

SUBMISSION

2022-23 FEDERAL BUDGET

JANUARY 2022

The Australian Retailers Association (ARA) is Australia's oldest, largest and most diverse retail body, representing a \$360 billion sector that employs 1.3 million Australians. As Australia's peak retail body, representing more than 100,000 retail shop fronts, the ARA informs, advocates, educates, protects and unifies independent, national and international retail members.

Our members operate across all retail categories, from food to fashion, hairdressing to hardware, and cosmetics to computers. The ARA is proud to represent the rich diversity of Australian retail, from our largest national and international retailers to our small and medium members, who make up more than 95% of our membership.

EXECUTIVE SUMMARY

Despite the challenges of the past two years, the retail sector has continued to grow through the pandemic, with retail trade up 7% in 2019-20 and a further 5% in 2020-21, in comparison to the long-term average of 4%.

However, these headline numbers hide the uneven impact of lockdowns across the sector, with strong growth in categories such as food and household goods offset by falls in discretionary retail, hospitality, and hair and beauty. These annual numbers also mask the volatile nature of consumer spending, which continues to swing between record highs and record lows, punctuated by periods of normalcy, creating unprecedented challenges for retailers.

As the Omicron variant has demonstrated, Covid-19 has the potential to continue undermining a sustained recovery through the remainder of this fiscal year and into 2022-23. As a result, many retail businesses will continue to be affected by the combined impacts of Omicron with reduced trading hours, store closures, higher costs, stock outages and staff shortages all adding significant financial stress for large segments of the sector.

These challenges are set against the backdrop of the lowest levels of consumer confidence in three decades.

Given significant uncertainty, the ARA's pre-budget submission aims to make the sector more resilient against future shocks, help retailers attract and retain a highly skilled workforce so the sector is best-placed to capitalise on any improvement in trading conditions, and provide incentives to help retailers address those challenges and trends that have accelerated through the pandemic.

This submission draws on the expert insights from the ARA's Advisory Committees and several member surveys to outline 26 recommendations, in order of importance to our members. These recommendations apply across the sector but some are specific to small and medium sized enterprises (SME).

RECOMMENDATION 1

DRIVE RETAIL RECOVERY AND RESILIENCE

- 1.1 Restore and maintain consumer confidence, with a continued focus on high vaccination rates and commitments from government for a guaranteed supply of rapid antigen tests (RATs) that are provided to employers and consumers for targeted testing, at low-or-no cost and exempt from GST.
- 1.2 Provide targeted cash grants to at-risk SME retail businesses, through the reintroduction of joint federal and state funding mechanisms like JobSaver, that provide a financial safety net for businesses still recovering from the worst impacts of Covid-19, particularly for those retailers in CBD precincts and tourist areas.
- 1.3 Address inconsistency across the country in respect of rental relief, by mandating the re-introduction of the National Cabinet Leasing Code of Conduct (SME Leasing Principles) and reinstating the \$50 million eligibility criteria to provide support and protections to affected SMEs.
- 1.4 Continue to invest in programs that improve mental health outcomes for business owners.

RECOMMENDATION 2

CONTINUE TO DRIVE TAX REFORM

- 2.1 Expand the 25% small business corporate tax rate to cover SMEs up to a threshold of \$250 million turnover.
- 2.2 Commit to extending the Temporary Full Expensing (instant write-off) measure beyond 2022-23 to drive long-term business investment.
- 2.3 Work with state and territory governments for a coordinated approach to reducing the burden of payroll tax.

RECOMMENDATION 3

ADDRESS THE IMMEDIATE AND MEDIUM-TERM CONSTRAINTS IN SKILLED LABOUR

- 3.1 Retain recent changes made to overseas student visas (the cap of 40 hours per fortnight has been removed) and working holiday visas (the limit of six months with one employer has been increased to 12 months).
- 3.2 Remove the Skilling Australians Fund (SAF) Levy for temporary and permanent visa applications.
- 3.3 Expand the Temporary Skills Shortage (TSS) visa program to include hard-to-fill retail roles (such as merchandise planning, digital transformation, and hairdressers and beauty therapists) and provide a pathway to permanent residency for these and other roles where employers bring global talent into Australia to drive productivity and innovation.
- 3.4 Expand the existing PaTH program to provide meaningful education and employment opportunities for older Australians, people living with a disability and recently arrived migrants in the retail sector.
- 3.5 Improve the sustainability and viability of the retail sector by helping retailers retain skilled talent by expanding traineeships to include existing workers, so these employees can upskill and progress their career without having to find a new employer or move out of the sector.

