

# **Retail Trade Industry Profile (Interim)**

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# Executive summary

This report examines the structural and workforce profile of the Retail trade industry. This industry is of interest to the Australian Fair Pay Commission because it employs a relatively large proportion of low-skilled and low-paid employees. It also relies relatively heavily on industrial awards/Australian Pay and Classification Scales for setting rates of pay.

## Industry overview

According to the Australian Bureau of Statistics, the Retail trade industry division includes 'units mainly engaged in the purchase and onselling, commission based buying, and commission based selling of goods, without significant transformation, to the general public'.

Under the current industry classification, the industry contains five industry subdivisions: Motor vehicle and motor vehicle parts retailing; Fuel retailing; Food retailing; Other store-based retailing; and Non-store retailing and retail commission based buying and/or selling.

In 2007-08, using the previous (larger) industry classification, the Retail trade industry accounted for 12.5 per cent of total hours worked in the economy, 7.5 per cent of the total wages and salaries bill and 6.4 per cent of value added.

As indicated by the relative proportions for hours worked and wages and salaries, the Retail trade industry has among the lowest average earnings of any industry. In May 2006, average hourly pay rates for adult full-time non-managerial employees in the industry were \$19.60 per hour, compared with \$26.30 across the whole economy.

## Industry structure and performance

The largest Retail trade industry subdivisions are Other store-based retailing and Food retailing, which account for 56 and 28 per cent of industry value added, respectively.

The industry is relatively concentrated, with large firms accounting for about 46 per cent of total industry wages and salaries and slightly lower proportions of income and value added. These are slightly higher than the average contributions of large firms across other industries. Medium businesses generate about one quarter of income but account for only one fifth of both wages and value added.

The contribution of Retail trade to State/Territory value added is highest in Queensland and Tasmania and lowest in Western Australia and the two Territories.

The main source of income for businesses in Retail trade is retail sales. While most industry subdivisions derive well over three-quarters of their income from retail sales,

the Motor vehicle and motor vehicle parts retailing subdivision derives only 55 per cent of its income from retail sales. On average, purchases of goods account for over three-quarter of industry expenses, while wages and salaries account for about 10 per cent.

Profit margins in Retail trade are the lowest of any industry, averaging 4.5 per cent compared with 10.8 per cent across a selected range of industries.

Over the three decades to 2008, output growth in Retail trade was similar to that of the broader economy, averaging 3.2 per cent per annum. However, recent business surveys indicate that economic activity in Retail trade is now declining and business confidence is low relative to other industries.

## **Labour market structure and trends**

Relative to the workforce as a whole, the retail industry contains high proportions of women, young people and part-time workers. Some 58 per cent of Retail trade employees are female, one third are aged 15 to 24 years and 48 per cent work part-time.

The Other store-based retailing and Food retailing subdivisions together employ 85 per cent of all retail workers (51 and 34 per cent, respectively). All subdivisions, except for Motor vehicle and motor vehicle parts retailing and Fuel retailing, have a preponderance of female workers. Part-time workers outnumber full-time workers in Food retailing.

Retail workers tend to have lower educational qualifications than the workforce as a whole. This is related both to the large proportion of young people employed in the industry and the low-skilled occupations which predominate in the industry.

Retail trade workers are more likely than the workforce as a whole to be either unemployed or underemployed. They also have shorter average job tenure and are more likely than unemployed workers from any other industry to have voluntarily left their last job.

Over the last two decades, part-time employment in Retail trade has grown very strongly, alongside only modest growth in full-time employment. Between 1985 and 2008, the number of people employed increased by 70 per cent and total hours worked increased by 50 per cent.

Over the same period, there was strong employment growth in both Food retailing and Other store-based retailing. By contrast, Motor vehicle retailing and Fuel retailing showed only minor employment growth.

Over the period 1988-89 to 2003-04, labour productivity improved more slowly in Retail trade than across the market sector as a whole, while the picture for multifactor productivity was more mixed. In the period from 2003-04 to 2007-08, however, Retail

trade experienced stronger growth than the total market sector in both measures of productivity.

## **Forms and conditions of employment**

People employed in Retail trade are less likely to be owner-managers than in the workforce as a whole (13.2 per cent compared with 18.3 per cent).

Among employees, the high rate of part-time work means that there is a high incidence of casual employment as indicated by lack of entitlement to paid leave. Some 42 per cent of all employees and 73 per cent of part-time employees in Retail trade have no entitlement to paid leave, compared with 26 per cent and 59 per cent, respectively, across all industries.

Despite the relatively high proportion of casual workers in Retail trade, employees in the industry do not differ substantially from the average in the degree of control they are able to exercise over their working arrangements. They are slightly less likely to report that they have some say in their start and finish times, that they are able to choose to work extra hours and that they undertake shift work. They are, however, more likely than the average to have earnings that vary from week to week, indicating that many (just under 30 per cent) have fluctuating work patterns.

There is also some evidence that retail industry workers have less access to work-related training than employees in other industries.

## **Earnings and wage instruments**

On average, employees in Retail trade earn less than employees in most other industries. Their average weekly earnings are only 61 per cent of the average across the whole workforce. While this is influenced by the high proportions of part-time workers and junior employees, even among full-time adult employees, average weekly ordinary time earnings (AWOTE) are only about three-quarters the average across all industries.

Relatively few employees in the retail industry appear to earn an hourly wage less than or equal to the Federal Minimum Wage (FMW). However, in May 2006 hourly earnings within the industry were highly concentrated in a narrow band between \$15 and \$19 an hour, with over half of all adult employees earning wages in this range, compared with only 27 per cent of the whole adult workforce. Median hourly adult earnings in the retail industry were thus around \$17.60 per hour, compared with \$21 per hour for all adult employees.

In May 2006, around 10 per cent of all employees in Retail trade were paid junior wage rates and, of these, around two-thirds were estimated to be earning the hourly equivalent of the FMW or less.

As measured by the Wage Price Index, average annual wage growth in Retail trade has been slightly less than overall wage growth for the past decade. However, AWOTE for full-time adult employees has grown at about the same rate as AWOTE for all industries, indicating that the skill levels of the retail workforce have improved along with those of the workforce as a whole.

Retail trade employees are more likely than workers across all industries to receive wages set by an industrial award, and less likely to have their wages set by collective agreement or individual arrangement.

Unlike the situation in most other industries, however, retail employees on award wages have very similar average earnings to those covered by collective agreements. This suggests that, within this industry, collective agreements are fairly closely aligned with relevant awards.

When the distributions of adult hourly earnings are compared, award-reliant workers in Retail trade tend to be lower-paid than award-reliant workers in general. However, the difference is less marked than for the relevant distributions of hourly earnings of all adult workers. Median hourly earnings for award-reliant adult retail employees are only slightly lower than median hourly earnings for all award-reliant adult employees (\$17 compared with \$18 per hour).

In recent years, wage rises negotiated under collective agreements within the retail industry have been lower than the average across all industries.

# 1 Introduction

This report examines the structural and workforce profile of the Retail trade industry. This industry is of interest to the Australian Fair Pay Commission because it employs a relatively large proportion of low-skilled and low-paid employees. It also relies relatively heavily on industrial awards for setting rates of pay.

The report is structured as follows:

- Section 2 provides an overview of the Retail trade industry. It defines the types of businesses that are included in the industry, and gives a sense of how important the industry is to the overall economy.
- Section 3 examines the structure and performance of the industry. In particular, it looks at the importance of wages to overall costs. It also discusses how well the industry has been performing over time.
- Section 4 profiles the workforce of the industry. It looks at the composition of the workforce in terms of factors such as age, gender, industry subdivision, and skill level. It charts recent labour market trends, including growth in employment and productivity improvements.
- Section 5 outlines employment arrangements and working conditions in Retail trade, relative to those in the employed workforce as a whole.
- Finally, Section 6 focuses on the earnings of employees in Retail trade. It covers topics such as the earnings distribution, how fast wages have grown within the industry in recent years, and the extent of reliance on award rates of pay.

