



National
Retail
Association

2022-23 PRE-BUDGET SUBMISSION

*Prepared by the National Retail Association
28 January 2022*

1. Introduction

The National Retail Association is the voice of modern Australian retail. The association works with all-sized businesses, from the biggest retailers to the smallest, to create better opportunities for all who work in the retail sector. As the most representative organization in the industry, we pride ourselves on being at the forefront of modern Australian retail, keeping pace with the rapidly changing face of the sector across a wide range of issues. No organization nationwide is better placed to inform government on the threats, challenges and opportunities facing the retail sector than the NRA.

2. Current state of retail

Retail is the second-largest employer of any industry throughout Australia¹. The sector spans everything from mum-and-dad small businesses to large, nationwide retailers. Its importance to the Australian economy cannot be overstated.

As with all industries, retail has experienced a volatile time over the past two years. Lockdowns, panic buying, and providing safe workplaces for staff and customers were certainly key challenges when COVID first reached Australia. Stimulus measures and an inability to conduct overseas travel has seen, at times, an inflated level of consumer discretionary spending power.

At the time of writing, major issues confronting retail include staff shortages, supply chain disruptions, and businesses unable to obtain sufficient RAT tests to counteract staff shortages. These are all challenges that are relatively new and underline the evolving nature of the pandemic. Although these issues are currently affecting several industries, the nature of the retail sector means our members are far more vulnerable. For example, a business located in a CBD office can still conceivably function if staff members are forced to isolate, but a café can't operate under a work-from-home arrangement.

2022 will be a pivotal year for thousands of retailers across the nation. How Australia transitions out of the pandemic over the coming 12 months will prove the difference between many small businesses surviving or having to close their doors. Australia simply can't afford for retail to crash in 2022 and we look forward to working with the Commonwealth in safeguarding retail jobs across the country.

3. COVID support

Despite the relaxation of restrictions across much of the country, retail is arguably struggling more than at any other point in the past two years. While some retailers have used the pandemic to expand their digital services to keep revenue coming through the door, for most this is not a feasible option to keep themselves afloat.

¹ <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6291.0.55.003Main+Features1Aug%202019?OpenDocument>

Small businesses are unequivocally the ones in the firing line when it comes to the economic consequences of COVID. They are more vulnerable to the impacts of staff shortages, tend to be very reliant on discretionary spending, and cannot afford periods of sustained revenue loss.

In January 2022, the NRA conducted a survey amongst our 7,000 members nationwide to gauge how they were travelling at this point in the pandemic. The results were very sobering and key findings were as follows:

- 80% of respondents were small business owners.
- 95% of respondents said their business had been negatively affected during the Omicron surge.
- The top three actions taken by respondents to combat a reduction in turnover was:
 1. 65% decreased casual staff levels.
 2. 60% implemented alternative roster arrangements.
 3. 60% implemented reduced trading hours.
- Top four areas of concern among respondents as follows:
 1. Shortage of skilled staff.
 2. Lack of financial support or leasing codes.
 3. Inability to obtain sufficient RAT tests.
 4. Isolation rules that reduce staff levels.

3.1 Small business cash flow

Although measures such as tax cuts can help struggling retailers, cash flow is the lifeblood of a small business. The moment it dries up is the moment a challenging situation has turned into something potentially terminal. Even in the absence of official lockdowns, retailers spanning different parts of the sector and country have endured a steep revenue drop to begin 2022.

Many businesses operating in tourist hotspots have experienced a far quieter January than usual due to travel concerns. CBD operators have struggled in major cities, with many offices opting to start the year with work-from-home arrangements due to Omicron outbreaks. While reports conducted by institutions such as ANZ have indicated a general drop in consumer confidence.

A stimulus measure targeted at businesses that have endured significant drops in revenue since the Omicron outbreak could prove the difference between surviving or folding. The NRA appreciates that the Federal Government has already expended vast sums in stimulus payments such as JobKeeper, however, at this stage in the pandemic all must be done to prevent small

businesses from closing their doors. The last thing we want is to come out of a health crisis only to find ourselves in an economic crisis with empty shop fronts across the country.

Recommendation: Another round of cash flow stimulus modelled on the package introduced in April 2020. Businesses with a turnover of \$25 million who record a 30% or more drop in revenue in the March quarter receive payments of between \$20,000 and \$50,000.

