

# SUBMISSION

## 2022-23 FEDERAL BUDGET

SEPTEMBER 2022

The Australian Retailers Association (ARA) is Australia's oldest, largest and most diverse retail body, representing a \$400 billion sector that employs 1.3 million Australians. As Australia's peak retail body, representing more than 120,000 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 ongoing challenges associated with recovery from the pandemic and global uncertainties, the retail sector overall has proven to be resilient as it continues to experience increasing sales figures, with Australian Bureau of Statistics reporting a \$34.7 billion spend (in store and online) in July 2022, an increase of 16.5% compared to the previous year and 1.3% up on the previous month.<sup>1</sup>

However, these figures must be treated with caution given that the sector is now cycling the 2021 Delta lockdowns when retail businesses were severely restricted. Similarly, the July 2022 figures also reflect higher consumer prices, due to inflationary pressures, particularly in the food industries.

We note that the National Accounts for June 2022 show that:

- real household disposable income fell for the third consecutive quarter, by 0.5%;
- the household savings ratio has reduced from 11.1% in March to 8.7%, noting that while this is a drop, the savings rate in June 2019 was 5.3%, so savings are still higher than pre-pandemic levels; and
- retail production of GDP increased 0.4% in the quarter, led by clothing and fuel, while food retailing partially offset these gains.<sup>2</sup>

This shows us that the Australian consumer is still in a strong financial position with accelerating income growth likely to continue for the next 9-12 months, given higher wage rates and lower unemployment. This will cushion any slowdown in retail sales and reinforces analysts' view that a slowdown in retail spending will be more evident

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<sup>1</sup> [Retail Trade, Australia, July 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/australian-bureau-of-statistics/publications/retail-trade-australia-july-2022)

<sup>2</sup> [Australian National Accounts: National Income, Expenditure and Product, June 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.treasury.gov.au/australian-national-accounts-national-income-expenditure-and-product-june-2022) and [National Accounts - June Quarter 2022 | Treasury Ministers](https://www.treasury.gov.au/national-accounts-june-quarter-2022)

in 2023 not 2022. Further, analysts are increasingly of the view that a downturn is more likely to be evident around June 2023 rather the early calendar 2023.<sup>3</sup>

ARA research and member feedback also tells us the retail recovery remains uneven across the sector. While there has been growth in categories such as food, clothing, footwear and household goods, economic recovery in parts of retail remains challenged amongst many small businesses with CBD located retailers continuing to struggle as the impacts of COVID-19 linger. Winter has seen people continue to work from home, resulting in lower foot traffic in CBDs and this has been exacerbated in Sydney where protracted industrial action has impacted on the reliability of public transport.<sup>4</sup>

Supply chain disruption, rising fuel and energy costs as well as a critical labour and skills shortage also continue to affect the broader retail sector. These all contribute to a rising cost of doing business that impacts disproportionately on small businesses.

Given significant uncertainty, the recommendations outlined in this pre-budget submission aim to provide support for small businesses and help retailers attract and retain a highly skilled workforce, so the sector is well-placed for continued growth, resilience and remains globally competitive.

Finally, we note that both the Government's technology boost and skills and training boost for small business will provide welcome relief to many retailers and will encourage digitalisation as well as enable skills and training for retail employees. The ARA strongly supports these initiatives.

#### RECOMMENDATION 1

##### **SUPPORT FOR SMALL BUSINESS TO ADDRESS INCREASED COST OF DOING BUSINESS**

- 1.1 Restore and maintain consumer confidence.
- 1.2 Provide targeted cash grants to small and medium-sized enterprises (SME) retail businesses, particularly in impacted CBDs and tourist areas.
- 1.3 Continue to invest in programs that improve mental health outcomes for business owners.

