



Shop Distributive and Allied Employees' Association

**THE UNION FOR WORKERS IN  
RETAIL. FAST FOOD. WAREHOUSING.**

## SUBMISSION

# Inquiry into the Future of Work and Workers

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# THE FUTURE OF WORK AND WORKERS

## Introduction

The Shop, Distributive and Allied Employees' Association (SDA) is Australia's largest trade union with over 200,000 members. These members are, with few exceptions, low income earners and most live in low income families. The majority of SDA members are women.

The world of work is changing. Jobs are changing and many traditional jobs are disappearing. This is happening right across the economy. At the macro level, the changes occurring have many similarities. At the micro or industry specific level the changes are often different, distinct and particular to the actual industry concerned.

This submission focusses primarily on the changes occurring in the retail industry and the implications of those changes.

## The Australian Retail industry

Australia's retail industry employs more than 1.2 million people. The largest occupational group is Sales Assistants (General), accounting for nearly one-third of employment across the industry.<sup>1</sup>

Retail has one of the youngest age profiles, with almost three-quarters of workers aged under 45 years and more than a third aged 24 years or younger. The only industry with a younger age profile is Accommodation and Food services.<sup>2</sup>

Fifty-six per cent of retail workers are women compared with the all industries average of 46 per cent. Forty-nine per cent of retail workers are employed on a non-full-time basis compared with an all industries average of 30 per cent.<sup>3</sup>

The retail industry contributes significantly to the Australian economy. It provides employment for a very large number of people, especially young people and women. For many young people, it provides their first experience with employment.

It comprises over 140,000 businesses and is located in every town and city in the country. No other industry is as geographically dispersed.<sup>4</sup>

In 2012-13 the retail industry contributed around 4.5 % (\$68.5 billion) to the nation's gross domestic product.<sup>5</sup>

The retail industry is a critical part of the Australian economy and changes within and to it will impact on Australia as a whole and on all Australians individually. Those working in the industry or otherwise dependent upon it will be particularly affected by the changes which are occurring.

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<sup>1</sup> ABS, Labour Force, Australia, detailed, quarterly, cat.no. 6291.055.003.

<sup>2</sup> Australian Workforce and Productivity Agency, Retail Workforce Study, March, 2014.

<sup>3</sup> Op Cit.

<sup>4</sup> Op Cit.

<sup>5</sup> ABS.2012 Australian system of national accounts, cat. No.5204.0, ABS, Canberra.

## Changes Occurring in the Australian Retail Industry

Over recent years we have seen massive changes in the structure and organisation of Australian retailing. The main drivers of these changes have been the internationalisation of commerce and the digital revolution.

A decade ago Australian retailing was largely a home-grown or domestic phenomenon with the vast majority of Australian retail operators wholly or largely Australian owned. The picture today is very different. Over the past decade a wide range of overseas retailers, mainly from Europe or the US have established themselves in this country. Naturally they bring with them new ideas and new ways of doing things.

Australia is now very much a part of the international retail scene. As such it is not surprising that the retail digital revolution which has hit the US and Europe has also hit Australia. Some have called this the Fourth Industrial Revolution.

Over recent years Australia has witnessed a rapid growth in on-line retailing. Although on line retail spending in Australia is currently estimated at 6.6 per cent of traditional retail spending, its growth is significantly outpacing that of traditional retail.<sup>6</sup> While traditional retailing growth in Australia has been anaemic over recent years on-line retailing grew by 15 per cent in 2015 on top of a growth of 9 per cent the previous year.

In 2007 the Australian on-line retail industry was worth almost US\$3 billion. In 2017, it was worth US\$24 billion or 8 times what it was worth a decade earlier. On-line shopping is projected to grow annually by 8.9 per cent over the years 2016-2021.

E-commerce and on-line shopping have already disrupted traditional retailing. What has happened so far however, is only the start of the changes which can be expected. Moreover, the rate of change is increasing.