## 2 Industry overview

### Definition of Retail trade

According to the Australian Bureau of Statistics (ABS), the Retail trade industry division includes 'units mainly engaged in the purchase and onselling, commission based buying, and commission based selling of goods, without significant transformation, to the general public'.<sup>1</sup>

While most businesses in Retail trade operate from premises located and designed to attract walk-in customers, the industry also includes business units that buy and onsell goods through non-traditional means, such as the internet.

While the majority of businesses that sell products to other businesses would be classified as belonging to the Wholesale trade industry, a business that sells to both other businesses and the general public is classified to Retail trade if it meets certain criteria, such as operating shop-front premises to attract walk-in customers and engaging in mass media advertising.

### Classification structure

Under the 1993 Australian and New Zealand Standard Industrial Classification (ANZSIC) system, the Retail trade industry was divided into three industry subdivisions:

- Food retailing;
- Personal and household good retailing; and
- Motor vehicle retailing and services.

Under the revised ANZSIC 2006 system, there are five industry subdivisions:

- Motor vehicle and motor vehicle parts retailing;
- Fuel retailing;
- Food retailing;
- Other store-based retailing; and
- Non-store retailing and retail commission based buying and/or selling.

Major differences between the two classifications include the removal from the 2006 classification of the following broad categories included in the 1993 classification:

- takeaway food services - originally part of the Food retailing industry subdivision, these are now included in the Food and beverage services subdivision of the Accommodation and food services industry division;

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<sup>1</sup> ABS, *Australian and New Zealand Standard Industrial Classification 2006*, February 2006, Catalogue 1292.0, Canberra, ABS, p. 244.

- businesses specialising in repairs and maintenance (eg of motor vehicles or household equipment) – these have been reclassified to the Repairs and maintenance subdivision of the Other services industry division; and
- various wholesaling activities previously classified as Motor vehicle retailing and services and now classified as part of the Wholesale trade industry division.

With those exceptions outlined above, the concordance between the two classification systems is roughly as follows:

<b>ANZSIC 1993</b>	<b>ANZSIC 2006</b>
Food retailing	Food retailing
Personal and household good retailing	Other store-based retailing Non-store-based and retail commission-based buying and/or selling
Motor vehicle retailing and services	Motor vehicle and motor vehicle parts retailing Fuel retailing

The industry subdivisions are further divided into industry groups. Appendix A provides a list of the Retail trade industry subdivisions and groups for both the ANZSIC 2006 and ANZSIC 1993 classification systems.

This report uses data from both classification systems. Wherever possible, data based on the ANZSIC 2006 industry classification have been used. However, for some purposes (for example, analysis of employee earnings), the only available data are based on the 1993 industry classification. In each case the report notes the system that has been used, either in a footnote, or underneath the relevant table or chart.

## **The contribution of Retail trade to the total economy**

Retail trade is an important sector of the economy, particularly in terms of employment (Table 1).

- In 2007-08, the Retail trade industry accounted for \$314 billion of sales and for \$60 billion, or 6.4 per cent, of value added to the economy.
- On average, over the four quarters to June 2008, Retail trade accounted for 14.6 per cent of employment and a somewhat lower proportion (12.5 per cent) of hours worked. Its share of wages and salaries in 2007-08 was, however, much lower, at only 7.5 per cent.
- In terms of total investment and capital stock, the Retail trade industry is a relatively small contributor to the economy.

**Table 1: Contribution of Retail trade to the Australian economy, 2007-08**

	Retail trade	Percentage of total
Value added (\$m)	60 144	6.4
Sales (\$m)	314 322	na
Employment ('000s)	1 545	14.6
Hours worked per week ('000s)	45 831	12.5
Wages and salaries (\$m)	35 970	7.5
Investment (\$m)	8 344	3.6
Capital stock (\$m)	67 857	3.3

Notes: Based on ANZSIC 1993 classification system. Figures are expressed in terms of current prices. Total figures are the sum of all industries, and exclude categories such as ownership of dwellings. Employment and hours worked figures are averaged over the four quarters of the financial year. na = not available.

Source: ABS, *Australian National Accounts*, 2007-08, Catalogue No. 5204.0, Canberra, ABS; ABS, *Business Indicators*, September 2008, Catalogue No. 5676.0, Canberra, ABS; and ABS, *Labour Force, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

## Earnings by industry subdivision and group

Table 2 summarises 2006 data on average hourly earnings for full-time non-managerial adult employees within the Retail trade industry, by industry subdivision and group. This shows that, for the industry as a whole, average earnings were slightly less than 75 per cent of average earnings across all industries.

**Table 2: Average hourly cash earnings of full-time non-managerial adult employees in Retail trade industry, by industry subdivision/group, May 2006**

Industry subdivision/group	Average earnings (\$ per hour)
<b>Food retailing</b>	<b>18.90</b>
Supermarket and grocery stores	19.80
Specialised food retailing	17.60
<b>Personal and household good retailing</b>	<b>19.40</b>
Department stores	20.90
Clothing and soft good retailing	17.20
Furniture, houseware and appliance retailing	19.30
Recreational good retailing	17.20
Other personal and household good retailing	21.90
Household equipment repair services	23.20
<b>Motor vehicle retailing and services</b>	<b>20.30</b>
Motor vehicle retailing	20.10
Motor vehicle services	20.40
<b>Retail trade</b>	<b>19.60</b>
<b>All industries</b>	<b>26.30</b>

Note: Based on ANZSIC 1993 classification system

Source: ABS, *Employee Earnings and Hours*, May 2006, Catalogue No. 6306.0, Canberra, ABS, Table 2 (data cube).

At the industry subdivision level, average hourly earnings occupied a relatively small range, from \$18.90 in the lowest-paid subdivision (Food retailing) to \$20.30 in the highest-paid (Motor vehicle retailing and services). The three lowest-paid industry

groups within Retail trade were also the three lowest-paid industry groups across all industries (excluding Agriculture, forestry and fishing). On the other hand, the industry group with the highest average earnings in 2006, Household equipment and repair services, was a clear outlier which has now been reclassified to the Other services industry division.

## 3 Industry structure and performance

### Industry structure

#### Output by subdivision

Under the ANZSIC 2006 classification, the largest subdivisions of Retail trade are Other store-based retailing and Food retailing. In 2005-06, these subdivisions accounted for \$41.4 billion, or 83.2 per cent of the value added by the Retail trade industry (Table 3).

**Table 3: Value added by Retail trade subdivisions, 2005-06**

	Value added (\$m)	Percentage of industry value added
Motor vehicle and motor vehicle parts retailing	6035	12.1
Fuel retailing	1566	3.1
Food retailing	13759	27.7
Other store-based retailing	27634	55.6
Non-store retailing and retail commission-based buying and/or selling	731	1.5
<b>Total retail industry</b>	<b>49724</b>	<b>100.0</b>

Note: Based on ANZSIC 2006 classification system. Other store-based retailing includes Furniture, floor coverings, houseware and textile goods retailing; Electrical and electronic goods retailing; Hardware, building and gardening supplies retailing; Recreational goods retailing; Clothing, footwear and personal accessory retailing; Department stores and Pharmaceutical and other store-based retailing.

Source: ABS, *Retail and Wholesale Industries*, 2005-06, Catalogue No. 8622.0, Canberra, ABS.

#### Industry concentration

Retail trade is moderately concentrated, with large businesses (those with 200 or more people employed) accounting for about 46 per cent of total industry wages and salaries and slightly lower proportions of sales and service income and value added in 2006-07 (Table 4). These are slightly higher than the respective proportions contributed by a selected group of industries.

Relative to the group of industries, small retail businesses accounted for a higher proportion of wages and salary expenditure (34 per cent compared with 29 per cent), a slightly lower proportion of sales and service income and a similar proportion of value added. Medium businesses generated around one quarter of income, but accounted for only one fifth of both wages and salaries and value added.