#### RECOMMENDATION 2

##### **TAX REFORM TO DRIVE PRODUCTIVITY AND GLOBAL COMPETITIVENESS**

- 2.1 Expand the 25% small business corporate tax rate to cover more SMEs
- 2.2 Work with state and territory governments for a coordinated approach to reducing the burden of payroll tax
- 2.3 Remove tax disincentives on second jobs

#### RECOMMENDATION 3

##### **BUILD ON AGREEMENTS AND PROGRESS MADE AT THE JOB AND SKILLS SUMMIT**

- 3.1 Review policy settings to provide incentives to encourage increased workforce participation among women, disadvantaged cohorts and mature-aged workers.
- 3.2 Review restrictions on international visa holders post-June 2023.
- 3.3 Remove the Skilling Australian Fund (SAF) Levy for temporary and permanent visa applications.
- 3.4 Expand the Temporary Skills Shortage (TSS) visa program to include hard-to-fill retail roles.
- 3.5 Improve the sustainability and viability of the retail sector by helping retailers retain skilled talent by expanding traineeships to include existing workers.
- 3.6 Consider permanent changes to the income test for the aged pension.

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<sup>3</sup> MST Marquee – Australian Consumer Insights – 7 Sept 2022

<sup>4</sup> Sydney trains industrial action: (smh.com.au)

3.7 Consider incentives in regional areas to support recruitment and retention of skilled workers.

#### RECOMMENDATION 4

##### **INVEST IN SUPPLY CHAIN RESILIENCE**

- 4.1 Extend the SME Recovery Loan Scheme.
- 4.2 Continue to address landside 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.
- 4.4 Reduce barriers to getting unskilled but essential workers back into work along the retail supply chain.
- 4.5 Continue to subsidise local manufacturers of AdBlue.

#### RECOMMENDATION 5

##### **SUPPORT THE TRANSITION TO THE NET-ZERO, CIRCULAR ECONOMY**

- 5.1 Accelerate the transition to net-zero emissions
- 5.2 Accelerate the transition to the circular economy
- 5.3 Expand the Environment Minister's Priority List for product stewardship to include pre-consumer waste.

#### RECOMMENDATION 6

##### **ADDRESS INEQUALITIES**

- 6.1 Improve gender equality by making childcare arrangements more flexible as well as affordable.
- 6.2 Provide funding to Supply Nation to connect retailers with Indigenous suppliers.
- 6.3 Co-invest with the ARA on developing and deploying a digital platform that helps retailers address modern slavery risks.

#### RECOMMENDATION 7

##### **ACCELERATE THE DIGITAL TRANSFORMATION**

- 7.1 Establish a Digital Modernisation Fund.
- 7.2 Increase funding to improve digital literacy and provide equal and safe access to the digital economy.

## ARA PRIORITIES AND RECOMMENDATIONS

### 1.0 SUPPORT FOR SMALL BUSINESS TO ADDRESS INCREASED COST OF DOING BUSINESS

Most ARA members are small businesses and are facing ongoing challenges stemming from the pandemic and other global pressures including:

- Labour and skills shortages.
- Rising inflation impacting consumer confidence.
- Increasing costs including higher wages, higher energy costs and higher rent.
- Supply chain disruption.
- Slower economic recovery in CBDs.
- Deferred rent and other debts from the pandemic.

Each of these factors is combining to drastically increase the cost of doing business for retailers, making economic recovery from the impacts of the pandemic more challenging than expected. The ARA recommends the following measures be included in the budget to support retail small business.

Recommendations	
1.1 Restore and maintain consumer confidence	The ARA recommends that the government continue to invest in measures that reduce cost of living pressures – a key factor in record low consumer confidence. The ARA also notes that budget measures that ease financial pressures on households and families will also flow through to the retail sector as they will enable spending to keep the economy strong.
1.2 Provide targeted cash grants to SME retail businesses, particularly in impacted CBDs and tourist areas	The ARA recommends that the government provide targeted cash grants to small businesses still struggling after three years of disruption, to provide the necessary boost some of these SMEs need to re-invigorate their businesses as the sector continues its recovery from Covid and widespread natural disasters.
1.3 Continue to invest in programs that improve mental health outcomes for business owners	The ARA recommends government focus should remain on early intervention through the continued funding and delivery of targeted programs like the New Access for Small Business Owners program that provide mental health support to SMEs.

### 2.0 TAX REFORM TO DRIVE PRODUCTIVITY AND GLOBAL COMPETITIVENESS

The ARA believes Australia’s tax system is overdue for comprehensive reform needed to ensure our global competitiveness.

Reforms that re-balance incentives and disincentives in the tax system will also play an important part in reducing the tax burden on retailers and other businesses across the economy.

