



THE AUSTRALIAN RETAILERS ASSOCIATION
SUBMISSION TO THE
PRODUCTIVITY COMMISSION INQUIRY
INTO
PAID MATERNITY, PATERNITY AND PARENTAL LEAVE

31 MAY 2008

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Executive Summary

- ARA Position

- The ARA strongly supports the position that a maternity, paternity and parental leave industry-wide scheme that leads to additional on-costs, substantial or otherwise for small to medium sized retailers will seriously harm the economic viability of the industry group.
- The ARA acknowledges that the momentum towards a national parental leave scheme is inevitable – however strongly disputes that such a scheme needs to be supported by employer contributions, beyond the administration of the scheme.
- Financial and economic disparities between the largest and smallest of the retail entities that make up the tens of thousands of retailers within the industry will have dramatic consequences on their viability within the industry sector to survive financially.
- Small to medium retailers are very quick to respond to on-cost labour burdens by: adapting the nature of their workforce mix; the employment structure of workforce arrangements; the inflationary/cost pressures passed on to consumers and a decision whether or not to remain within the business.
- A national parental scheme will need to consider not only the financial cost to the retailer, but just as importantly the consequential responses it will need to confront from issues such as; casualisation of the workforce, effect of any significant length of absence of a staff member on the business, impact of replacement of staff member on paid leave with a casual employee, and the eventual complication created within the enterprise by a right to return to work and position.
- The ARA maintains that any introduction of a universal paid parental leave scheme must be taxpayer funded – with essential rebates to small business operators for its compulsory administration on behalf of the Commonwealth.
- Due to sector diversity parental leave should be an enterprise by enterprise decision, unless sponsored fully by government.

The Australian Retailers Association

– The Voice of the Retail Industry

1. The Australian Retailers' Association (ARA) is the peak national retail association representing the interests of the largest employing industry in Australia.
2. We provide leadership and solutions to improve the long-term viability, productivity and visibility of the retail industry by proactively dealing with government, media and other regulatory bodies on behalf of our members.
3. The retail industry as at December 2007¹ contributed 5.78% of Australia's Gross Domestic Product (GDP) and is the largest employer in Australia, providing 15.07% of all jobs. The sector contributes over \$290billion into the Australian economy.
4. ARA members comprise a diversity of sizes and types of retailers reflecting the profile of the retail industry, ranging from large national chain retailers to one-person operators throughout the nation.
5. The ARA provides a range of comprehensive services, advice and representation suited to both small and large retailers in the areas of employment relations, occupational health and safety, tenancy, consumer law and retail business solutions. This includes a range of retail specific training that supports best practice in retail.

¹ Calculated using ABS Australian National Accounts: National Income, Expenditure and Product 5206.0 December Quarter 2007