RECOMMENDATION 4

INVEST IN SUPPLY CHAIN RESILIENCE

- 4.1 Provide relief to Australian retailers whose cashflow has been critically impacted by supply chain disruption, through the extension of the SME Recovery Loan Scheme beyond July 2022, to help retailers manage the impacts of higher supply chain costs and increased stock holdings.
- 4.2 Continue to address land-side bottlenecks and reduce red tape at Australia's ports.
- 4.3 Expand support to increase local manufacturing capability where vulnerabilities exist along critical supply chains like food and healthcare.

RECOMMENDATION 5

SUPPORT THE TRANSITION TO THE NET-ZERO, CIRCULAR ECONOMY

- 5.1 Accelerate the transition to net-zero emissions by expanding the Modern Manufacturing Fund and scope of the Clean Energy Finance Fund to incentivise retail businesses investing in the adoption of proven technologies that reduce costs, consumption and emissions.
- 5.2 Accelerate the transition to the circular economy by expanding the Recycling Modernisation Fund to improve the efficiency of collecting and segregating post-consumer waste; develop new markets for recycled content and circular feedstocks; and make it easy for retailers and consumers to connect with circular solutions.
- 5.3 Expand the Federal Environment Minister's Priority List for product stewardship to include pre-consumer waste.
- 5.4 Co-invest with the ARA in education and training measures to help SME retailers in their transition to the net-zero, circular economy of the future.

RECOMMENDATION 6

ADDRESS INEQUALITIES

- 6.1 Improve gender equality by providing cost-effective access to childcare for working families, reforming the Workplace Gender Equality Agency (WGEA) and improving financial independence of women in retirement.
- 6.2 Provide funding to Supply Nation, to add retail as a new category on the *Indigenous Business Direct digital platform* and invest in a targeted campaign to connect retailers with Indigenous suppliers.
- 6.3 Co-invest with the ARA on developing and deploying a digital platform that enables retailers to share information and take coordinated action to address modern slavery along the global supply chain.

RECOMMENDATION 7

ACCELERATE THE DIGITAL TRANSFORMATION

- 7.1 Establish a Digital Modernisation Fund to address the digital gap between large and small business and encourage SMEs to invest in technology and digital innovation to protect local jobs and ensure the continued growth of our diverse SME retail community.
- 7.2 Increase funding to improve digital literacy to provide equal and safe access to the digital economy, especially vulnerable and isolated members of our community.
- 7.3 Co-invest with the ARA in education and training for SME retailers about cyber security.
- 7.4 Provide funding to support SME retailers to undertake necessary improvements to software, hardware and governance frameworks to de-risk business operations and align with government best practice.

APPENDIX

ARA PRIORITIES AND RECOMMENDATIONS

In a recent survey of ARA members, the shortage of skilled labour was identified as the most pressing issue for retailers, and that a reduction in foot traffic and supply chain constraints were also presenting challenges. In another recent member survey, investing in sustainability and equality were seen to be as important as addressing supply chain challenges. These findings have informed our priorities and recommendations.

1.0 DRIVE RETAIL RECOVERY AND RESILIENCE

As we enter a new phase of the pandemic, the Omicron variant has delivered a new set of challenges for Australian retailers, many of whom were still trying to recover from the impacts of lockdowns in response to the initial outbreak of Covid-19 and the subsequent Delta surge.

With consumer confidence at an all-time-low, driving a collapse in foot traffic and consumer spending, there is a risk that the impacts of Omicron will extend beyond the peak in case numbers, through the remainder of this fiscal year and into 2022-23.

The combined impact of Omicron, with reduced trading hours, store closures, higher costs, stock outages and staff shortages, are placing significant pressure on profit margins and cashflow for many retailers.

Compounding these financial pressures, our members are navigating unprecedented challenges with limited support from government and no end-date for when consumer confidence will rebound – unlike the strong recovery we saw in consumer spending when government-mandated lockdowns were lifted in 2020 and 2021.