Recommendations	
2.1 Expand the 25% small business corporate tax rate to cover more SMEs	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>2.2 Work with state and territory governments for a coordinated approach to reducing the burden of payroll tax</p>	<p>The ARA is aligned with the Australian Chamber of Commerce and Industry (ACCI)’s position on reforming payroll taxes, particularly the ACCI proposal for digitisation and uniformity of platforms used by the various states and territories.</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>2.3 Remove tax disincentives on second jobs</p>	<p>The ARA recommends the removal of disincentives in the tax system that inhibit the ability of employees to have more than one job without incurring a financial penalty. This measure would release latent capacity in the workforce by incentivising workers who want to work more hours to do so.</p>

### 3.0 BUILD ON AGREEMENTS AND PROGRESS MADE AT THE JOB AND SKILLS SUMMIT

The ARA recently participated in the Jobs and Skills Summit and appreciates the Government’s commitment to addressing the labour and skills crisis that continues to plague Australia.

We note that the retail sector has over 40,300 reported job vacancies<sup>5</sup> as we approach the peak retail season.

The ARA supports many of the initiatives and outcomes from the recent Summit and we note the following recommendations for the budget that we believe would support long-term changes to deliver sustainable wage growth, more secure employment and an appropriately skilled workforce.

<b>Recommendations</b>	
<p>3.1 Review policy settings to provide incentives to encourage increased workforce participation among women, disadvantaged cohorts and mature-aged workers.</p>	<p>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.</p> <p>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.</p> <p>Similarly, Australians living with disability, younger Australians and mature-age workers should all be supported via policy settings to address barriers to workforce participation and provide the necessary incentives to employees and employers.</p> <p>We note many of the measures outlined in Jobs and Skills Summit Outcomes paper<sup>6</sup> but hold the view that any of these well-intended initiatives need to be supported by other interventions outside the labour market.</p>
<p>3.2 Review restrictions on international visa holders before June 2023</p>	<p>The ARA welcomes the recent changes for international student and holiday-maker visa holders and suggests that these should be made permanent, rather than end by June 2023.</p> <p>We note that these cohorts are critical for frontline roles in retail and hospitality however intakes into both programs have not yet returned to pre-pandemic levels. In addition to retaining changes, we suggest that government and industry co-invest in programs to restore Australia’s position as an attractive destination to both cohorts.</p>

<sup>5</sup> [Job Vacancies, Australia, May 2022 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/australian-bureau-of-statistics/news-events/press-releases/items/2022050101)

<sup>6</sup> [Jobs and Skills Summit | Treasury.gov.au](https://www.treasury.gov.au/jobs-skills-summit)

<p>3.3 Remove the SAF Levy for temporary and permanent visa applications</p>	<p>The ARA recommends that the SAF Levy - payable by employers seeking to recruit skilled labour from overseas - be removed altogether to reduce barriers to recruiting temporary and permanent visa holders.</p> <p>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> <p>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>3.4 Expand the Temporary Skills Shortage (TSS) visa program to include hard-to-fill retail roles</p>	<p>The ARA welcomes the increase in skilled migration announced at the Jobs and Skills Summit but recommends that additional measures be funded to increase the intake of skills migrants into the Australian retail sector.</p> <p>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, digital and data as they build their own internal capability.</p> <p>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.</p> <p>Given the growth in online retail in recent years, and projected growth into the future, the ARA also recommends that key digital and data roles that are critical to the digital transformation retail in Australia also be added to the PMSOL.</p> <p>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.</p> <p>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.</p>
<p>3.5 Improve the sustainability and viability of the retail sector by helping retailers retain skilled talent by expanding traineeships to include existing workers</p>	<p>The ARA recommends that some of the Government’s additional investment in vocational training be directed to the retail and hospitality sectors, to improve productivity and innovation. As noted in our pre-summit submission:</p> <p><i>“Retail often gets overlooked when it comes to skills and vocational training. The business case is pretty simple though, a more skilled workforce is a more productive workforce - and the fewer people working in retail, the more that are available to work elsewhere on the economy.”</i></p> <p>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.</p> <p>Because current traineeships are targeted at job seekers and new employees, existing employees may be forced to find a new employer or</p>