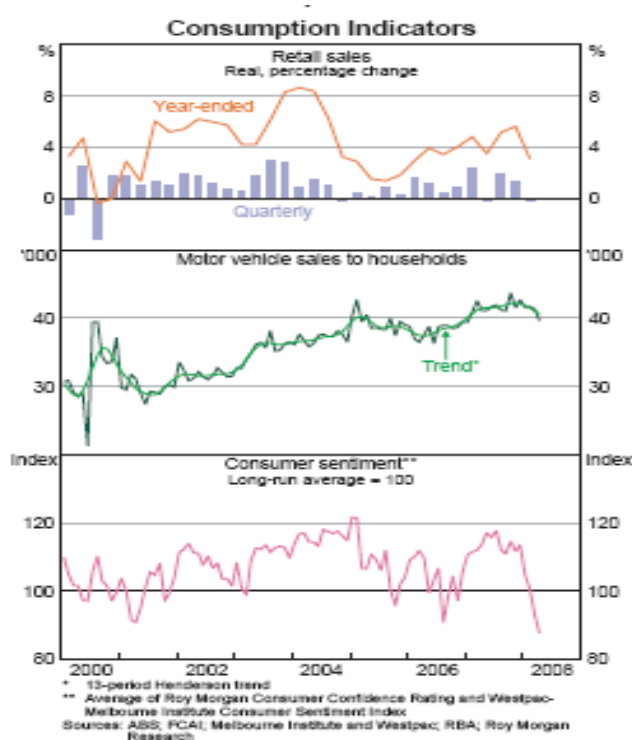
A. Introduction

6. The ARA acknowledges that maternity, paternity and parental leave from hereon in referred to as “**parental leave**” has taken on a high level of importance amongst public policy debates affecting workplaces.
7. Any consideration of implementing compulsory parental leave, irrespective of it being taxpayer or employer funded will need to be cognisant of its consequential ramifications on small to medium sized businesses, so typified by the retail industry.
8. Attachment A of the Productivity Commission’s Issues Paper 2008 has examples of current parental leave provisions both in Australia and overseas. The Australian examples include a number of well known national retail chains.
9. It would be totally inappropriate to conclude paid parental leave schemes as applied in some retail organisations will be affordable, practical and beneficial to the core of the retail industry.
10. Retail consumer spending data along with declining consumer confidence data presented in this submission all point to the necessity for the Commission to take into account the disparity not only between industry sectors but within an industry sector itself as to its capacity to contribute to a universally applied parental leave scheme.
11. The strength and vulnerability of retailers to respond with a financial contribution to public policy initiatives such as paid parental leave as well as changing economic circumstances as witnessed in the Australian marketplace vary quite considerably. For example, national retailer Myer introduced in March 2008 a very limited maternity leave scheme.
12. While it is not the ARA’s intention to speculate on the reasoning behind Myer’s decision to introduce a maternity leave scheme targeted to a very defined group of employees, we nevertheless highlight the difficulty that less financially able retailers would have to emulate Myer’s initiative to benefit employers.
13. Market pressures, economic uncertainty, declining retail sales projections and falling consumer confidence all point to an economic environment not conducive to retailers being able to implement a universal, compulsory parental leave scheme.
14. The following section outlines some of the variables affecting small to medium sized retailer’s ability to afford further financial on-costs.

B. Retail Turnover & Projections

15. The retail industry recorded a very strong performance in 2007 which was underlined by record pre-Christmas sales. Since then, the start of the new calendar year has witnessed a significant decline in retail sales, thereby giving retailers cause for concern on the financial position they are potentially confronting.
16. The combined pressures of successive RBA official interest rate increases, major banks unilaterally increasing their loan rates along with the general inflationary pressures flowing through the economy create a downturn in business and consumer confidence levels.
17. The February 2008 ABS data specifically on the retail sector² clearly shows that the high retail sales figures recorded late last year were not sustained into the new year. The 2008 year is showing a trend line of a declining sales performance.
18. Consumption data from the Reserve Bank clearly demonstrates the downward trends and there is nothing currently in the economy to indicate any change to these trends. Real retail sales fell by 0.1% in the quarter to be 3.1% higher than last year but well below the 5.0% growth in 2007.³

Graph 1: Consumption Indicators – Retail, Motor Vehicle



² ABS 8501.0 - Retail Trade, Australia, Feb 2008

³ Reserve Bank of Australia - Consumption Graph, April 2008

19. Retail sales growth based on February 2008 and those for March 2008 indicate that the retail cycle is now in decline with the year on year growth dropping from 8% (in nominal terms) December 2007 to approximately 5.7% for March 2008.⁴

Table 1: Total retail sales, annual % change⁵

	Nominal	Real
2004	7.1	6.7
2005	3.1	1.9
2006	6.0	3.6
2007	7.3	4.8
2008 (f)	5.0	2.6
2009 (f)	4.3	2.1

20. The latest ANZ Industry Report on the Retail Trade issued on March 20, 2008 provides further evidence of the softening of the retail industry marketplace following a strong performance in late 2007.⁶
21. The Australian economy is currently in a state of paradox – record job levels, low unemployment levels leading to staff shortages and strong growth in incomes, while facing successive interest rate increases and turmoil in the financial marketplace. These factors as all the surveys cited in this submission show are severely denting consumer spending, and consumer/business confidence levels.
22. The Institute of Melbourne/Westpac Consumer Sentiment Index showed the lowest index figure for 15 years.⁷ This is a view also shared by the Reserve Bank. The fall in consumer sentiment to be about 10% below the April average suggests that households have become more cautious about the future and less willing to spend.
23. Total retail turnover rates as depicted in Graph 2 conforms to the ARA's own longitudinal studies – every major peak in retail turnover it soon followed by a dramatic fall. As the peak performance in 2007 exceeded expectations it is not unreasonable to expect larger than normal falls. The ARA is already hearing back from members of 15% - 20% decline in sales dollars compared to last year.

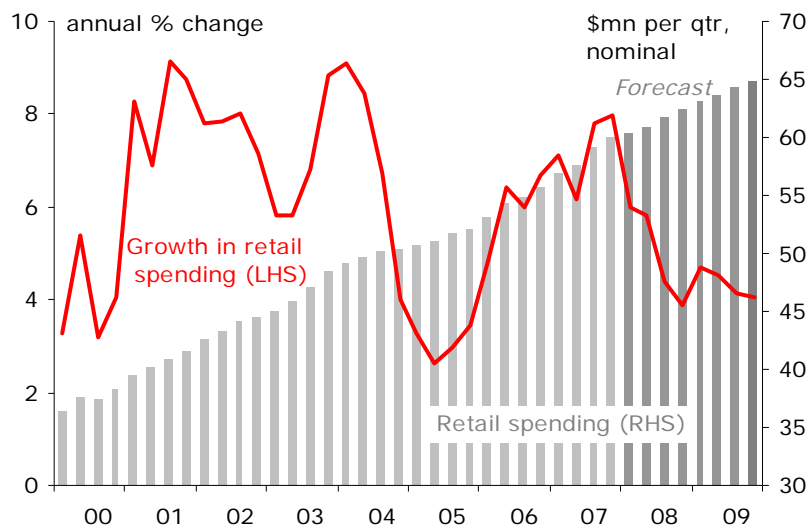
⁴ ABS 8501.0 - Retail Trade, Australia, Feb 2008