**Table 4: Wages and salaries, sales and service income, and industry value added by business size, 2006-07**

	Percentage of industry total		
	Wages and salaries	Sales and service income	Industry value added
<b>Retail trade</b>			
Small (<20 employed)	33.9	30.9	35.6
Medium (20-199 employed)	20.2	25.3	20.3
Large (200+ employed)	45.9	43.8	44.1
<b>Total selected industries</b>			
Small	28.8	32.9	35.0
Medium	27.7	24.7	23.6
Large	43.5	42.5	41.4

Note: Based on ANZSIC 2006 classification system. Total selected industries excludes Financial and insurance services and Public administration and safety. Results from small and medium businesses have large standard errors and should be used with caution.

Source: ABS, *Australian Industry*, 2006-07, Catalogue No. 8155.0, Canberra, ABS.

### Regional distribution

Most of the value added by the Retail trade industry derives from New South Wales (31.2 per cent), Queensland (23.5 per cent) and Victoria (23.0 per cent). This is not surprising since these are the three largest States in terms of population.

The contribution of Retail trade to state/territory value added is between 5.3 and 6.6 per cent in most States, but lower in Western Australia and both of the Territories (Table 5).

**Table 5: Industry value added in Retail trade, 2006-07**

	Percentage of national Retail value added	Percentage of State/Territory value added
New South Wales	31.2	5.3
Victoria	23.0	5.3
Queensland	23.5	6.6
South Australia	6.8	5.7
Western Australia	10.7	4.3
Tasmania	2.3	6.5
Northern Territory	0.8	3.4
Australian Capital Territory	1.6	4.1
<b>Australia</b>	<b>100.0</b>	<b>5.4</b>

Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Australian National Accounts: State Accounts*, 2007-08, Catalogue No. 5220.0, Canberra, ABS.

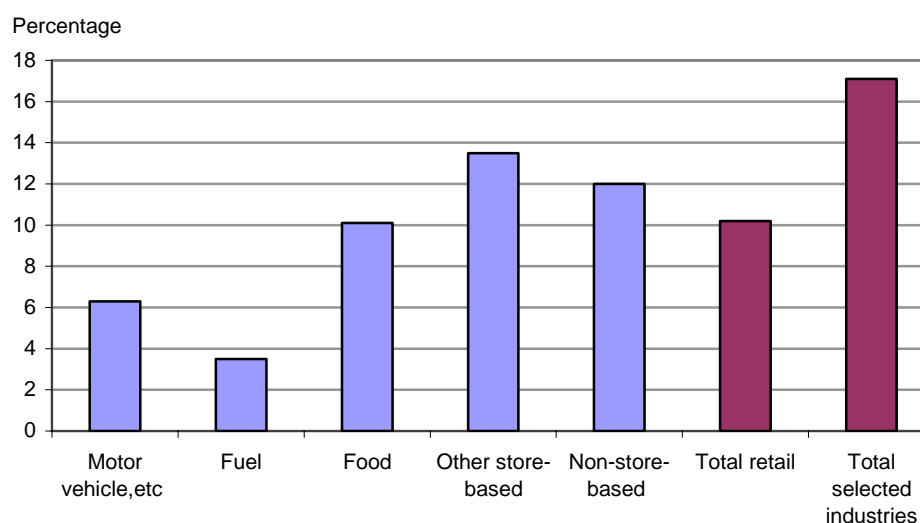
## Income and cost structure

### Income and costs

The main source of income for businesses in Retail trade is retail sales of goods, which in 2005-06 accounted for 76 per cent of total income.<sup>2</sup> In most subdivisions, businesses derived over three-quarters of their income from retail sales of goods. The exceptions were Motor vehicle and motor vehicle parts retailing and Non-store retailing and retail commission based buying and/or selling. Businesses in these categories derived closer to half of their income from retail sales (55 and 45 per cent respectively).

The main source of expenses for businesses in Retail trade is purchases, which in 2005-06 accounted for 75 per cent of total expenses.<sup>3</sup> By contrast, wages and salaries accounted for about 10 per cent of expenses. In subdivisions such as Motor vehicle and motor vehicle parts retailing and Fuel retailing, labour costs are even smaller (6.3 and 3.5 per cent of expenses, respectively). By comparison, the proportion across all selected industries in 2005-06 was 17 per cent (Figure 1).<sup>4</sup>

**Figure 1: Wages and salaries as percentage of total expenses by subdivision, 2005-06**



Note: Based on ANZSIC 2006 classification system. Total selected industries is all industries excluding Financial and insurance services and Public administration and safety.

Source: ABS, *Retail and Wholesale Industries, 2005-06*, Catalogue No. 8622.0, Canberra, ABS; and ABS, *Australian Industry, 2006-07*, Catalogue No. 8155.0, Canberra, ABS.

<sup>2</sup> ABS, *Retail and Wholesale Industries, 2005-06*, Catalogue No. 8622.0, Canberra, ABS.

<sup>3</sup> ABS, *Retail and Wholesale Industries, 2005-06*, Catalogue No. 8622.0, Canberra, ABS.

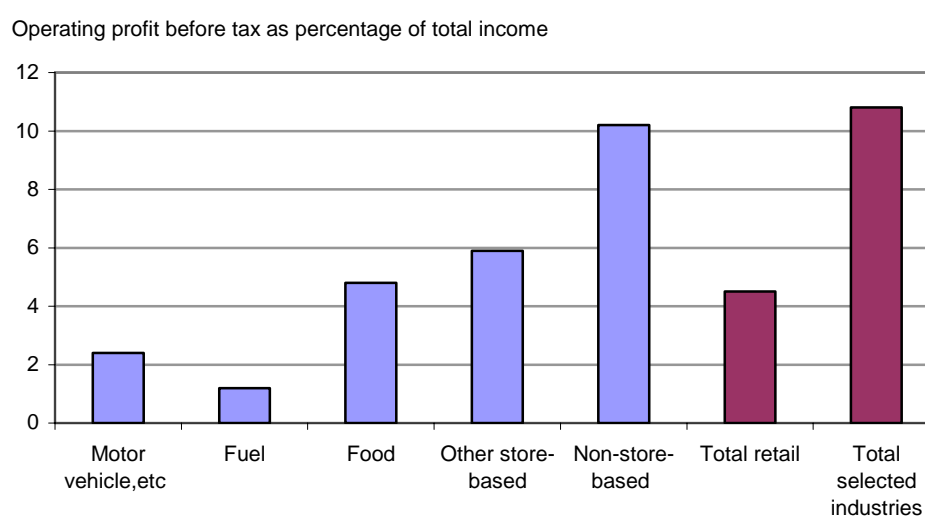
<sup>4</sup> ABS, *Australian Industry, 2006-07*, Catalogue No. 8155.0m Canberra, ABS.

## Profit margins

Businesses in Retail trade tend to operate on the smallest profit margins of all industries. In 2005-06, the profit margin in Retail trade was 4.5 per cent, compared with 10.8 per cent for all selected industries (Figure 2). The only industry with a similarly small profit margin was Wholesale trade (4.7 per cent).<sup>5</sup>

There is, however, substantial variation in the profitability of Retail trade industry subdivisions. Operating profit margins in 2005-06 ranged from 1.2 per cent in Fuel retailing to 10.2 per cent in Non-store retailing and retail commission based buying and/or selling (Figure 2).

**Figure 2: Profit margins by subdivision, 2005-06**



Note: Based on ANZSIC 2006 classification system. Profit margins calculated as the percentage of sales and service income available as operating profit before tax. Total selected industries is all industries excluding Financial and insurance services and Public administration and safety. Estimates for Fuel retailing and Non-store retailing and retail commission-based buying and/or selling have relatively large standard errors and should be interpreted with caution. Source: ABS, *Retail and Wholesale Industries*, 2005-06, Catalogue No. 8622.0, Canberra, ABS; and ABS, *Australian Industry*, 2006-07, Catalogue No. 8155.0, Canberra, ABS.