Because trading conditions (and the impact on sales, profit and cashflow) have been increasingly difficult to predict, the focus of the ARA’s pre-budget submission is on building resilience across the sector so that retailers – large and small – are best placed to respond to future shocks, whether that be further impacts of the pandemic or other events that dislocate retail spending.

Recommendations: Retail Recovery and Resilience

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| <p>1.1 Restore and maintain consumer confidence</p> | <p>Given there will be no mandated end-date to the Omicron variant or future surges in Covid-19, consumer confidence is critically important to the recovery of the retail sector.</p> <p>While acknowledging Australia’s world-leading vaccination rates, there needs to be a continued focus on maintaining high vaccination rates.</p> <p>The availability of Rapid Antigen Testing (RAT) kits is also critically important to increasing consumer confidence and keeping the retail supply chain moving.</p> <p>The ARA is seeking commitments from government for a guaranteed supply of RAT kits that are provided to employers and consumers for targeted testing, at low-or-no cost and exempt from GST.</p> |
| <p>1.2 Provide targeted cash grants to SME retail businesses, particularly in CBDs and tourist areas</p> | <p>Targeted cash grants, including JobSaver, were a key lifeline for businesses impacted by lockdowns in 2020 and 2021 and should be reinstated.</p> <p>The impacts of Omicron and Covid-19 are widespread, with no end-date in sight. The ARA recommends targeted and temporary cash grants to keep affected retailers in business, until they come out the other side of this crisis.</p> <p>The reintroduction of joint federal and state funding mechanisms, like JobSaver, would provide a financial safety net for businesses still recovering from the worst impacts of Covid-19 and gearing up for the next phase of the pandemic, particularly for those retailers in CBD precincts and tourist areas.</p> |

Recommendations: Retail Recovery and Resilience

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| <p>1.3 Re-introduce the National Cabinet Mandatory Code of Conduct (SME Leasing Principles)</p> | <p>With inconsistency across the country in respect to provision of commercial rental relief, the ARA recommends the Commonwealth government lead a coordinated effort with states and territories to reintroduce the National Cabinet Mandatory Code of Conduct (SME Leasing Principles) and for the eligibility criteria to be reinstated at the original \$50 million threshold.</p> <p>NSW and Victoria recently extended their schemes but measures in other jurisdictions have expired around the country, leaving small businesses vulnerable to significant cashflow challenges.</p> <p>Targeted support packages, like those to implement the leasing code, played an important role in supporting businesses through the first two years of the pandemic and should remain in place to help our members remain financially viable until consumer confidence and spending return to pre-pandemic levels.</p> |
| <p>1.4 Continue to invest in programs that improve mental health outcomes for business owners</p> | <p>In a survey conducted in mid-2021, members ranked mental health impacts as one of the highest priorities for the sector.</p> <p>While mandated lockdowns took a significant toll on peoples' financial, emotional and mental health, the uncertainty of Omicron has exacerbated these stressors because there is no predicted end-date.</p> <p>The ARA recommends government focus should remain on early intervention through the delivery of targeted programs like the New Access for Small Business Owners program that provide mental health support to SMEs.</p> |

2.0 CONTINUE TO DRIVE TAX REFORM

As our sector continues to manage the financial impacts of Covid-19, further reforms to Australia's tax system will play an important part in reducing the tax burden on retailers and other businesses across the economy.

The ARA makes the following recommendations that would provide immediate relief to members. We would welcome the opportunity to participate in discussions with government when longer-term, structural reforms of the tax system come back onto the agenda.

Recommendations: Tax Reform

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| <p>2.1 Expand the 25% small business corporate tax rate to cover more SMEs</p> | <p>The ARA recommends that the corporate tax rate for medium sized business be reduced from 30% to 25% so that all SMEs (up to a threshold of \$250 million) are on the same rate. At the current rate, Australia's corporate tax rate for medium sized businesses is amongst the highest in the developed world.</p> |
| <p>2.2 Commit to extending the Temporary Full Expensing (instant write-off) measure beyond 2022-23</p> | <p>Business investment is a major driver of productivity and innovation but has also been impacted by the pandemic. Capital expenditure across the economy was showing signs of recovery towards the end of 2021, until the onset of Omicron provided another setback.</p> <p>With low business confidence coinciding with pentup demand from deferred business investment over the past two years, the ARA recommends that the Temporary Full Expensing measure be extended for a further two years.</p> <p>For retailers, this extension would provide added incentive to invest in end-of-life replacement of plant and equipment to reduce ongoing running costs, and encourage longer-term investments in technology and digital platforms, particularly for SMEs.</p> |

