employers to offer apprenticeship/traineeship opportunities
- Review the funding model for the delivery of retail management level qualifications including: Diploma of Retail Management and the Vocational Graduate Certificate in Retail Management
- Provide adequate funding for the delivery of higher level management training
- Reinstatement of Certificate II-IV incentives will ensure that the training is delivered at the level that is required by the retail industry
- Businesses employing less than 20 employees should be required to pay 10 percent compared to the current 33 percent. The success of the Enterprise Bases PPP was predominately based on a 10 percent contribution
- Harmonisation of existing funding modals across the country for ease of use by multi jurisdiction operators.

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