

Sydney NSW 2001
AUSTRALIA

2 September 2011

Retail Industry Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear members of the Productivity Commission,

Service Skills Australia is pleased that skills and training has been recognised as an important factor in the structure and performance of the retail industry. The content in Chapter 11 “Employment, Skills and Training” pertains to our role as the developer and supporter of the national training products that respond to the needs of industry. As such, our response will be limited to the points raised in this chapter of the Productivity Commission’s (the Commission) Inquiry into the Australian Retail Industry (the Inquiry).

It is important to note that it is not a role of Service Skills Australia (the ISC) to direct industry on its employment practices, but is limited to presenting and recommending the benefits of workforce planning for the sustainability of the industry.

On this note, we strongly support your conclusion that **there is a need for employers to develop a workforce with higher skills**. Evidence presented in the draft report suggests that ‘bricks and mortar’ retail businesses will have difficulty competing with online retailers on price. Therefore, the sustainability of the bricks and mortar business is contingent on providing value to the customer through improved customer service.

Beyond customer service skills, the ISC also supports the assertion of the Commission that the sustainability of the industry is also reliant on meeting the skill needs associated with a greater engagement with online retailing. The ISC would also like to note the responses made in the reviews of the retail training package to meet the increased need for e-commerce and ICT skills. In particular, strategic online business management skills have been addressed through units such as managing retail brands online and selecting an e-business model, and the administrative support for these functions is addressed in the unit that covers operating retail information technology systems. Furthermore, the recognition of the increasingly higher level skills required in the retail industry has led to the development of a higher-level qualification in the form of the Vocational Graduate Certificate in Retail Management.

The Commission concluded that higher rates of training are required to meet the changing skill needs of the industry. Indeed, evidence does suggest that training provided by retail employers for their employees is low. Watson's (2008) analysis of 2005 data from the *Household, Income and Labour Dynamics in Australia Survey* (HILDA) indicates that retail workers—second to Accommodation, cafes & restaurant employees—had the lowest levels of work-related training at approximately 30%. Data from the *NCVER Survey of Employers' Use and Views of the VET System* also indicates lower than the industry average use of the VET system at 45.2% of retail employers in 2009 (compared to 56.7% for all industries).

Furthermore, the draft report has highlighted some structural elements of the retail industry. In particular, it was noted that the retail industry is characterised by its feminisation, casualisation, award reliance and low levels of retention. The ISC agrees that this poses challenges to implementing a high-level customer service model and the high levels of investment in training required to underpin it. As stated in the draft report, the decision to maintain a 'just-in-time' workforce in response to consumer demand has overtaken the desire to have committed, long-term employees. The casualisation of a workforce is known to be correlated with lower levels of training provided by employers, as cited in Connell and Burgess (2006), and Watson (2008). The inherent riskiness of the casual employment contract creates a tendency to under-invest in the training of employees.

We also acknowledge the link made in the report between a relatively high level of labour turnover and incentives to train staff. The data cited in the draft report does indeed suggest that retail workers are less likely than employees in other industries to remain with an employer for more than 12 months. However, it is the observation of the ISC that these employees tend to remain within the industry. Given this, **we recommend the continued development of an industry career pathway to further assist in the retention of skills in the sector.** This would present an opportunity for the industry to convene and formulate such pathways.

The ISC is also aware that there are factors beyond the business model of retail enterprises inhibiting investment in training by retail employers. An NCVER study by Smith et al (2008: 24) reported that small- and medium-sized retail employers find the procedures and systems of the national training system overly bureaucratic. Furthermore, Smith et al (ibid) also note that quality concerns have deterred retail employers from utilising accredited training. This has also been an observation of the ISC and is noted in the RT AWA submission to the inquiry. The ISC believes **quality in the provision of accredited training is an important issue that needs to be addressed** and welcomes the work that ASQA will undertake in this area.

The draft report also made note of the poor completion rates in the traineeships of sales workers and its effect on the supply of candidates for employment in retail. It is acknowledged that the completion of qualifications is of importance. However, to address this issue, the reasons behind non-completion are crucial. On this, we draw the Commission's attention to the study commissioned by Service Skills Australia, *The Benefits of Accurately Measuring Non-Completions* (2011). In this report, it was found that almost all of non-completers reported a reason for non-completion unrelated to the perceived value of training. Instead, the reasons mostly pertained to the interference of work-related or caring

responsibilities. As a result, **the ISC cautions against viewing the reasons behind non-completion in simplistic terms.**

Service Skills Australia believes that **addressing the barriers to employers engaging with training is critical for the sustainability of the retail industry.** This is particularly acute in the face of increased competition from online retailers and a shift in consumer discretionary spending preferences. As a result, the ISC applauds the Commission's recognition of skills and training in its review of the structure and performance of the retail industry.

We would also like to offer our assistance in any way in the further development of this **Inquiry.**

Yours sincerely,

Kit McMahon
General Manager
Service Skills Australia

References

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