These digital changes have been driven largely by two factors: a desire by companies to improve sales in the most cost-effective manner and also by changes in the behaviour of consumers.

Customers today are savvier and more demanding than ever before.

The desire for expertise, personalisation of service and customisation by consumers is growing.

Consumers can now view and source products from anywhere on the globe, generally with fairly short fulfillment or delivery times. The overall browsing behaviour of customers is shifting and increasingly sophisticated with viewership of products via video and voice search.

To succeed in this new environment retailers must provide services which address the needs and expectations of consumers. Retailers who recognise and address these factors are the most likely to be successful. In this environment, the expansion of on-line shopping will continue with a gathering pace.

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<sup>6</sup> ACRS 2014, What's Shaping the world of retail: highlights from the 2013 world retail congress, viewed 12 July 2016

However, on line consumption has not just arrived, it is continuing to evolve. The focus for retailers is increasingly on moving customers from off line to on line.

Heightened customer expectations require businesses to provide more than a mere transactional interaction. With an instant ability via smartphones to make comparisons with competitor offerings the purchasing power rests more than ever before with consumer. The retailer needs to embrace a multi-channel offering to address this situation.

Omni channel is now the standard and those retailers who do not invest in it will fail. A digital platform has become a must for retail. Retail and technology has become inseparable.

Retailers have now captured a huge amount of data on consumers and it is being utilised to enable them to give consumers what they want. Data is at the core of digital products and services. Artificial Intelligence (AI) is the core mechanism to manage and utilise data. Data has been described as the building blocks of AI. The flow of data has been estimated to be 15-20 per cent of the world's combined GDP.

As the accumulation of data grows a major issue will be privacy of data ownership. As employers will hold ever more data on workers at what point does this become intrusive and a challenge to the autonomy and privacy of individuals. While a huge amount of data is now held by companies, workers and consumers have virtually no rights over its mining, or over who uses, buys or sells it.

Further, the developments which are taking place are encouraging a discernible trend away from larger stores, especially traditional department stores such as Myer and David Jones towards smaller specialty stores which offer a more tailored product.

Companies such as Apple, Google, Microsoft and Amazon are all investing heavily in artificial intelligence (AI) with the aim of providing consumers with expert advice and smarter, user friendly software.

Princess Polly, a women's clothing retailer has recently introduced a "try on" feature where it offers customers. a virtual fitting room.

Mobile payment solutions have also become a key feature of Australian retailing and are the way of the future. Cash in transactions is increasingly on the decline. Whether it is a tap and go card or a mobile device with a digital wallet or even a more advanced process such as that being employed by some large multi-national retailers such as Amazon mobile payments will change the face of retail. Retailers who do not implement mobile payment provisions or seek to place limitations on such payments are likely to fall behind.

The capacity for on line payments has facilitated other developments.

A range of Australian retailers including Wesfarmers and Woolworths have introduced self-service checkouts.

In 2016 Amazon introduced Amazon Go with an advanced technology that allows customers to shop and then leave the store with their products without the need to go through a checkout. The technology tracks the items and when the customer leaves the store their Amazon account is automatically charged the cost of the goods.

Dominos has introduced ordering by Facebook and Starbucks allows customers to order and pay before picking up in store.

Innovations in technology, including the development of Artificial Intelligence have facilitated major changes in the back-office operations of retail.

Blockchain has emerged as a mechanism for companies to better manage transactions in an age where security and transparency are increasingly important. As a simple definition blockchain is a shared ledger where all transactions are digitally recorded, helping to eliminate the risk of errors that can occur when each party participating in a transaction maintains its own data set for that transaction. With such a process, it is much more difficult to change or counterfeit records. It allows customers to potentially trace the origins of products thus dealing with issues of ethical sourcing, counterfeiting of products and tracking supply and delivery.

AI has also facilitated major changes in inventory.