Recommendations: Tax Reform

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| <p>2.3 Work with state and territory governments for a coordinated approach to reducing the burden of payroll tax</p> | <p>While payroll tax is managed by state and territory governments, there is a role for the federal government to play in leading a coordinated effort to reduce the cost and high administrative burden of payroll tax on business.</p> <p>Inline with the position held by the Australian Chamber of Commerce and Industry (ACCI) the mechanism for coordination would be through the Council of Federal Financial Relations, with an initial focus on reducing the administrative and compliance burden. ACCI suggests that this could be achieved through digitalisation and alignment between the different payment platforms used by different states and territories.</p> <p>ACCI also notes that business would increase the size of their workforce if the rate of payroll tax was reduced or the tax was removed altogether.</p> |
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3.0 ADDRESS THE IMMEDIATE AND MEDIUM-TERM CONSTRAINTS IN SKILLED LABOUR

The skills crisis that was impacting the retail sector going into the pandemic, has been exacerbated over the past two years with staff shortages and access to skilled labour a significant area of concern for many retailers.

Without government support, many businesses struggled to retain employees through the Delta lockdowns and Omicron surge as a fall in consumer spending resulted in a reduction of hours, and close-contact rules increased absenteeism to as high as 40% in some parts of the sector and along the supply chain.

While there is still an urgent need to fill gaps in the labour market for frontline roles, we need to prioritise expanding the pool of skilled labour and place higher value on the skills acquired by those workers, supervisors and managers through their career in retail. 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.

Recommendations: Skilled Labour

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| <p>3.1 Retain recent changes made to overseas student and working holiday visas</p> | <p>The ARA welcomes the federal government’s announcements in January 2022 about international students and working holiday makers, who are important employee segments for the retail sector.</p> <p>These changes remove the cap of 40 working-hours per fortnight for overseas student visa holders and increase the limit that working holiday makers can work for the same employer from six months to 12 months.</p> <p>These workers generally fill frontline roles and the changes made will benefit visa holders already in the country. These changes will also make these schemes more attractive to overseas students and working holiday makers.</p> <p>The ARA recommends that these changes be retained indefinitely.</p> |
| <p>3.2 Remove the SAF Levy for temporary and permanent visa applications</p> | <p>The Skilling Australians Fund (SAF) Levy is payable by employers seeking to recruit skilled labour from overseas. The SAF levy is currently \$1,200 per annum for SMEs and \$1,800 per annum for large businesses for temporary visas. This levy increases to \$5,000 for employers using the permanent Employer Nomination Scheme.</p> <p>The ARA recommends that these levies be removed altogether to reduce barriers to recruiting temporary and permanent visa holders. Failing that, the ARA would like to see the removal of the need to pay the levy upfront and recourse available to employers who have paid upfront for a candidate that was not brought into the country or did not serve out the term of their contract.</p> |

Recommendations: Skilled Labour

3.3 Expand the Temporary Skills Shortage (TSS) visa program to include hard-to-fill retail roles

Over the past few decades, the global retail sector has become much more reliant on data and technology to make complex business decisions about sales forecasts, product ranging and inventory levels. As a result, local retailers have been recruiting overseas talent in areas like merchandise planning, as they build their own internal capability.

As many of these candidates are recruited from leading retailers overseas, the ARA recommends that the role of “Merchandise Planner” be added to these Priority Migration Skilled Occupation List (PMSOL) so that Australian retailers can continue to improve productivity and drive innovation.

Given the growth in online retail in recent years, and projected growth into the future, the ARA also recommends that key roles that are critical to the digital transformation of Australia also be added to the PMSOL.

The ARA has also been calling for hairdressers and beauty therapists to be added to the PMSOL, to help address the long-term workforce challenges that part of the sector is facing.