⁵ ibid

⁶ ANZ Industry Report : Retail Trade issued March 20, 2008

⁷ Melbourne/Westpac Consumer Sentiment Index, March 2008

Graph 2: Total retail turnover — nominal level and growth rate

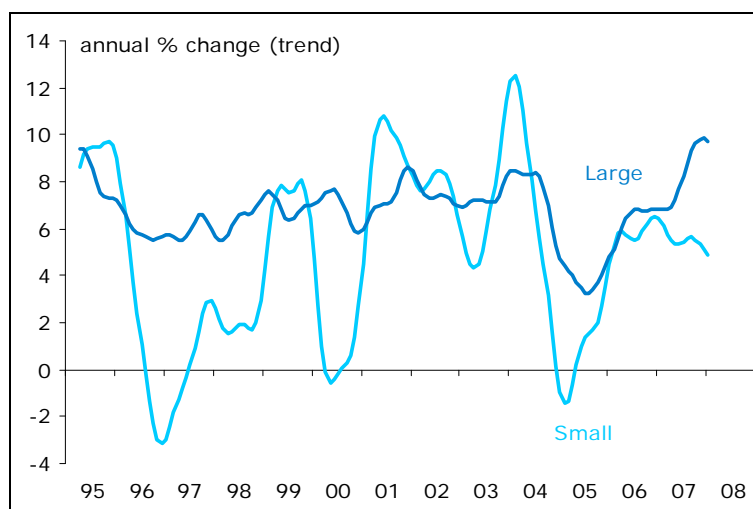


Sources: ABS and Economics@ANZ (ANZ Industry Report: Retail Trade p. 1)

12. *“Growth rates have also varied greatly between larger and smaller retailers over the past four years, with large retailers consistently outperforming their smaller competitors (excepting a brief period in early 2006). Large retailers and chains enjoyed nominal growth of 9.9% p.a. in ‘07, the strongest in more than a decade, while sales by small retailers grew by just 4.9% p.a. **In the longer term, sales growth for small retailers has been more volatile than for larger retailers over the past decade, and has included periods of actual decline.**”⁸*
13. The ARA’s data coming from the retail market conforms with the ANZ’s own predictions, that is:

“as consumers reign in their spending in 2008, smaller retailers are likely to face greater risk and volatility again, particularly those relying on more discretionary consumer purchases.”⁹

Graph 3: Large and small retailers



⁸ ibid

⁹ ANZ Industry Report: Retail Trade March 08 Source: ABS, Economics@ANZ

14. The turnaround in the retail and general business sector is coming through a number of official survey results, notably: the Sensis Consumer Confidence Survey – February; ACCI/Westpac Business Survey – March; to name a few. In *Attachment A: Consumer Confidence* we present a brief summary of these two surveys to support the contention of a weakening consumer confidence.

C. Pressures on the Retail Sector

(i) Costs of goods

35. Over recent years the retail sector has benefited from the “China Syndrome” whereby retailers have been able to maintain prices to consumers as well as margins. The cost of goods combined with the value of the Australian dollar compared to the United States dollar, has contributed to this position. However, China is now reporting inflation at 8% and still climbing, with subsequent demands on wages and this is being reflected in their export prices. Wages growth year on year is 17%. With the current growth in China, manufacturers are also experiencing difficulties in obtaining labour which will add to wages and subsequently to the cost of goods.
36. China is not expected to absorb such high wage increases but will pass them on. The cost of goods in the Australian retail sector will increase significantly in some categories as a result of the above. These costs will have to be passed on to the consumer, further dampening consumer demand.
37. The retail sector is already witnessing price increases coming out of China. In the first instance, with furniture imports, where the cost of goods has increased between 15 – 20%. The principle reason for the increase being the higher labour, fuel and transport costs from China.

(ii) Other Costs

38. In the retail industry operating costs largely comprise of: the cost of goods, labour and occupancy.
39. The cost of labour across retail segments varies. IBISWorld¹⁰ states that labour costs equate to 13.7% of total revenue.

¹⁰ IBISWorld Retail Industry Report January 2008

40. ARA analysis¹¹ over a period of ten years indicates that an apparel store having a gross profit margin range of 38% to 42% reports labour costs (including on costs) at 12 to 14%. The ARA analysis¹² also reports that fast food operations with a gross profit margin of 62% to 65% report labour costs at 30%.