In store robots which allow for reduced operating costs and enhanced customer service experience are now established. The American retailer Lowes has introduced robots in some of its stores including San Francisco. Walmart uses in store robots for inventory purposes. Companies such as Siombe Robotics and Bossa Nova Robotics are developing robots to walk the aisles and take stock levels in a fraction of the time taken by humans. Store robots which greet customers, read emotions and offer directions are being utilised in the USA and Europe.

The use of drones or autonomous vehicles(AV) which reduce operating costs in transporting people and goods is emerging. Companies like Amazon have pioneered drone technology. Domino's have also been a significant developer of drone technology. More recently they have been pressing for changes to aviation laws to allow them to deliver pizza vis drone.

With the application of digital technology, the consumer in Australia can purchase from anywhere else in the country or overseas by a click of their smart phone or tablet. Delivery times, especially from overseas have improved markedly over recent years making a purchase from Denmark or Manchester as viable in terms of cost and time as a local purchase.

In some cases, we now have purely on-line retailers such as Aussie Farmers which has no stores and delivers directly to the consumers door.

This approach is similar to the approach of food delivery bodies such as Foodora and Deliveroo which bypass legal minimums for employees by classifying staff as contractors and paying them per delivery. These workers are engaged on individual contracts which are designed to take these delivery workers outside the regulated labour market.

AI is also facilitating other developments. The French supermarket chain Carrefour utilises the iBeacon technology across its stores. Customers can use mobile phones or tablets to receive in store promotions or to receive directions to certain goods.

The changes in the structure of the industry and operations of the retail industry have had and will continue to have major effects on Australian retail workers.

## [Impact of Changes on Retail Workers](#)

Consumers are now able to choose from an almost endless range of products without leaving their lounge room. The smart phone is increasingly a preferred shopping tool. If a consumer cannot obtain what they want locally they will shop by internet. As the pace of overseas sales grows the level of retail sales in Australia inevitably falls. One consequence is the drop-in demand by retailers for staff in their Australian stores.

The organisation and structure of the shop floor is inevitably evolving to meet the rise of the new digital developments. Traditional stores, especially traditional department stores are or may be downsized or closed. In some cases, existing floorspace is being turned into show rooms. Some companies are moving towards a model whereby they have a small number of flagship stores rather than the traditional national network. Already in Australia we have seen traditional department stores close or reduce their footprint in some, but especially regional areas.

It follows that when these developments occur that retail workers lose their jobs.

As customers become more discerning and demanding a greater dichotomy between stores is developing.

At one end of the purchase chain are the low cost every day products while at the other end are the high value, high engagement products. The outcome of this development is that at one end of the retail chain there is a growing requirement for highly skilled staff to be available to provide expert advice on high end products. Sales staff at this end of the retail spectrum are required to act as expert brand advocates. We are already seeing this in Apple stores. Those stores which offer a distinctive product which meets demand will succeed.

The decline of the traditional retail department store and its partial replacement by smaller format, lightly staffed product specialist retailers are also examples of this.

At the other end of the retail spectrum technology is and will continue to displace staff.

The first technological driver of change is Artificial intelligence(AI) and Machine learning(ML). Both AI and MI promise to emancipate humans by automating mundane tasks. AI removes need for human involvement in routine and predictable tasks by ensuring greater speed and accuracy in those tasks. Apple's Siri, Amazon's Alexa and IBM's Watson and the chatbots on the internet exemplify this. While AI and MI certainly bring benefits their capacity to displace workers is undisputed. A significant number of jobs, especially those concentrated on predictable or routine tasks are and will continue to become redundant. Lower skilled and less educated workers will be particularly hard hit.

At this end of the retail spectrum the retail experience is increasingly an automated one which requires less staff. The growth in self-service check-outs exemplifies this but is also the starting rather than the end point. The checkout free store is the next development in this chain.

Robotised or digitised inventory is further reducing the need for shop floor staff. The impact of digital technology such as automatic check-outs, robots in stores, on-line sales and advanced methods of delivery all reduce the need for shop floor staff.