The ARA also recommends that these highly skilled, temporary visa holders be provided a pathway to permanent residency to retain their skills and knowledge in Australia. This pathway to permanent residency could be applied to other skilled workers on temporary visas, to help accelerate net migration, which has declined significantly over the past two years.

3.4 Expand the existing PaTH program to provide meaningful education and employment opportunities for more job seekers

The ARA Retail Institute is the leading national body providing for the education and professional development needs of the Australian retail sector. One of the ARA Retail Institute’s core offerings is delivering the federal government’s PaTH (Prepare | Trial | Hire) program, supporting younger Australians into the workforce.

The ARA recommends that the current candidate pool for PaTH be expanded beyond younger Australians, to also include recently arrived migrants, older Australians, people living with disabilities and First Nations Australians. This expansion would help retailers address the current shortages in skilled labour.

In respect of older Australians returning to the workforce, this expansion in PaTH would need to be accompanied by changes to the pension and work bonus, to ensure that these mature aged workers were no worse off financially.

3.5 Improve the sustainability and viability of the retail sector by helping retailers retain skilled talent by expanding traineeships to include existing workers

While addressing skills shortages is vital to the retail sector in the short term, there is also a need to look at development and progression opportunities for frontline retail workers seeking a career in retail, to retain the skills that workers have acquired in the retail sector.

Because current traineeships are targeted at job seekers and new employees, existing employees may be forced to find a new employer or move out of the sector if they wish to go through one of the traineeship programs, to help them upskill and progress in their career.

To ensure retailers can retain their skilled employees, and key talent can progress in their career without having to change jobs or career, the ARA recommends that traineeship programs be expanded to also include existing employees.

4.0 INVEST IN SUPPLY CHAIN RESILIENCE

Ongoing supply chain disruptions at every stage of the retail value chain continue to increase costs, prolong delivery times and result in stockouts for Australian retailers. While some issues have started to stabilise and marginally improve, other challenges will most likely prevail for the duration of the pandemic.

The key issue is the impact that higher infection rates and close contact isolation rules have along the value chain, resulting in longer lead times and higher costs. For the most part, retailers are absorbing these additional costs to avoid increasing prices but this approach is not sustainable.

The way that members are dealing with this disruption and uncertainty is to increase their stock holdings and place 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.

The following recommendations aim to address these issues, to improve the resilience of the retail supply chain.

Recommendations: Supply Chain Resilience

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| <p>4.1 Extend the SME Recovery Loan Scheme</p> | <p>The Omicron variant has exacerbated significant disruption to global supply chains leading to higher costs for Australian retailers. In addition to these higher supply chain costs, retailers are also absorbing higher labour costs and the cost of testing, which has been shifted from government to business.</p> <p>These stressors have been compounded by pressure on cashflow and working capital as a result of increased stockholdings.</p> <p>In response, the ARA recommends that the federal government continue to provide relief to Australian retailers impacted by supply chain disruption, through the extension of the SME Recovery Loan Scheme beyond July 2022.</p> <p>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 economic impacts of the pandemic.</p> |
| <p>4.2 Continue to address landside bottlenecks and reduce red tape at Australia’s ports</p> | <p>International trade has been heavily disrupted over the course of the past two years with concerns that the current challenges may take another 12-18 months to be resolved. These issues have been compounded by concerns about productivity and the lingering threat of industrial action at Australia’s ports.</p> <p>The ARA recommends that the federal government continue to improve productivity of Australia’s ports, in line with the findings of the ACCC’s recent report and the pending Productivity Commission review.</p> |
| <p>4.3 Expand support to increase local manufacturing capability where vulnerabilities exist along critical supply chains like food and healthcare</p> | <p>While Australia’s longer-term economic interests are best served by our wider and deeper integration into the global economy, this engagement must not be at the expense of our own manufacturing capability.</p> <p>To make our supply chain more resilient to future shocks, we need to invest in and nurture our sovereign manufacturing capability, particularly where vulnerabilities exist along critical supply chains like food and healthcare.</p> <p>To optimise an expansion of Australia’s manufacturing capability in local and offshore markets, the ARA supports reinstating the Export Market Development Grants (EMDG) program, in line with the \$200 million of funding that was provided to Australian businesses at the beginning of the pandemic.</p> |

5.0 SUPPORT THE TRANSITION TO THE NET-ZERO, CIRCULAR ECONOMY

The ARA has confirmed its commitment to climate action by taking the Race to Zero Accelerator Pledge, a global campaign backed by the United Nations and the World Business Council for Sustainable Development.