(iii) Margin Pressures

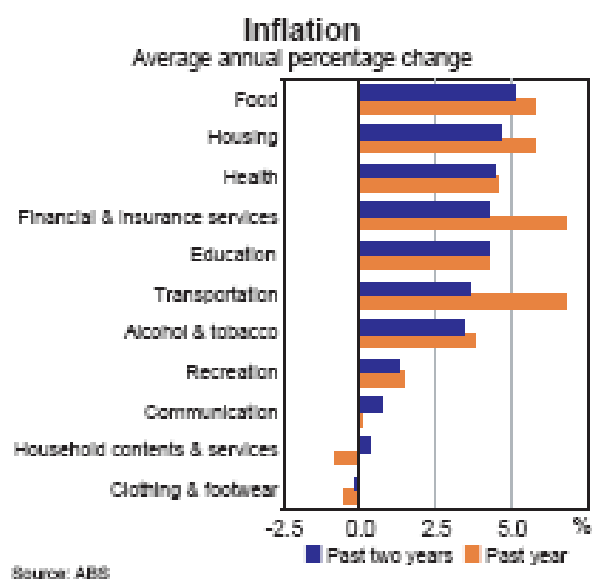
41. The days of gross profit margins of around 50% are by and large a thing of the past. These days gross profits of the smaller retailer are expected to be between 38% - \$40%. Many of these retailers are sitting on occupancy costs of 12-15% in shopping strips, on costs (wages bill) of approximately 13-14% and normal on costs (utilities, banking etc) of approximately 8%.

42. Vertically integrated retailers, such as large chains that have control of their supply and distribution lines are more likely to absorb a parental leave scheme with some employer-based contribution. Many if not all of these retailers have larger gross profit margins.

(iv) Inflationary Pressures

43. Unfortunately the inflationary pressures faced by the small to mid-sized retailers such as higher wages, successive interest rate increases and a return to a penalty rate regime to cope with extended trading hours has far greater consequences than a drop in margins.

Table 2: Inflation (Average percentage Change)



¹¹ Based on P&L analysis of retailers seeking business advice from the ARA, (5000 members over 10 years).

¹² *Ibid*

44. The March quarter delivered a strong inflation outcome with all capital cities reporting inflation outcomes above 3.5% with the weighted average of the eight capitals coming in at 4.2%. The largest contributors were automotive fuel, housing costs, food, financial and insurances services and seasonal increases in electricity, health and education costs.
45. Many employers are expected to return to a workforce mix of greater casualisation and part time employment in order to keep their doors open in a tightening market environment.
46. Comments by a number of notable figures cited below, have lent credence to the concerns now taking a firm hold in the minds of consumers and businesses.
47. The Federal Treasurer, Hon Wayne Swan has on numerous occasions cautioned the banks and the public on the inflationary risks now evident in our economy.
48. In The Australian (April 10) Myer Chairman, Mr Bill Wavish is reported as having taken the extraordinary step of writing the Governor of the Reserve Bank and the Federal Treasurer submitting that any further interest rate increases will severely impact on consumer and business confidence leading to a decline in consumer spending. Mr Wavish raised concerns that the effect of the rises on non resource states such as Victoria and NSW was being masked by the economic drivers of Western Australia and Queensland. He expresses caution about the retail sector, which has borne the blunt of the rate increases.¹³
49. The Reserve Bank Governor, Mr Glenn Stevens has made a number of public statements on the self perpetuating hold that inflation can have on business and consumer behaviour.
50. The Governor's concerns regarding inflationary forces were further elaborated when on April 4, at a hearing of the House of Representatives Standing Committee on Economics he stated:
- "Faced with this combination – very strong demand growth in what was already a pretty fully employed economy, and inflation moving higher – the Reserve Bank Board, when discharging its monetary policy duties, could draw no other conclusion than that growth in demand needed to slow."*
- He went on further to say;
- "The current rate of inflation is clearly uncomfortably high, and were expectations of high ongoing inflation to take root, it would be even more difficult to reduce inflation again."*¹⁴

¹³ The Australian, April 2008 and The Business Spectator April 7 2008

¹⁴ *ibid*

(v) Business Labour Cost Pressures

52. The RBA Governor's comments are very pertinent to any discussion on future business on-costs which are not accompanied by labour productivity increases. Further labour costs – direct or indirect labour costs will only place greater pressure on the retail sector.
53. The ARA does not necessarily oppose a taxpayer funded parental leave scheme as long as there are no additional costs on the business entity. However we do oppose a scheme which creates operational uncertainty and employee insecurity.
54. The ARA submits, based on the economic overview provided in this submission that the retail industry – at the small to medium enterprise end does not have the capacity to contribute either directly or indirectly to the implementation and subsequent administration of a parental leave scheme.
55. ARA focus group discussions and survey with retail members suggest the smaller the enterprise the greater resistance and incapacity to make a direct or indirect contribution to any scheme.
56. The history of employment in the retail sector demonstrates volatility, willingness and a capability for the retail sector to rapidly adjust employment levels to match economic activity. The current economic uncertainty should provide a warning that any additional impost may result in reduced levels of employment or at best, a significant shift in the structure and nature of the employment arrangements of the employer.