3.2 COVID workplace arrangements

Increased infections were to be expected when most states and territories transitioned to a 'living with COVID' phase, but it has had a larger than expected impact on staffing arrangements. Shops across the country, particularly smaller operators, are struggling to have sufficient workers on hand to properly run their business. This has led to many either limiting their services or opting to not open for trade at all.

It is also having an impact at the other end of the supply chain, with places such as distribution centres also suffering from staff shortages. This is then having the ultimate knock-on effect of seeing less stock on hand, particularly in supermarkets. This issue urgently needs to be addressed otherwise it risks getting worse over the course of 2022.

National Cabinet needs to provide greater flexibility to retail workers regarding close contacts and isolation rules. This body has already granted some industries with more relaxed requirements for their workforces and it makes perfect sense to extend these same rules to the retail sector. Also, this initiative should be complemented by supplying free RAT tests to businesses. We understand that this would require some sort of means test regarding factors such as the size of a business and a limit on tests provided, but it would undoubtedly help our members more effectively deal with staff shortages.

Recommendation 1: Government provide a set round of free RAT tests based on business size up until all isolation requirements are lifted.

Recommendation 2: National Cabinet also needs to extend the flexible isolation rules for close contacts already in place for some industries to retail and hospitality.

4. Superannuation

Compulsory superannuation is a key instrument in ensuring that current and future generations accrue adequate savings for retirement. Also, as Australians continue to live longer and the country's population further expands, the NRA appreciates the need for the super guarantee rate to keep pace with the modern world.

However, superannuation is ultimately something that is paid for by employers. Hence, there needs to be a balance between what is fair to the worker and affordable to a business. Any increase to the super guarantee rate needs to be carefully considered both in size and timing.

The NRA submits that the current environment, the first pandemic in 100 years, is not the right time to be instituting a further increase to the superannuation rate. Preserving businesses and jobs

should be a key priority over the next 12 months and the sensible thing to do is to delay any legislated increase to superannuation.

Recommendation: That the Superannuation Guarantee rate increase from 10% to 10.5% due to take effect on July 1, 2022 be delayed to the following financial year.

5. Training

Employment, skills and training Unlike many other sectors, retail makes a significant contribution to the Australian economy without the need for significant input or oversight by government. While large industries such as mining or construction require heavy oversight, and emerging industries in areas of science and technology require significant support, the retail sector simply gets on with the business of producing jobs. Unfortunately, this does mean that retail is not always top of mind when it comes to the Federal allocation of resources for employment, skills and training.

The NRA urges the Federal Government to focus on supporting retail and fast food workers by boosting support for training and skills development, which would allow businesses to employ additional staff more easily. Despite being one of the nation's largest employment sectors, retail does not have a dedicated government department at either state or federal level to support the industry. Furthermore, retail is also one of the few industries that can scale up job creation very rapidly. However, boosting employment in retail relies on both a strong and confident consumer base, and a skilled workforce. The Government should also capitalise on creating extra economic activity with investment of additional training and skills development in the retail sector.

Recommendation 1: The Federal Government moves more quickly towards adopting a new national funding model which improves funding consistency for students and integrates subsidies and loans with efficient pricing and the skills needed by employers as informed by the National Skills Commission.

Recommendation 2: The Federal Government and States work together to providing a national consistency of the availability of the JobTrainer funding being available for the retail sector. This in particular applies to the employee safety training skillsets, such as the Managing Customer Abuse and Aggression skillset training.

6. About the submitter

The National Retail Association is Australia's largest and most representative retail industry organization, servicing more than 40,000 retail and fast food outlets nationwide. At our core, we help retail and service sector businesses navigate and comply with an ever-changing, highly competitive environment.

Our members range from small, family owned and operated businesses to leading national brands; and span nearly every retail category including fashion, groceries, department stores, household goods, hardware, fast food, cafes and services. Unlike other associations, the NRA is the only retail industry association to deliver practical legal advice through its wholly owned and incorporated

legal practice, NRA Legal. We never outsource. We are also a national RTO (Registered Training Organisation), meaning we can deliver a wide range of accredited and non-accredited courses upon request. These range from certificate and diploma qualifications and pre-employment programs right through to customer service training, retail traineeships and mystery shopping services.

The NRA's reputation as the preeminent provider of professional services to the sector is demonstrated by the significant number of associations, buying groups and franchise networks who have chosen to partner with the NRA. Partnership with the NRA means affiliation with the peak national retail body and positioning your company as a preferred provider to a valuable segment of Australia's retail industry.

A handwritten signature in black ink, appearing to read 'Dominique Lamb', written in a cursive style.

Dominique Lamb

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