While some jobs in retail will decline or disappear other jobs will or already are emerging. The "Professionals" category is now the largest single occupational group in the overall labour market. It is continuing to grow. Many of the new retail jobs fit this category.

Retailers are increasingly focussing on attracting highly skilled technology experts who traditionally did not see retail as a place for them. Jobs like software engineers, developers, marketing analysts and social media experts are in high demand. This demand can be expected to grow. The skills required for these tasks are much more advanced than the skills many retail workers currently possess. Central to these skills is technological expertise. In many cases these workers are able to work autonomously and independently.

The activities required by companies are and will, in many cases be able to be undertaken by individuals working alone, perhaps not in a traditional office arrangement at all. The capacity to undertake many high demand high skill activities in isolation is raises issues as to where people are based to do their work. The capacity to work from home will exist and this may become a condition of the contract. This allows employers to further reduce their commitment to bricks and mortar workplaces.

A new look workforce is emerging. A generational shift in workforce thinking is occurring. The career ladder concept is giving way to the experience concept whereby workers accumulate experiences across multiple employers. This encourages the growth of precarious or non-permanent employment.

This shift towards more highly skilled and autonomous workers is being accompanied by a shift towards individuals being employed as contractors. People being employed as contractors has long been a feature of Australian employment practice but the trend is increasing.

Contractors, whilst having in demand skills and a theoretical capacity to negotiate decent wages and working conditions in practice often do not have such capacity at all. Workers with skills which are in demand are notionally in a stronger position to negotiate decent wages and working conditions. However, their isolation as autonomously working individuals severely weakens their negotiating capacity.

Women overall are significantly under-represented among those in the workforce who have digital or technology skills and qualifications. As such the changes taking place in retail employment already significantly disadvantage women and if the current trends continue this situation will be exacerbated. Already Australia has a significant earnings gap between men and women and unless major changes occur the growth of the application of new technology in retail and the workforce more generally may well increase that earnings inequality gap.

The retail and hospitality industries have the highest rates of worker casual employment. Casualisation of employment right across the workforce but particularly in the service sector has grown enormously over recent decades. Competition for a reduced number of jobs is likely to increase this trend.

The changes in the nature of the general retail workforce and the methodologies of employment are already placing downward pressure on wages as low skilled workers compete for limited jobs with others of a similar skill base. Given current circumstances this trend is likely to continue and even accelerate.

An OECD report released in March 2014 estimated that 14% of Australians get by on less than half of the nations' median income, significantly above the OECD average of 11%.<sup>7</sup>

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<sup>7</sup> Sydney Morning Herald, 19,3,2014

There are clear linkages between the nature of employment and poverty. The contemporary period has been characterised by a decline in full-time employment and the rise of insecure, non-traditional and more precarious casual employment practices. Many prime income earners do not have full time jobs.

In an environment where a large number of workers are competing for limited jobs the issue of full employment and job security arises.

The changing nature of work raises questions about the control people have over their work and their lives.

Many of these changes will have a significant impact on regional and rural Australia. Over half of all Australian retailing is concentrated in the non-food sector. Consumers, even in isolated areas will no longer need to purchase items, especially non-perishable items from a local store. They can go on-line, peruse a wider range of goods, make their purchase digitally and have the purchase delivered within a matter of days. This could have major ramifications for many businesses and employment in rural and regional Australia.

## **A Strategy for the Future**

### **1. Putting People First**

The SDA is not opposed to technological change but we do strongly demand that changes must be accompanied by a fair distribution of the benefits. There must be established a process which balances the economic and business needs with the needs to ensure we have a socially just and inclusive society. The gains made by companies from digitalization must, in part be reinvested in ways which ensure that workers also benefit from change.

As AI systems develop workers and work tasks will be displaced. Lower skilled workers will be particularly impacted. To ensure a just transition as well as sustainable future developments, it is vital that legislation require that corporate policies are put in place which ensure corporate accountability in relation to the introduction of new technology especially where it leads to job displacement. People must not be left behind when new ways of working are being introduced.