D. Maternity. Paternity & Parental Leave Options

57. The Retail industry recognises that the momentum towards a national scheme has gained ground and support in a number of political, business and community forums over the years.
58. In recent times we have witnessed the large national retailer, Myer offering six weeks paid leave for all women who have been employed for a minimum of 18 months. We also note that in the Productivity Commission's Issues Paper examples of other schemes are given from other retailers – Esprit, and Aldi.

59. Two key observations need to be made as the relevance of these schemes to the overall retail sector. Firstly, given the size and market reach of an organisation such as Myer even they acknowledge through their scheme the difficulty of offering anything more than that evident within other industry sectors. Myer has acknowledged that they treat their scheme as an incentive to attract and retain staff. Secondly, all three examples are of retail organisations with considerable economies of scale advantages. Advantages which are not available to the great proportion of Australia's retailers.

60. Table 3 provides a brief summary of some of the current parental leave schemes either operating or proposed within the Australian context that will impact upon the retail industry. The ARA's response to these schemes while not comprehensively outlined, do point to some of the concerns we share on behalf of our members.

Table 3: ARA Response to Current and Proposed Schemes

Company/ Proponent	Scheme	ARA's Position
Myer	Introduced 6 weeks paid maternity leave for all permanent employees, with a minimum service of 18 months full time employment.	No support with ARA membership for an employer funded scheme, however do support the duration and eligibility criterion expressed by Myer's position.
Aldi	14 weeks at half pay after 12 months service (not for casuals)	Not sustainable for smaller retail operations.
Esprit	8 weeks maternity and 4 weeks sick leave at full pay after 12 months service	Not sustainable for smaller retail operations
SDA	The availability of extended (up to 3 years) unpaid parental leave; return to work on a part time basis after a period of parental leave; entitlement to paid pre-natal leave for both parents; pro-rata leave for those who have not worked for the pre-required 12 months.	Awaiting further detail on the SDA support for a paid parental leave scheme. ARA would seek as a minimum, eligibility of the employee to have worked for a minimum of 12 months full time or equivalent.
Australian Democrats	Seeking 14 weeks taxpayer-funded paid maternity leave at the minimum wage. Total cost \$592 million, allowing for employer top ups.	Support the Democrats call for a taxpayer funded scheme, however without employer top up contributions. Concerned about the period of leave as it has serious consequences on the right to return to work issues.
ACTU	14 Weeks compulsory employer funded leave.	Length of period and the employer contribution is a severe impost on small to medium sized retail businesses with resulting consequences on workforce mix, employment arrangements and financial viability of individual entities.
CPSU	26 Weeks (six months) paid maternity leave.	Length of period will drive many small retailers out of business and result in severe workforce restructuring.

E. ARA Consultation and Feedback

61. In the lead up to making this submission the ARA sort the direct contribution of its members to determine; current parental leave practices (paid and unpaid), future plans to introduce a parental leave scheme, perceived impact of any compulsory employer and taxpayer funded scheme on business and general feedback on the principles of any subsequent application of a scheme.
62. Consultation took place through focus group discussions and direct survey of the ARA's four hundred largest members. The survey, which is included as **Attachment C: Maternity Leave Survey** elicited a very good response with approximately a 10% return rate, which is greater than previous returns on other issues.

(i) Summary of Member Responses

63. Results of the survey are summarised in **Attachment D: Summary of Responses**.

The results provide very few surprises for the ARA and are in keeping with our understanding of the retail industry sector. They are further summarised for the Commission's quick reference as:

- The workforce is strongly made up of females – with casual labour being overwhelmingly female (70-100%) in many enterprises.
- Only three retailers involved in either the focus groups or the survey responses actually offer paid parental leave of any kind.
- Considering the high feminisation of the retail workforce less than 50% of the respondents had staff take up “unpaid parental/maternity” leave in the last twelve months, with only 7% on “paid leave”.
- Almost 92% had no plans to offer a paid parental leave scheme in the next twelve months.
- The smaller the retail operation the greater the concern for the implementation of a universal scheme – whether it be taxpayer or partially employer funded.
- Regional retailers are particularly concerned about the ramifications to their ability to survive operationally and deal with not only the direct costs but also the absence of employees and right to return of those employees to the same job.
- If businesses are compelled to introduce a paid parental leave scheme, many envisage some restructuring of the workforce will be inevitable – be it in the form of increased casualisation or a positive discrimination away from hiring young female employees.