In support of this commitment, the ARA released its Net-zero Roadmap for the Australian retail sector in 2021, outlining the suggested decisions, investments and actions that retailers can make, as they embark on their sustainability journey or as they accelerate their transition to net-zero emissions.

Given the impact that packaging and post-consumer waste has on the net-zero ambitions of retailers, the ARA Net-zero Roadmap also outlines a number of initiatives to support the transition to the circular economy, which will be critical if our sector is to achieve net-zero emissions by 2050.

To reach this aspirational target and mainstream circularity, the Australian retail sector will need to capture more post-consumer waste and divert it back into the circular economy, work with suppliers to produce more with less, and support consumers in the transition to more sustainable consumption.

Recommendations: Net-zero, Circular Economy

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| <p>5.1 Accelerate the transition to net-zero emissions</p> | <p>The starting point for many Australian retailers on their journey to net-zero will be to look at their own energy consumption to identify low-cost energy efficiency opportunities that create financial and environmental benefits.</p> <p>As per the ARA’s Net-zero Roadmap, the next phase of opportunities includes transitioning to renewable energy, low-carbon vehicles and circular solutions.</p> <p>To accelerate the transition to net-zero emissions, the ARA recommends expanding the scope of the Modern Manufacturing Fund and the Clean Energy Finance Fund to create additional incentives for retail businesses to invest in the adoption of proven technologies that reduce costs, consumption and emissions.</p> |
| <p>5.2 Accelerate the transition to the circular economy</p> | <p>The transition to the circular economy describes the shift away from linear material flows towards mainstream adoption of processes that maximise the use of natural resources, through continual reuse and renewal.</p> <p>The federal government is to be congratulated for its ReMade in Australia campaign, as part of its broader commitment to the circular economy.</p> <p>To further accelerate the transition to circularity, the ARA recommends further expanding the Recycling Modernisation Fund to improve the efficiency of collecting and segregating post-consumer waste; develop new markets for recycled content and circular feedstocks; and make it easy for retailers and consumers to connect with circular solutions.</p> |
| <p>5.3 Expand 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 \$2.0 – 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 help size the market, design interventions 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> |

Recommendations: Net-zero, Circular Economy

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| <p>5.4 Co-invest with the ARA in education and training measures to help SME retailers in their transition to the net-zero, circular economy of the future</p> | <p>The ARA Retail Institute is the leading national body providing for the education and professional development needs of the Australian retail sector. As well as delivering accredited programs in partnership with government, the ARA Retail Institute also provides high quality non-accredited courses.</p> <p>Working with overseas partners, through our participation in the global Race to Zero campaign, the ARA has access to international best practice insights, case studies and materials to support businesses – large and small – on their transition to net-zero emissions and circularity.</p> <p>The proposal is to work from 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>The ARA has secured funding for a pilot of a SME Net-zero Roadshow, in partnership with the City of Sydney. Access to additional government funding would accelerate the development of materials and enable a national roll-out of the program upon successful completion of the pilot.</p> |
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6.0 ADDRESS INEQUALITIES

Given the scale, reach and influence of some of Australia’s largest retailers, the retail sector has an important role to play in addressing inequalities and improving diversity, equality and inclusion (DEI) across the community.

The ARA has therefore elevated DEI to be a strategic priority, with an initial focus on gender equality and Indigenous reconciliation. The ARA’s approach to reducing inequality extends along the global supply chain to understand and minimise the risk of modern slavery and other human rights abuses.