The SDA asserts that it should be a basic fundamental of government policy that all Australians must have the right to live decently with dignity.

### **2. Decent Wages and Employment Conditions**

Decent work with fair wages, job security and fair conditions should be assured for all workers. The Australian industrial relations system must be able to guarantee to all workers fair and decent wages and working conditions.

Current wages growth is low, living standards are declining and inequality is growing.

Australia has a large wealth gap. The gap in living standards between the richest and the poorest grew by around 13% over the 10 years to 2015.<sup>8</sup> Wealth inequality impacts

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<sup>8</sup> Living Standards Trends in Australia, B. Phillips, NATSEM, 2015

particularly adversely upon families and children who are at the bottom of the income and wealth ladder.

A range of factors drive inequality in Australia but the expansion of new technology is without doubt a major driver of the growing inequality. AI and automation of tasks is hollowing out the job market. The routine skills traditionally required are increasingly automated while high level technology based skills are in growing demand. The people with the skills are often rewarded and the rest of the workforce is left behind.

This problem is compounded in countries such as Australia as many of the more routine tasks that are still required to be done by humans are moved to lower cost countries.

To ensure that change is accompanied by fairness it is imperative that the current industrial relations system is revamped.

There should be changes made to industrial relations legislation which ensures that there is a level playing field when negotiations occur between management and unions.

Binding arbitration of intractable matters between parties should be made available.

The Australian industrial relations system must address the predilection by employers to engage ever more workers on precarious employment contracts. The government should support the current ACTU case on casual employment as a first step towards realisation of this.

Workers in the new economy are or may well work several jobs at once, they move between jobs on a regular basis. The traditional employment concept of someone staying with the same employer for a lengthy period of time is disappearing. In this situation workers must be able to pool their entitlements, including superannuation and take them with them as they move jobs. Portable entitlements are critical to combat insecurity of employment and to provide workers with the capacity to plan for retirement and insure against illness.

All employment should draw a superannuation contribution based on the Superannuation Guarantee legislation.

The law must be changed so that contractors have a right to bargain collectively and be covered by enterprise agreements. All workers must have the right not to be forced into self-employment. The current definition of what constitutes self-employed must be reviewed to remove the capacity for it to be misused in ways which turn workers into contractors to their disadvantage.

Further regulation is required to ensure all work, including applicable penalty rates and overtime are paid.

Workers' rights and human rights must be respected through corporate supply chains and that companies are held responsible for their actions and inactions.

### 3. [Skills Development](#)

The rise of artificial intelligence, the significance of the expansion of data collection methodology and the displacement of work tasks by robots will affect all occupations on all skill levels.

To find fulfilling employment in this new age will require workers to have adequate education, skills and training. This requires adequate funding for all levels of education. Skill development is critical for economic development.

The current decline of the vocational education and training system must be addressed. Fundamental to creating a viable vocational education and training system must be acceptance of the concept that industry (employers and unions) drive the decision- making process.

Over time it can be expected that more workers will acquire the skills needed to work in the digital economy. In an economy which is fast moving the skills required will continually evolve. In many cases it is not now possible to even predict what skills will be in demand in 20 years' time.

Our skills system for the future must be adequately funded so that training in new skills can be brought on-line in a timely manner.

What is clear is that all workers in all forms of employment must have the right to continuously access lifelong training. There is and will continue to be a need to constantly reskill and upskill.

Active labour market policies must be revamped and broadened to include all workers in all forms of employment. This includes demanding of companies to take responsibility in training, re-training and up-skilling current and future staff.

The skills gap must be addressed, especially in regard to the under-representation of women with IT and digital skills.

#### 4. [Gender Equity](#)

The changes which are occurring offer a unique opportunity to create a world of work based on equal opportunity.

As digitalisation brings new ways of working the boundaries between work and life outside work are blurred. It is critical to ensure workers are able to effectively balance work and family.