## Industry performance

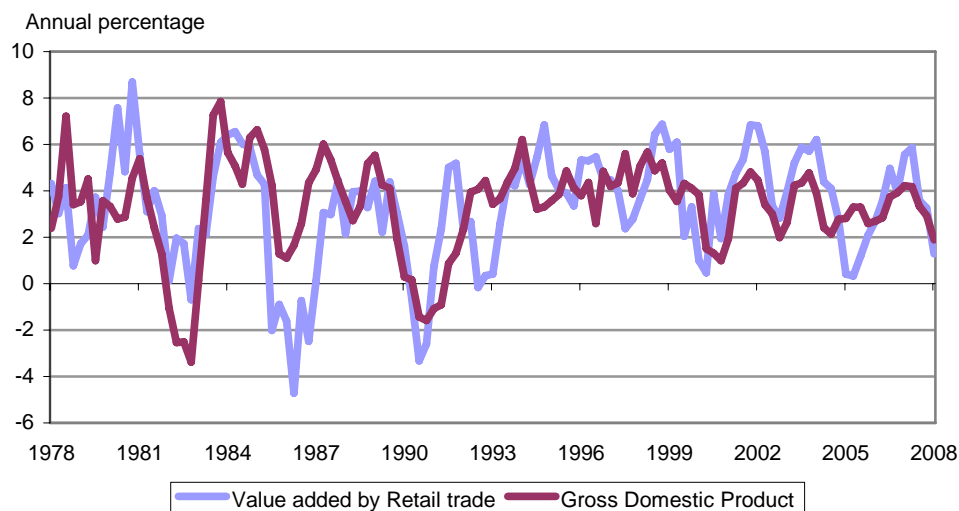
### Output growth

Over the past three decades, output growth in Retail trade has been similar to that in the rest of the economy. Over the period from the September quarter 1978 to the September quarter 2008, the value added by Retail trade grew at a rate of 3.2 per cent per year, while the economy as a whole grew at a rate of 3.3 per cent per year (Figure 3).

<sup>5</sup> ABS, *Retail and Wholesale Industries*, 2005-06, Catalogue No. 8622.0, Canberra, ABS; and ABS, *Australian Industry*, 2006-07, Catalogue No. 8155.0, Canberra, ABS.

Growth in Retail trade, like that in the Manufacturing, Construction and Wholesale trade industries, is relatively closely correlated with the economic cycle. This is because the industry relies heavily on consumer spending.

**Figure 3: Growth in real output, 1978 to 2008**



Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, September 2008, Catalogue No. 5206.0, Canberra, ABS.

## Business surveys

Business surveys indicate that economic activity in Retail trade is declining. According to the (seasonally adjusted) Australian Industry Group-Commonwealth Bank Performance of Services Index, economic activity in Retail trade contracted for 10 consecutive months from April 2008 to January 2009. The related Employment Index shows that employment in Retail trade fell for 12 consecutive months.<sup>6</sup>

The Hudson Report shows that hiring intentions in Retail trade remain subdued, with employers unwilling to increase the number of staff until the longer-term outlook becomes clearer.<sup>7</sup>

The Sensis Business Index of November 2008 indicates that Retail trade has one of the lowest levels of business confidence relative to other industries, with 40 per cent of businesses pessimistic about conditions in the next 12 months.<sup>8</sup> Similarly, the National Australia Bank (NAB) Monthly Business survey also shows that business confidence in

<sup>6</sup> Australian Industry Group-Commonwealth Bank, *Australian PSI*, January 2009, <[http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE\\_CONTENT/Economic%2520Indicators/PSI/2009/7315\\_PSI\\_Jan09.pdf](http://www.aigroup.com.au/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/LIVE_CONTENT/Economic%2520Indicators/PSI/2009/7315_PSI_Jan09.pdf)>.

<sup>7</sup> Hudson, *The Hudson Report – Employment and HR Trends*, January 2009, <<http://au.hudson.com/documents/au-hudson-report-january-2009.pdf>>.

<sup>8</sup> Sensis, *Sensis Business Index – Small and Medium Enterprises*, November 2008, <<http://www.about.sensis.com.au/media/pdf/SBA-Archive/sba/sbi/2008/November2008SensisBusinessIndex.pdf>>.

Retail trade has significantly deteriorated over the four months to December 2008 and that business conditions in the industry have been weak since May 2008.<sup>9</sup>

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<sup>9</sup> National Australia Bank, *NAB Monthly Business Survey & Economic Outlook*, December 2008, <<http://www.nab.com.au/wps/wcm/connect/b3b9ab804cd36a4a9e19bfeaf6aceae7/MBSDec08PR.pdf?MOD=AJPERES&CACHEID=b3b9ab804cd36a4a9e19bfeaf6aceae7>>.

## 4 Labour market structure and trends

### The retail trade workforce

#### Composition of employment

In November 2008, there were an estimated 1.2 million people employed in the Retail trade industry, representing 11.2 per cent of total employment across all industries in Australia (Table 6).<sup>10</sup>

**Table 6: Employed persons by gender and employment status, November 2008**

	Retail trade		All industries
	No. ('000s)	% of industry employment	% of total employment
<b>Men</b>			
Full-time	348.0	29.0	46.8
Part-time	158.2	13.2	8.0
<b>Women</b>			
Full-time	279.6	23.3	24.9
Part-time	414.2	34.5	20.3
<b>Total</b>	<b>1200.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

Female part-time employees form a particularly large part of the Retail trade workforce - almost 35 per cent, compared with 20 per cent of the workforce as a whole. Among male employees, full-time employment is much lower, and part-time employment higher, in Retail trade than in the entire workforce - 29 and 13 per cent, compared with 47 and 8 per cent, respectively.

Table 7 shows that Retail trade also has a much higher proportion of younger workers (particularly in the 15 to 19 year old age group), and lower proportions of workers aged 25 to 64, than in the workforce as a whole. Over one third of all employees in Retail trade are aged 15 to 24, compared with about one in six across all industries.

<sup>10</sup> Based on the ANZSIC 2006 classification system. The number of people employed in Retail trade based on the ANZSIC 1993 classification was 1 544 900.

**Table 7: Employed persons by age, November 2008**

Age (yrs)	Retail trade		All industries
	No. ('000s)	% of industry employment	% of total employment
15-19	229.2	19.1	6.6
20-24	186.9	15.6	10.4
25-34	233.1	19.4	21.9
35-44	206.4	17.2	23.1
45-54	195.3	16.3	22.2
55-59	81.9	6.8	8.1
60-64	42.0	3.5	5.1
65 and over	25.2	2.1	2.5
<b>Total</b>	<b>1200.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

Not surprisingly, retail industry employment is higher in more populous regions and States. The retail industry in Sydney employs the largest number of workers (301 500), followed by Melbourne (269 800) and Brisbane (230 500)<sup>11</sup>. New South Wales, as the most populous state, accounts for 31 per cent of Retail trade employment, followed by Victoria (24 per cent) and Queensland (22 per cent). Tasmania and the two Territories together account for less than 5 per cent of total Retail trade employment<sup>12</sup>.

### Employment by subdivision

Under the ANZSIC 1993 classification system, in November 2008 Food retailing and Personal and household good retailing each represented around 40 percent of the Retail trade workforce (Table 8).

**Table 8: Employment by Retail subdivision, ANZSIC 1993 and ANZSIC 2006 classifications, November 2008**

ANZSIC 1993			ANZSIC 2006		
Industry subdivision	No. ('000s)	% of total	Industry subdivision	No. ('000s)	% of total
Motor vehicle retailing and services	265.2	17.2	Motor vehicle and motor vehicle parts retailing	87.0	7.2
			Fuel retailing	43.2	3.6
Food retailing	611.8	39.6	Food retailing	407.9	34.0
Personal and household good retailing	630.3	40.8	Other store-based retailing	614.6	51.2
Other retail trade	37.6	2.4	Non-store retailing and retail commission based buying and/or selling	9.1	0.8
			Other retail trade	38.2	3.2
<b>Total</b>	<b>1544.9</b>	<b>100.0</b>	<b>Total</b>	<b>1200.0</b>	<b>100.0</b>

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003.