Recommendations: Address Inequality

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| <p>6.1 Improve gender equality</p> | <p>The ARA welcomed the government’s announcement of an additional \$1.7 billion funding for childcare in 2021, given the critical role that access to childcare plays in increasing workforce participation amongst women.</p> <p>However, more can be done to provide cost-effective access to childcare for working families and ensure greater choice and flexibility for the many working mothers who make up 70% of all part-time and casual roles in retail.</p> <p>In terms of the broader gender equality agenda, the ARA made a submission to the federal government’s recent review of the Workplace Gender Equality Agency (WGEA) in 2021 and made a number of recommendations that would require increased funding from government.</p> <p>Some of the highest priority recommendations for ARA members include streamlining and simplifying data collection for employers, improving integration with employer’s platforms and data, and reallocating resources away from compliance, to capability building to drive meaningful change.</p> |
| <p>6.2 Provide funding to Supply Nation to connect retailers with Indigenous suppliers</p> | <p>Despite the scale and reach of the Australian retail sector, engagement with Indigenous suppliers relatively low in comparison to other sectors.</p> <p>The ARA recommends that additional funding be provided to Supply Nation to establish retail as a new category on the Indigenous Business Direct, supported by investment in a targeted communications and engagement plan that connects more Indigenous suppliers with more retailers.</p> |

6.3 Co-invest with the ARA on developing and deploying a digital platform that helps retailers address modern slavery risks

While much of the recent focus on supply chains has been about higher costs and longer lead times as a result of Covid-19, the Commonwealth’s *Modern Slavery Act* reminds us that we must not trade-off human rights in our haste to get the global supply chain moving again.

Some of the ARA’s largest members are leading the sector when it comes to modern slavery reporting and risk management.

Going forward though, the ARA has a unique opportunity to work with government and form partnerships across the supply chain to help capture standardised data from suppliers who may be supplying similar information to a number of our members.

As the Act comes up for its third-year review, 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.

7.0 INVEST IN THE DIGITAL TRANSFORMATION

One of the positive trends to emerge from the Covid-19 pandemic has been the acceleration of consumer’s acceptance of online shopping and the shift towards digitalisation in the retail sector. Over the past few years, we have seen a meaningful shift in the way people live, work and shop – with online sales surging in recent months and expected to remain at elevated levels through the remainder of 2021-22 and beyond.

However, with in-stores sales still accounting for 85% of total retail trade, there is room to grow. While some SME retailers have developed a strong on-line presence, it is important that other retail businesses are supported in their transition to online retail so they can also realise the benefits of operating in the digital economy.

And with trading conditions (and the impact on sales, profit and cashflow) proving increasingly difficult to predict, investment in digital innovation has the potential to provide important protection against future shocks.

Recommendations: Digital Transformation

7.1 Establish a Digital Modernisation Fund

Covid-19 has accelerated the uptake of technology and digital channels in the retail sector, with adoption rates now measured in months instead of years. This pivot towards digitalisation offers retailers of all sizes the opportunity to further increase productivity, jobs growth and international competitiveness.

The establishment of a Digital Modernisation Fund will help to address the digital gap between large and small business and encourage SMEs to invest in technology and digital innovation, accelerating the move away from legacy systems and platforms, to more modern digital capabilities.

7.2 Increase funding to improve digital literacy and provide equal and safe access to the digital economy

The shift towards online shopping forms part of a larger transition to the digital economy that has been gathering momentum over the past decade and accelerated over the past few years due to the pandemic.

This shift will require retailers to re-imagine their relationship with consumers, as cash and instore payments decline, and digital payments become the norm.

To ensure that the most vulnerable members of the Australian community are not disenfranchised by this technology led evolution, the ARA recommends an increase in funding to improve digital literacy to ensure that all Australians have equal and safe access to the digital economy.

Recommendations: Digital Transformation

7.3 Co-invest with the ARA in education and training for SME retailers about cyber security

The ARA Retail Institute is the leading national body providing for the education and professional development needs of the Australian retail sector.

While some SME retailers have started to invest in their future through the digital transformation, this investment is often being undertaken without a strong understanding of the cyber security implications for their business, customers, employees and suppliers.

The ARA recommends that the federal government provide funding for the ARA Retail Institute to engage with subject matter experts to deliver training that aims to help SME retailers address this gap in their knowledge.

7.4 Provide funding to support SME retailers undertake necessary improvements to software, hardware and governance frameworks

Despite the many challenges posed by the pandemic, Australian retailers are also faced with heightened consumer expectation that they will be able to interact with the retailer through the digital economy and online channels.

To ensure retailers, especially SMEs, have the confidence to safely interact within the digital economy, the ARA recommends that the federal government provide funding to enable retailers to develop and implement their own governance frameworks to de-risk their business operations and align with best practice policies and procedures for cyber security.