#### 5. [Ethics and Privacy Protection](#)

Artificial intelligence must put people first. This is why discussions about the ethical application of AI on a national scale are essential. The application of AI must take place in an environment which ensures transparency and accountability.

It is of serious concern that the Big Six – Google, Microsoft, Apple, Amazon, IBM and Facebook predominantly own the vast reservoir of held data. This puts them into a virtual

untouchable class with undue political, scientific and economic power and influence. It is critical that national governments exercise control over these behemoths.

Workers must have the right to have access, influence, edit and delete inaccurate data that that is collected on them. Workplace monitoring must be consensual.

## 6. Social Protection

The rise of the "gig" economy, accompanied by the individualisation and casualisation of work is reducing workers social protections.

Today a considerable number of families are facing substantial economic difficulties, primarily due to inadequate income. A large number of Australian families are living below, or close to, the poverty line.

Based on the OECD database, of the 34 developed countries considered by the OECD in 2010. Australia ranked 26<sup>th</sup> in terms of the poverty rate with 14.4 per cent of persons in poverty compared with an average of 11.3%.<sup>9</sup>

The expansion of the "gig" economy is having the effect of polarising the workforce into the haves and the have nots. The middle is being hollowed out. Workers at the bottom end of the wages ladder, which includes most retail workers are finding it increasingly difficult to make ends meet.

The government has a responsibility to ensure that all Australians have sufficient income to live decently and with dignity. As the fundamental group unit of society, the family should receive sufficient government assistance to allow it to function effectively.

For SDA members and their families, an effective social welfare or social security system is critical. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.

The provision of income support to families, either through the taxation system and/or the social security system, to allow them to effectively carry out their functions, should not be seen as providing welfare. Rather, this should be seen by the government and the community as a long-term investment in the future of the nation. For low income families, an effective social welfare system is critical. Income support payments from government often make the difference between whether low income families can enjoy a basic but reasonable standard of living or otherwise.

"Social security is very important for the well-being of workers, their families and the entire community. It is a basic right and a fundamental means for creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of government social policy and an important tool to prevent and alleviate poverty. It can, through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice."<sup>10</sup>

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<sup>9</sup> Poverty, Social Exclusion and Disadvantage in Australia, B. Phillips, NATSEM, 2013

<sup>10</sup> International Labor Organisation, Report of the Committee on Social Security, Conclusions Concerning Social Security, 6 June 2001.

Social security systems must be modernised so that all workers, including the self-employed, in all forms of employment have the right to social security. In an age of increased precarious employment workers, especially those who do not have high level digital skills are likely to move in and out of employment on a regular basis. The rise of the digital economy is likely to increase levels of unemployment and underemployment. The Australian social security system needs to recognise this reality and develop the flexibility to deal with it. A review of the current system with the aim of replacing the current arcane old-world approach to the provision of social protection should be undertaken.

To adequately fund a viable social security system all individuals and companies must pay their fair share of tax based upon a capacity to pay.

There is now a strong argument to move beyond GDP as a measure of economic and social health, and adopt a multi-dimensional matrix that includes the values of human dignity, freedom, democracy, equality, rule of law and respect for human rights. The OECD's "Better Life Index" offers an interesting starting point.

## **Conclusion**

The Fourth Industrial Revolution must be characterised by inclusive growth and development for all. Gains from digitalisation must be distributed so that all members of society benefit.

To achieve an outcome which puts people first in this era of major change the following must occur

- Changes must be made to relevant industrial relations legislation to ensure that all workers receive fair and decent wages and working conditions,
- There must be reform of the vocational education and training system to enable all students and workers to access on an as needed basis the skills development and qualifications which will enable them to obtain employment,
- The new world of work must be structured so as to ensure gender equity in the workplace,
- Transparency, accountability, ethics and proper protection of data and individuals' rights in respect of data must be enshrined in legislation,
- All workers should be guaranteed a social security system which provides adequate social protections at all stages of their lives.

Workplace change must be accompanied by policies which put people first.