<sup>11</sup> Australian Government (2008), *Employment Outlook for Retail*, July 2008, skillsinfo.gov.au, p. 12.

<sup>12</sup> ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

Following introduction of the ANZSIC 2006 classification system, Food retailing remains one of the largest subdivisions (34 per cent)<sup>13</sup>, but Other store-based retailing now accounts for over half of all Retail trade employment (51 per cent). The latter category includes Department stores, Electrical and electronic goods retailing and Clothing, footwear and personal accessory retailing.

Table 9 again illustrates the higher proportion of female employment in Retail trade relative to the workforce as a whole (58 per cent compared with 45 per cent). In November 2008, female employment exceeded male employment in all subdivisions of Retail trade except for Motor vehicle and motor vehicle parts retailing and Fuel retailing. Non-store retailing and retail commission-based buying/and or selling, which includes for example direct selling of books and cosmetics, has a particularly high proportion of female employment (92 per cent).

Relative to the workforce as a whole, Retail trade has a substantially lower proportion of full-time workers and consequently a higher proportion of part-time workers. The difference is close to 20 percentage points.

**Table 9: Composition of employed persons by Retail subdivision, November 2008**

Subdivision	Total Employment		Proportion (%) of total subdivision employment							
			Male		Female		Total male	Total female	Total FT	Total PT
	No. ('000s)	%	FT	PT	FT	PT				
Motor vehicle and motor vehicle parts retailing	86.9	7.2	70.5	4.1	17.6	7.8	74.6	25.4	88.1	11.9
Fuel retailing	43.2	3.6	35.9	15.3	30.1	18.7	51.2	48.8	66.0	34.0
Food retailing	408.1	34.0	24.0	20.2	18.0	37.8	44.3	55.7	42.0	58.0
Other store-based retailing	614.7	51.2	26.3	9.8	26.5	37.4	36.1	63.9	52.8	47.2
Non-store retailing and retail commission based buying and/or selling	9.1	0.8	1.1	6.6	46.2	46.2	7.7	92.3	47.3	52.7
Other retail trade	38.1	3.2	30.1	11.4	29.4	29.1	41.5	58.5	59.5	40.5
<b>Total retail trade</b>	<b>1200.0</b>	<b>100.0</b>	<b>29.0</b>	<b>13.2</b>	<b>23.3</b>	<b>34.5</b>	<b>42.2</b>	<b>57.8</b>	<b>52.3</b>	<b>47.7</b>
<b>All industries</b>	<b>10717.5</b>		<b>46.8</b>	<b>8.0</b>	<b>24.9</b>	<b>20.3</b>	<b>54.8</b>	<b>45.2</b>	<b>71.7</b>	<b>28.3</b>

Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

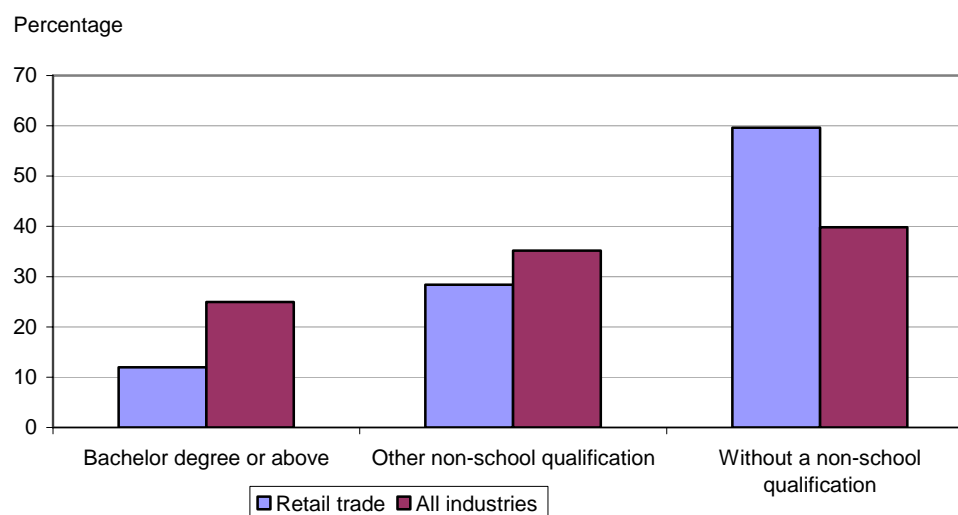
## Qualifications

Retail workers tend to have lower levels of educational attainment than the workforce as a whole. Figure 4 shows that in May 2008, the proportion of Retail trade employees without a non-school qualification (60 per cent) was substantially higher than for the workforce in general (40 per cent). In particular, the percentage of Retail workers with

<sup>13</sup> The size of the Food retailing subdivision from ANZSIC 1993 was significantly affected by the reclassification of Takeaway food retailing to Accommodation and food services in ANZSIC 2006.

a Bachelor degree or above (12 per cent) was around half that of the entire workforce (25 per cent). This can be partly explained by the relatively high proportion of young people employed in the industry (see Table 7), many of whom are still attending school or undertaking post-school study.

**Figure 4: Employed persons by level of educational attainment, May 2008**



Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Education and Work*, May 2008, Catalogue No. 6227.0, Canberra, ABS.

## Occupations

The Retail trade industry also employs a high percentage of workers in low-skilled occupations relative to the workforce as a whole (Table 10). In November 2008, over 65 per cent of employment in Retail trade was in the three low-skilled occupational groups of Sales workers, Machinery operators and drivers and Labourers, compared with around 27 per cent of the total workforce. While the proportion of Managers was relatively higher than in the workforce as a whole, this likely reflects the high proportion of owner-managers employed in the industry (see Table 12)<sup>14</sup>.

**Table 10: Employed persons by major occupational group, November 2008**

	Retail trade		All industries
	No. ('000s)	%	%
Managers	196	16.3	12.6
Professionals	45	3.7	20.9
Technicians and trades workers	80	6.6	15.2
Community and personal service workers	4	0.3	8.9
Clerical and administrative workers	89	7.4	15.3
Sales workers	623	51.7	9.5
Machinery operators and drivers	33	2.7	6.8
Labourers	135	11.2	10.9
<b>Total</b>	<b>1205</b>	<b>100.0</b>	<b>100.0</b>

<sup>14</sup> While ANZSCO classifies the majority of managers as Skill Level 1, Retail managers are classified as Skill Level 2.

Note: Based on ANZSIC 2006 and Australian and New Zealand Standard Classification of Occupations (ANZSCO) 1<sup>st</sup> Edition.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, February 2009, Catalogue No. 6291.0.55.003, Canberra, ABS.

The Department of Education, Employment and Workplace Relations reports that, under the 1993 ANZSIC classification system, the most common low-skilled occupations in the retail industry in 2007 were:

- Sales Assistants - 460 900 people employed;
- Checkout Operators and Cashiers – 121 800;
- Storepersons – 116 900;
- Kitchenhands – 32 400, and
- Retail and Checkout Supervisors – 27 400.<sup>15</sup>

## Underutilisation

On average, over the four quarters to November 2008, there were approximately 39 000 unemployed people whose most recent job had been in Retail trade. Dividing this number by the total in the Retail labour force gives an average 'unemployment rate' over those four quarters of 3.1 per cent. This was higher than the comparable average across all industries (2.6 per cent).<sup>16</sup>

In November 2008 there were 209 000 people working in Retail trade who reported they were underemployed (based on the ANZSIC 1993 classification). As a proportion of all those employed in Retail trade, this represents an underemployment rate of 13.5 per cent. Female employees were more likely than male employees to be underemployed (16.4 per cent compared with 10.3 per cent).