- Over 56% of all respondents will consider supporting a taxpayer funded scheme only, with over 70% not prepared to make even limited employer contributions.
- Reasons for not being prepared to make a limited contribution ranged from: *“it’s not our core business; can’t afford it; employers already pay enough; governments can’t expect businesses to foot the bill for their own social welfare agenda; too many on costs now can’t afford any more; will have to close up”*.
- Of those who are willing to support a taxpayer scheme, they gave qualified support with statements such as: *“only what government decrees and nothing more; depends on legislative requirements; use baby bonus to offset the cost; four weeks annual leave and two weeks sick leave is all I can afford”*.

(ii) Impact of a Compulsory Parental Leave Scheme

64. The ARA asserts that any compulsory national parental leave scheme will have significant impact on small to medium sized retailers. Some of these impacts have been articulated by members in *Attachment D: Survey Responses*.
65. The foreshadowed impact is by and large perceived as a negative one, with responses ranging from we will need to close our business to changing our workforce mix to reducing wages for the remaining staff. While these comments maybe perceived as alarmist they do go to the financial sensitivity that characterises the makeup of small business operators.
66. Of concern to many in the retail industry, as evidenced through the focus group discussions was the “right to return to work” and “return to a position of similar grade and standing” in the organisation.
67. It is generally acknowledged in the industry that the right to return to work is a current and legislated requirement of the unpaid maternity leave provision in many employment instruments. Evidence from the retail sector is that proportionally very few women take up the unpaid leave provision available in the workforce. The great proportion, while difficult to quantify prefer to resign from the workforce and take their chances at a return to work later in life.
68. The trend not to take up unpaid leave is demonstrated in our discussions and survey where less than 50% of current retailers have had staff away on unpaid leave. With a high female workforce the actual numbers involved are quite small.

69. The right to return to work will present significant workplace management issues. Some retailers are concerned about the recruitment of replacement staff, the ability to absorb the employee on leave back into a relatively small workforce and the cost of training new staff.

70. The response from many retailers is that the workplace management issues will mean that the only feasible response available will be to alter the mix of the workforce – less young females, higher number of casuals and if necessary reduction in workforce numbers for an extended period of time.

(ii) Financing of a National scheme

71. For the reasons outlined in Part A and B of this submission the ARA submits that it is not feasible to expect small to medium sized retailers to contribute to a universally applied national parental leave scheme.

72. If a scheme is to be introduced then it will need to be taxpayer funded, cognisant of the impact on small businesses that have to adjust to workforce management issues as described above.

73. The Productivity Commission's Issues Paper provides some excellent overseas examples of taxpayer funded schemes. Schemes that is available through the social welfare system.

74. Noteworthy in the Issues Paper is the United Kingdom model that allows for a sliding scale of compensation to employers based on size of the business.

75. While not endorsing any specific model, the ARA remains willing to discuss the application of a taxpayer funded scheme that provides a differential arrangement based on size of the business.

F. Conclusion

76. The retail industry's submissions should be key in assisting the Productivity Commission's inquiry into paid maternity, paternity and parental leave for the following reasons:

- The retail industry makes a significant contribution to the overall national economy;
- The retail industry employs more people than any other industry;
- The retail industry employs more juniors and females than any other industry;
- The retail industry suffers a higher disproportionate effect in business on-costs than other industry due to its individual entity size.
- The retail industry's workforce structure is directly impacted upon by labour costs associated with deregulated trading hours and penalties across all retail awards.
- A compulsory employer contribution to a universal parental scheme will further compound the future make-up of this labour market.

77. The retail sector is about to embark on a period of slowing growth in a time of economic uncertainty for Australia.

78. The ARA submits that small to medium sized retailers do not have the capacity to contribute to a national parental scheme and will seek support for any administration of a taxpayer funded scheme.

79. The ARA asks the Productivity Commission to seriously consider the importance of the retail industry to this country's economy and the impact its decision will have on this sector.

Attachment A: Retail Labour Employment

1. The retail industry itself employs more than any other industry and accounts for 15% of the Australian workforce¹⁵.

Table 7: Australian Labour Market¹⁶

INDUSTRY	PERCENTAGE OF LABOUR MARKET
Agriculture, forestry and mining	3.4%
Mining	1.3%
Manufacturing	10.3%
Electricity, gas and water supply	0.8%
Construction	9.1%
Wholesale trade	4.2%
Retail Trade	15.1%
Accommodation, cafes and restaurants	4.7%
Transport and storage	4.7%
Communication services	1.8%
Finance and insurance	3.7%
Property and business services	11.6%
Government administration and defence	4.6%
Education	7.3%
Health and community services	10.5%
Cultural and recreational activities	2.8%
Personal and other services	4.0%

2. During 2007-2008 the total wage expense for the retail industry is expected to reach \$39.8 billion, representing an increase of 1.2% compared to 2006-2007.¹⁷
3. The retail industry is particularly sensitive to labour cost increases with labour costs forming approximately 13.7% of total revenue¹⁸.