	<p>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.</p> <p>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.</p>
3.6 Review and consider permanent changes to the income test for the aged pension	<p>The ARA notes the recently announced change, stemming from the Jobs and Skills Summit to allow an extra \$4,000 income credit for aged pensioners this financial year.</p> <p>The ARA recommends that permanent changes to income test for the aged pension be considered to ensure that senior Australians who would like to continue in paid work are appropriately incentivised to do so. We suggest the current cap on earnings is doubled.</p>
3.7 Consider incentives in regional areas to support recruitment and retention of skilled workers	<p>The ARA recommends the establishment of a consistent, national framework to support regional areas in attracting and retaining skilled workers. ARA members report that the impact of the labour shortage is being felt more acutely in regional areas. We acknowledge and welcome the recent outcome from the Jobs and Skills Summit of an investment stimulus for affordable housing and support this initiative.</p>

#### 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 stabilised and improved, other challenges will most likely prevail due to global factors.

While retailers have adapted to a certain extent, the following recommendations aim to improve the resilience of the retail supply chain.

Recommendations	
4.1 Extend the SME Recovery Loan Scheme	<p>The impact of COVID-19 continues to disrupt global supply chains leading to higher costs for Australian retailers.</p> <p>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>
4.2 Continue to address landside bottlenecks and reduce red tape at Australia's ports	<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>International trade has been heavily disrupted over the course of the past two and half 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>
4.3 Expand support to increase local manufacturing	<p>The ARA recommends continued industry consultation in respect of rebuilding local supply chains and the acceleration of investment in local</p>

capability where vulnerabilities exist along critical supply chains like food and healthcare	<p>infrastructure following the pandemic and repeated, widespread natural disasters.</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>
4.4 Reduce barriers to getting unskilled but essential workers back into work along the retail supply chain	<p>The ARA recommends that additional funding be made available to fast-track the processing of visas and licencing requirements for essential occupations along the retail supply chain.</p> <p>The pandemic demonstrated the critical importance of heavy vehicle operators, food production workers and logistics workers to the retail sector and the broader Australian community. Additional investment is required to get these workers back into the supply chain to help address record high vacancies in the retail sector.</p>
4.5 Continue to subsidise local manufacturers of AdBlue	<p>The ARA recommends that the government provide additional funding to Australian manufacturer of the AdBlue diesel additive. While the ARA does not support the long-term subsidisation of such manufacturing businesses, there is insufficient visibility and confidence in alternative strategies to secure stockholdings of AdBlue from overseas suppliers.</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	
5.1 Accelerate the transition to net-zero emissions	<p>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>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>
5.2 Accelerate the transition to the circular economy	<p>The ARA recommends further expanding the Recycling Modernisation Fund to improve the efficiency of collecting and segregating post-consumer waste;</p>



	<p>develop new markets for recycled content and circular feedstocks; and make it easy for retailers and consumers to connect with circular solutions.</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>5.3 Expand the Federal Environment Minister’s Priority List for product stewardship to include pre-consumer waste</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>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>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>

## 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

<p>6.1 Improve gender equality</p>	<p>The ARA welcomes the government’s announcement of an additional \$1.7 billion funding for childcare in 2022. The ARA recommends that part of the Government’s record investment in childcare is directed towards improving the flexibility of childcare arrangements as well as the affordability for families.</p> <p>Given the critical role that access to childcare plays in increasing workforce participation amongst women, we believe 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>The ARA recommends that additional funding be provided to Supply Nation to establish retail as a new category on the Indigenous Business Direct,</p>

	<p>supported by investment in a targeted communications and engagement plan that connects more Indigenous suppliers with more retailers.</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>6.3 Co-invest with the ARA on developing and deploying a digital platform that helps retailers address modern slavery risks</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> <p>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 <i>Modern Slavery Act</i> reminds us that we must not trade-off human rights in our haste to get the global supply chain moving again.</p> <p>Some of the ARA’s largest members are leading the sector when it comes to modern slavery reporting and risk management.</p> <p>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.</p>

## 7.0 ACCELERATE 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:

<p>7.1 Establish a Digital Modernisation Fund</p>	<p>The ARA recommends the establishment of a Digital Modernisation Fund to help 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.</p> <p>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.</p>
<p>7.2 Increase funding to improve digital literacy and provide equal and</p>	<p>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.</p>

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.