Retail trade was second only to Accommodation, cafes and restaurants in the rate of underemployment. Across all industries the rate of underemployment was 6.7 per cent.<sup>17</sup>

## Employment tenure

On average, employees in Retail trade have shorter job tenure than in the workforce as a whole. Figure 5 shows that in February 2008, 43.3 per cent of employees in Retail had been with their current employer/business for less than two years, compared with 34.1 per cent across all industries. High staff turnover is common in industries with a high concentration of low-skilled jobs, such as Retail trade and Accommodation and food services.

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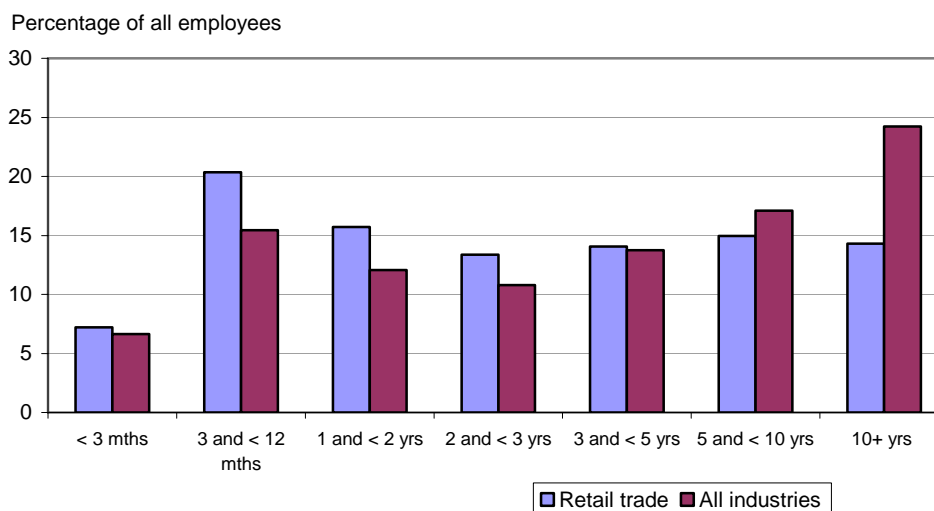
<sup>15</sup> Australian Government (2007), *Employment Outlook for Retail*, July 2008, skillsinfo.gov.au, p.12.

<sup>16</sup> ABS, *Labour Force, Australia, Detailed, Quarterly*, Catalogue No. 6291.0.55.003, Canberra, ABS. This is lower than the aggregate unemployment rate as it excludes people who have never worked for two weeks or more, or who most recently held a job more than two years ago.

<sup>17</sup> ABS, *Australian Labour Market Statistics*, January 2009, Catalogue No. 6105.0, Canberra, ABS, Table 4.5. Underemployed workers are part-time workers who want, and are available for, more hours of work than they currently have.

However, even among industries with high proportions of low-paid workers, Retail trade is distinguished by its relatively high proportion of job leavers. In November 2008, among the unemployed whose last job was in Retail trade, 60 per cent had left their job voluntarily, the remainder having lost their job. There were much lower proportions of job leavers in the other low-paid industries of Accommodation, cafes and restaurants (53 per cent), Health and community services (46 per cent) and Manufacturing (31 per cent).<sup>18</sup>

**Figure 5: Duration of employment with current employer/business, February 2008**



Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Mobility, Australia*, Catalogue No. 6209.0, Canberra, ABS.

## Labour market trends

### Total employment

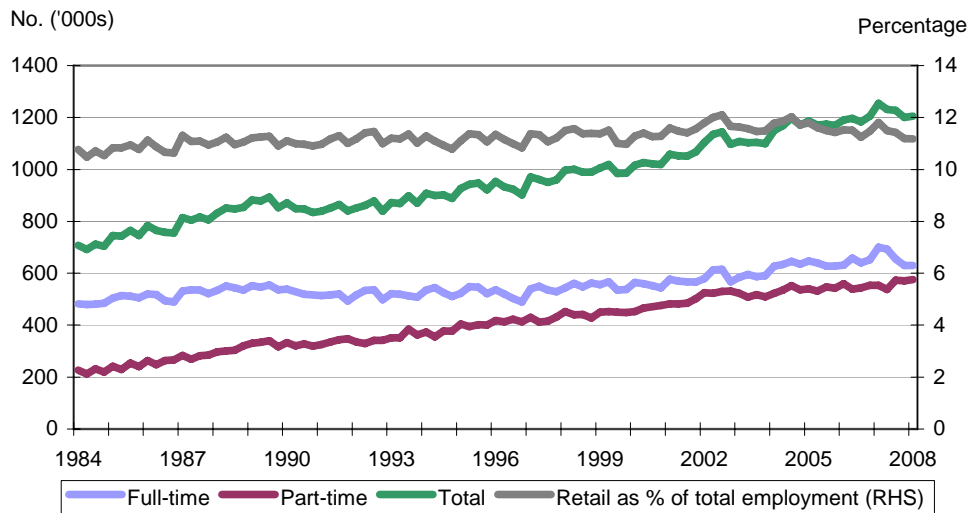
Total employment in Retail trade grew by around 70 per cent between November 1984 and November 2008, from 481 500 to 629 500 (Figure 6). The growth in part-time employment was particularly strong over this period - around 150 per cent from 226 400 to 575 600. By comparison, full-time employment in Retail trade increased by about one third, and total hours worked in Retail trade increased by about 50 per cent.<sup>19</sup>

Figure 6 also shows that retail employment as a share of total employment increased gradually from 10.8 per cent in November 1984 to a peak of 12.1 per cent in May 2003. It has since declined to 11.2 per cent in November 2008.

<sup>18</sup> ABS, *Australian Labour Market Statistics*, January 2009, Catalogue 6105.0, Canberra, ABS, Table 3.3.

<sup>19</sup> ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue 6291.0.55.003, Canberra, ABS, Table 11.

**Figure 6: Persons employed in Retail trade and Retail trade employment as proportion of total employment, November 1984 to November 2008**



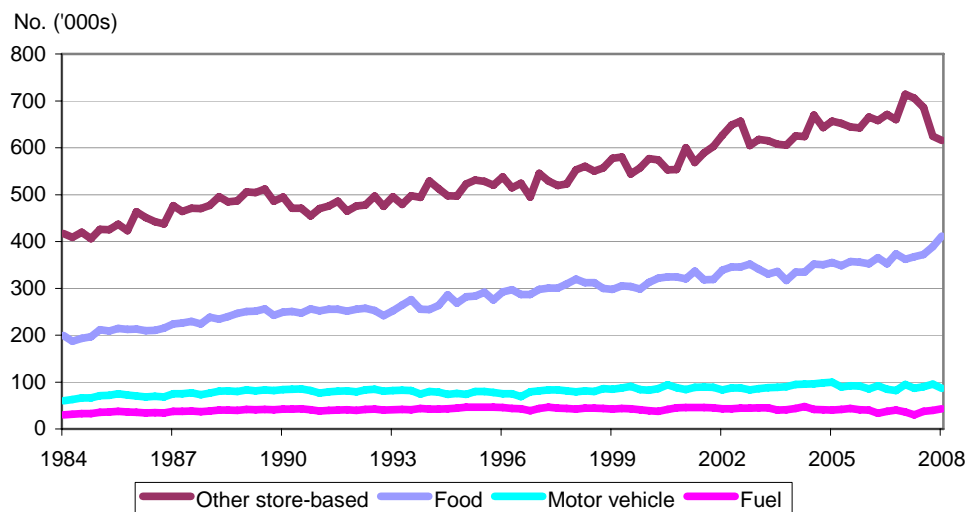
Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue 6291.0.55.003, Canberra, ABS.