¹⁵ Calculated using ABS Australian Labour Market Statistics 6105.0 January 2008

¹⁶ Calculated using ABS Australian Labour Market Statistics 6105.0 January 2008

¹⁷ IBISWorld Industry Report 08 January 2008 it should be noted that the variations between IBISWorld Retail Trade Sector revenue and ABS retail sales can be attributed to the ABS excluding the Motor Vehicle Retailing and Services Sub-Division, which represents approximately one quarter of total retail sales in Australia.

¹⁸ *Ibid*

Attachment B: Consumer Confidence Trends

1. The volatility in consumer confidence, successive interest rate increases and consensus on the inflationary pressures exerted on the Australian economy has dramatically altered the workplace environment in which the Productivity Commission's inquiry will be implemented.

(i) Sensis Retail Industry Data

2. The previous data on business confidence is strongly supported by the Sensis business and retail data as presented in Table 3. The National figures have dropped since the preceding twelve months when it was 56%.¹⁹

Table 3:

Overall Confidence about business prospects in the next 12 months

Industry Sector	Confident	Worried	Net Balance
Manufacturing	68%	16%	52%
Building/Construction	72%	12%	60%
Wholesale/Trade	57%	13%	44%
Retail Trade	55%	23%	32%
Transport/Storage	69%	10%	59%
Communication Property & Business Services	71%	16%	55%
Finance & Insurance	72%	17%	55%
Health & Community Services	74%	15%	59%
Cultural, Recreational & Personal	52%	20%	32%
Accommodation, Cafes & Restaurants	64%	7%	57%

(Sensis Survey – February 2008)

3. When the confidence levels are analysed on an industry by industry sector the outlook for the retail sector is pessimistic. The Retail sector has the equal lowest Net Balance along with Cultural, Recreational & Personal. It compares well below the highest, that being the Building/Construction industry at 60%.²⁰
4. Businesses when questioned as to the reasons for such concern cite the major reasons as; the expected economic outlook, interest rates and industry downturn.

¹⁹ Sensis Business Index Report February 2008

²⁰ Ibid

Table 5:

<u>Key Reasons for Concern</u>	
Decrease in Business	16%
Rising Interest Rates	15%
Industry Downturn	14%
Vulnerable to Global Economy	14%
Hard times ahead	11%

(ii) ACCI-Westpac Survey

5. The latest ACCI-Westpac Survey of Industrial Trends reveals a negative turnaround in general business confidence despite the continuing strong performance by Australian manufacturers. Business expectations fell sharply to their lowest level in 15 months. Demand and production indicators are well down but still robust, with solid forward projections.²¹
6. Evidence of inflationary pressures is clear. Business costs are rising at almost double the predicted rate of increase. Prices are also rising but more slowly than predicted. The continuing pressure on profit margins has resulted in a further erosion of profit expectations to barely positive levels and well below the decade average.
7. The ACCI-Westpac Survey provides further evidence that the general business situation for fourth quarter 2007 and the first quarter 2008 has taken a major negative turnaround in business expectations. The Survey reports that the decline is in the wake of interest rate rises from the RBA in February and March, additional independent rate rises, share market turbulence, a stronger AUD, and increasing concerns over the US growth outlook.
8. The proportion of respondents expecting an improvement in the general business situation in the next six months halved (17% vs 36% previously). The proportion predicting deterioration doubled (29% vs 14%). The resulting negative net balance of –12% (vs 22%), was the first since 2007 Quarter 1 and the lowest since 2006 Q4. However, importantly, just over half the respondents (54% vs 50%) expected no change.²²

²¹ ACCI-Westpac Survey March 2008

²² ACCI-Westpac Survey March 2008

Attachment C: ARA Survey Form

Maternity Leave

Name of Business (Optional):

_____ Membership No:

Type of shop: (eg. Clothing, books etc)

Where is your shop located?

5. Should a decision to introduce a scheme be left to each individual business entity? **Yes/No**

6. If you do not currently offer paid Parental/Maternity Leave, do you plan to introduce it in the next 12 month?

Yes/No

7. If you intend to introduce paid Parental/Maternity Leave - do you believe it will give you:

A Competitive Advantage

Yes/No

Ability to Attract Skilled Labour

Yes/No

Improved Employee Morale

Attachment D: Summary of ARA Survey Responses

Number of Survey Responses

40

Type of shop: (eg. Clothing, books etc)

Responses ranged from: clothing, apparel, books, hardware, convenience, furniture, sports, outdoor supplies, jewellery, home furnishing, computer, telco, cafes

Where is your shop located?