### Employment trends by subdivision

Over the past two decades there was steady growth in both Food retailing and Personal and Other store-based retailing (Figure 7).

**Figure 7: Persons employed in Retail trade by main industry subdivision, November 1984 to November 2008**



Note: Based on ANZSIC 2006 classification system.

Source: ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue No. 6291.0.55.003, Canberra, ABS.

Employment in Food retailing more than doubled, from almost 200 000 in November 1984 to 411 300 in November 2008, and is still growing strongly. Employment in Other store-based retailing also grew strongly up until November 2007, but sustained a reduction of almost 100 000 in its workforce (14 per cent) over the four quarters to November 2008. By contrast, there has been relatively little growth, especially since the 1990s, in the other main subdivisions of the industry.

## Labour productivity

Over the whole period from 1988–89 to 2007–08, labour productivity in Retail trade grew by an average of 2.1 per cent per annum - about the same rate of growth as for the entire market sector<sup>20</sup> (Table 11). However, there were differences in average growth rates over particular periods, with growth in Retail labour productivity lagging that of the market sector from 1988–89 to 2003–04 but exceeding it between 2003–04 and 2007–08 by 0.7 percentage points per annum.

**Table 11: Average annual growth rates of labour and multifactor productivity, 1988–89 to 2007–08**

	Retail trade		Total market sector	
	Labour productivity	Multifactor productivity	Labour productivity	Multifactor productivity
1988-89 to 1993-94	1.9	1.2	2.2	1.0
1993-94 to 1998-99	2.5	1.9	3.3	2.3
1998-99 to 2003-04	2.0	1.3	2.2	1.1
2003-04 to 2007-08	1.8	0.6	1.1	-0.3
1998-99 to 2007-08	2.1	1.3	2.2	1.1

Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Experimental Estimates of Industry Multifactor Productivity*, 2007-08, Catalogue No. 5260.0.55.002, Canberra, ABS.

Apart from the period between 1993–94 and 1998–99, Retail trade has shown stronger growth than the total market sector in multifactor productivity (the amount of output produced per combined unit of labour and capital). Average annual multifactor productivity growth for the whole period from 1988–89 to 2007–08 was 1.3 per cent for Retail trade compared with 1.1 per cent for the market sector as a whole. As with labour productivity, this difference was more pronounced over the most recent period.

## Projected employment growth

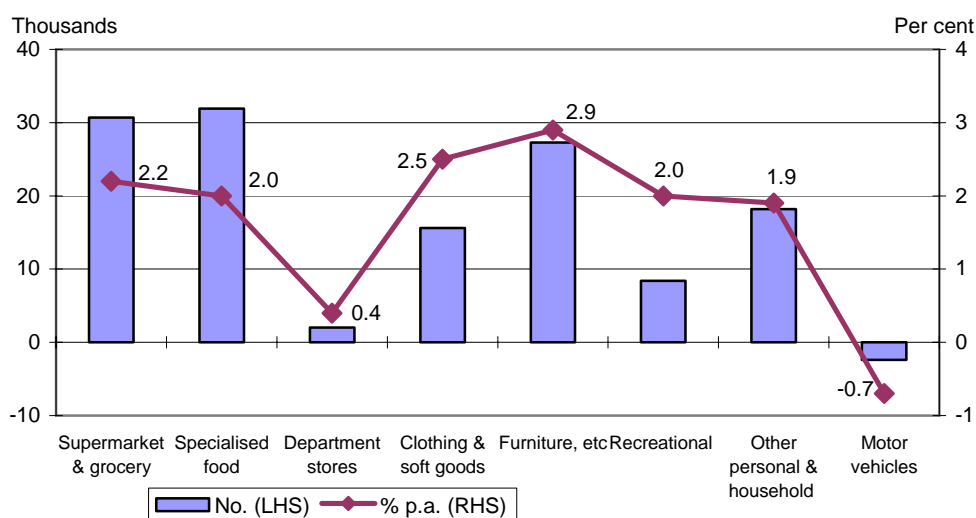
The Department of Education, Employment and Workplace Relations (DEEWR) forecast in July 2008 that, in the five years from 2008–09 to 2012–13, employment would increase in the retail industry by an average of 1.6 per cent per annum (similar to the projected 1.5 per cent per annum growth across all industries). This equates to

<sup>20</sup> The market sector excludes Property and business services; Government administration and defence; Education; Health and community services; and Personal and other services. These are excluded because their outputs are not marketed and/or because their outputs are derived either wholly or primarily by using either deflated input cost data or hours worked as indicators of output. See the explanatory notes for ABS, *Australian National Accounts*, Catalogue No. 5204.0, Canberra, ABS.

around 135 000 new jobs. DEEWR's report noted that the competitiveness of the industry leads Retail trade to capitalise on new technologies to increase efficiency and reduce costs, citing the emergence of e-businesses as an example of this.<sup>21</sup>

Employment was expected to increase in eight of the (ANZSIC 1993) subdivisions of Retail trade over this period (Figure 8). Projected growth was strongest in Furniture, houseware and appliance retailing (2.9 per cent per annum) and in Clothing and soft good retailing (2.5 per cent per annum). Employment in motor vehicle retailing was expected to decline by 0.7 per cent per annum.

**Figure 8: Projected employment growth in Retail sectors, five years to 2012-13**



Note: Based on ANZSIC 1993 classification system.  
 Source: Australian Government (2008), *Employment Outlook for Retail*, July 2008, skillsinfo.gov.au.

Given the economic developments since these employment projections were released in July 2008, and potential vulnerability of the retail industry in such conditions, these projections may need to be reconsidered. It might now be expected that employment growth could be arrested, or even decline, in most subdivisions over the medium term.

<sup>21</sup> Australian Government (2008), *Employment Outlook for Retail*, July 2008, skillsinfo.gov.au, p. 3.

## 5 Forms and conditions of employment

### Employment type

At an industry level, one issue that shapes the employment environment is the percentage of owner-managers in the industry. The great majority of people employed in Retail trade are employees, with only 13 per cent owner-managers in 2007 (Table 12). This was the same level as in the Accommodation and food services industry, but considerably lower than the figure for the workforce as a whole.

Table 12 also shows that men are more likely than women to be owner-managers, in both the retail industry and the workforce as a whole. Moreover, the differences in employment type between Retail trade and other industries are more pronounced for men than for women.

**Table 12: Employment type by gender, November 2007**

	Proportion (%) of total industry employment					
	Retail trade			All industries		
	Men	Women	Persons	Men	Women	Persons
Employee	84.1	89.0	86.8	77.3	87.2	81.7
OMIE	6.6	3.7	5.0	8.3	4.3	6.5
OMUE	9.4	7.4	8.3	14.4	8.6	11.8

Note: Based on 2006 ANZSIC classification. OMIE = owner-manager of incorporated enterprise. OMUE = owner-manager of unincorporated enterprise.

Source: ABS, *Forms of Employment*, November 2007, Catalogue No. 6359.0, Canberra, ABS.

### Access to paid leave

Absence of paid leave entitlements is often used as a proxy for casual employment status.<sup>22</sup> Employees in Retail trade are more likely than employees in most other industries not to have an entitlement to paid leave. As shown in Table 13, 42 per cent of employees in the retail industry do not have paid leave, compared with 26 per cent of all employees.

The high level of casual employment in Retail trade is related to the high proportion of part-time workers in the industry, and also to the proportion of young people employed. Only two industries (Accommodation and food services and Agriculture, forestry and fishing) have a higher rate of casual employment than Retail trade.

<sup>22</sup> This is because employees who do not have paid leave entitlements commonly receive a 'casual loading' in their wage by way of compensation. It does not necessarily mean that the employment in question is insecure, unstable or intermittent.

**Table 13: Employees with and without paid leave, November 2007**

	Proportion (%) of employees in industry	
	With paid leave	Without paid leave
Retail trade	57.6	42.4
All industries	74.5	25.5

Note: Based on 2006 ANZSIC classification.