	Metro	Regional
Vic	16	5
NSW	18	15
Qld	7	3
SA	4	2
WA	5	2
Tas	3	-
ACT	4	-

How many employees:

	Full time	Part time	Casual
< 5	3	10	5
11-20	19	9	7
20 +	15	11	11
No of women	20 – 90%	50 – 100%	70 – 100%

Q.1 Current Paid Parental Leave Policy

Do you offer Paid Parental Leave?		
	Yes	No
	3	37
No of weeks	2 weeks 2 weeks 6 months	
Paid	2 weeks 1 week 6 months @ 25% pay	
Unpaid	1 week 52 weeks	

Q. 2 Current Maternity Leave Policy

Do you offer Paid Maternity Leave?		
	Yes	No
	1	39
Paid	6 months @ 25% pay	
Unpaid	52 weeks	

Q. 3 Have any of your staff used Paid Parental/Maternity Leave in the past 12 months?

Staff on Paid Parental/Maternity leave in the past 12 months?	
Yes	No
3	37

Q.4 Have any of your staff used Unpaid Parental/Maternity Leave in the past 12 months?

Staff on Unpaid Parental/Maternity leave in the past 12 months?	
Yes	No
25	15

Q. 5 Should any decision to introduce a scheme be left to each individual business entity?

Introduced by Individual Businesses		
Yes	No	No Response
22	8	10

Why?

“Yes” responses include:

Government should pay;

Choice issue;

We know our business and if there is any dissatisfaction if its not provided;

Small companies cannot afford it;

Cannot afford to pay it and wouldn't offer it;

It's a benefit that not all can afford to give;

Individuals should decide not bureaucrats, its then easier to manage; Should be subject to each businesses budget and staff needs;
 It should not be a community responsibility;
 Depends on circumstances, recruitment, market etc;
 Public – private sector differ and market forces are best to apply;
 Cost to each entity to be considered;
 Women having children are irrelevant to running of my business

“No” responses include:

Need consistency across the board;
 Legislated or nothing
 Not be left up to individual businesses as decision will be on fewer criteria;
 Should be universal;
 Available to all

- Q. 6 If you do not currently offer paid Parental/Maternity Leave
 - do you plan to introduce it in the next 12 months?**

Planning to introduce paid Parental/Maternity Leave in 12 months		
Yes	No	Unsure
1	36	3

- Q. 7 If you intend to introduce paid Parental/Maternity Leave
 – what effect do you believe it will have on your business?**

If you intend to introduce paid Parental/Maternity Leave - do you believe it will give you			
	Yes	No	No Response
A Competitive Advantage	1	18	
Ability to Attract Skilled Labour	1	18	
Improved Employee Morale	3	16	
Other			19

**Q. 8 If businesses are compelled to introduce Paid Parental/Maternity Leave
- what effect do you believe it will have on your business?**

Effect of a Compulsory Paid Parental/Maternity Leave on your business		
	Yes	No
Positive Effect	5	9
Negative Effect	21	2
Hire Staff on a contract basis	6	7
Hire Staff as Casuals	17	4
Avoid Hiring female employees	14	6
Hire more staff (no.)	1	14
Avoid hiring younger employees	11	5
Hire less staff (no.)	7	8
No Impact	7	5
Other: (Specify)	See below for comments	

Other: (Specify)

Negative comments

For larger employers it's a minor addition to their costs
 Cannot afford the cost
 Additional costs to employment, such as further recruitment and training
 Strain business investments as 95% of staff are female
 Will cost our business more
 Reduce employment of young females
 Reduce wages for other staff
 Becoming more discriminating in recruitment – more difficult for young females
 Costs increases
 Uncertainty of the return to the business
 Affect hiring of staff
 Financial effect in current climate is big
 It impacts a minority of staff
 Able to maintain experienced employees
 Inflationary effect which will affect business
 Male employment will be more favourable
 A shift of wealth to a different group, it will involve a greater control of my budget
 Replacement staff not as good because they can only be temporary
 Avoid hiring young females

Positive comments

Improve staff morale
 Become employer of choice

Q. 9 Would you support a taxpayer funded parental/maternity leave scheme?

Support for a Taxpayer funded scheme		
	Yes	No
No employer contributions	24	12
Limited employer contributions	8	28

(No responses = 4)

Q.10 What level of contribution would your business be prepared to make?

Negative Comments:

- No contribution at all (overwhelming response)
- Close the shop – cannot afford to keep it open
- Too many on costs now, cant afford any other expenses
- Employers already pay enough taxes
- Not able to negotiate AWA's, unfair dismissal issues - its all skewed one way
- A very negative development on small business
- Responsibility of the child and time required is a parent's responsibility not mine
- If there are national demographic concerns it's the government's responsibility

Positive Comments:

- 4 weeks annual leave and 2 weeks sick leave is all I can afford
- Top up from minimum wage to normal ordinary hour earnings with no penalties
- Use baby bonus and for all income levels
- Depends on legislative requirements