Source: ABS, *Forms of Employment*, November 2007, Catalogue No. 6359.0, Canberra, ABS.

The much higher than average incidence of casual employment in Retail trade is, however, primarily a feature of part-time employment (Table 14). Full-time employees in the retail industry are only slightly more likely than the average full-time employee to have no paid leave entitlements.

**Table 14: Employees with and without paid leave, by employment status, November 2007**

	Proportion (%) of employees in industry			
	Full-time employees		Part-time employees	
	With paid leave	Without paid leave	With paid leave	Without paid leave
Retail trade	87.2	12.8	26.8	73.2
All industries	88.3	11.7	41.3	58.7

Note: Based on 2006 ANZSIC classification.

Source: ABS, *Forms of Employment*, November 2007, Catalogue No. 6359.0, Canberra, ABS.

## Working arrangements

Despite the relatively high proportion of casual workers in the Retail trade workforce, employees in the industry do not differ very substantially from those in other industries in their degree of control over their working arrangements (Table 15).

Retail workers are only slightly less likely than workers across all industries to indicate that they have some say in their start and finish times and that they were able to choose to work extra hours. They are less likely to report that they usually do shift work. On the other hand, they are more likely to have pay that varies from week to week, suggesting that fluctuating hours of employment are more common in the retail industry.

**Table 15: Selected working time arrangements, November 2006**

	Proportion (%) of all employees	
	Retail trade	All industries
Had some say in start and finish times	35.1	39.9
Able to choose extra hours	34.7	38.2
Usually does shift work	13.7	17.0
Earnings vary	29.5	23.2

Note: Based on 2006 ANZSIC classification.

Source: ABS, *Working Time Arrangements*, November 2006, Catalogue No. 6342.0, Canberra, ABS.

## Access to training

When compared with workers in other industries, workers in Retail trade are provided with relatively little work-related training. Mean annual hours of training in Retail trade fell from 19.5 to 11.2 hours per person over the period 1997 to 2005, a trend that was also evident for the workforce as a whole. Only one other industry (Education) recorded lower mean training hours in 2005.

**Table 16: Mean annual work-related training hours, 1997 to 2005**

	<b>1997</b>	<b>2001</b>	<b>2005</b>
Retail trade	19.5	14.2	11.2
All industries	20.6	17.4	14.7

Note: Based on 1993 ANZSIC classification.

Source: ABS, *Education and Training Experience*, 2005, Catalogue No. 6278.0, Canberra, ABS.

## 6 Earnings and wage instruments

### Earnings

#### Average earnings

In November 2008, average weekly earnings (AWE) for all Retail trade employees (\$554.20 per week) were only 61 per cent of the average across all industries (Table 17). This outcome is, however, strongly influenced by the high proportion of Retail employees who are paid junior rates of pay and/or work part-time. Among full-time adult employees, average weekly ordinary-time earnings (AWOTE) in Retail trade were around three-quarters of the average across all industries (with this ratio slightly lower for male employees and slightly higher for female employees).

**Table 17: Average weekly earnings, November 2008**

	<b>Retail trade</b>	<b>All industries</b>	<b>Ratio Retail trade to All industries (%)</b>
AWE, all employees	554.20	909.50	61
AWOTE, full-time adult employees	881.30	1165.30	76
AWOTE, full-time adult male employees	916.80	1244.10	74
AWOTE, full-time adult female employees	826.80	1032.00	80

Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Average Weekly Earnings*, August 2008, Catalogue No. 6302.0, Canberra, ABS.

According to DEEWR, the Retail sectors with the highest median weekly full-time earnings in 2007 were Motor vehicle retail and Household equipment retail (both \$800), Department stores (\$769) and Furniture, houseware and appliance retail (\$750). Clothing and soft good retail had the lowest median weekly full-time earnings of \$650.<sup>23</sup>

#### Distribution of earnings

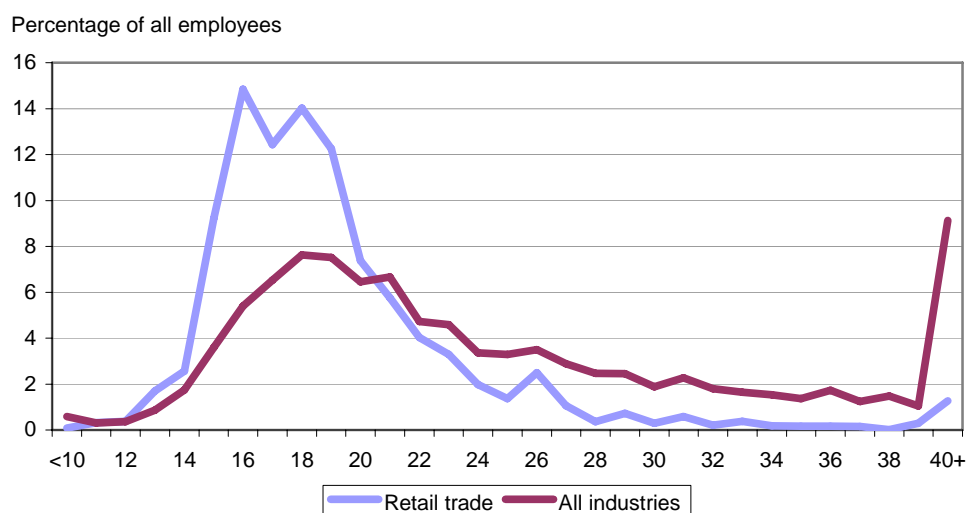
Data from the Employee Earnings and Hours (EEH) survey show that the hourly earnings of adult employees<sup>24</sup> in Retail trade are much more concentrated towards the lower end of the wage distribution than the earnings of adult employees as a whole. In May 2006, 2.5 per cent of adult employees in Retail trade earned up to \$13 per hour (the FMW as of May 2006 was \$12.75 per hour) and 14.3 per cent earned up to \$15 per hour (roughly equivalent to the FMW plus a 20 per cent casual loading). These compared with proportions of 2.1 per cent and 7.5 per cent, respectively, among the entire adult employee population.

<sup>23</sup> Australian Government (2008), *Employment Outlook for Retail*, July 2008, skillsinfo.gov.au, p. 11. ABS *Employee Earnings, Benefits and Trade Union Membership*, Catalogue No. 6310.0, Canberra, ABS is the data source used.

<sup>24</sup> In the EEH survey, adult employees are defined as any employee that is *not a junior employee*, where a junior employee is an employee who is under 21 years of age and earns less than the adult rate for their occupation.

The most striking feature of the earnings distribution depicted in Figure 9 is the heavy concentration of employees earning between \$15 and \$19 an hour. Adult employees in Retail trade were twice as likely as all adult employees (53.5 per cent to 27 per cent) to earn hourly pay within this band. Seventy per cent of adult retail employees earned between \$14 and \$20 per hour, compared with only 37 per cent of all adult employees. As a result, the median earnings of adults working in Retail trade were around \$17.60 per hour, some 84 per cent of the median earnings of all adult employees at that time (\$21 per hour).

**Figure 9: Distribution of hourly total cash earnings (\$1 intervals), adult employees, May 2006**



Note: Based on ANZSIC 1993 classification system. Earnings are segmented using dollar intervals - e.g. \$15 includes amounts over \$14 per hour and equal to or less than \$15 per hour.

Source: ABS, *Employee Earnings and Hours*, May 2006, Catalogue No. 6306.0, Canberra, ABS, unpublished data.

In research undertaken for the Australian Fair Pay Commission<sup>25</sup>, McGuinness, Freebairn and Mavromaras found that data from the Household Income and Labour Dynamics in Australia (HILDA) survey yields higher estimates of the incidence of low pay than those from the EEH data.<sup>26</sup>

Using 2004 data from the HILDA survey, McGuinness et al showed that the incidence of low wages<sup>27</sup> in Retail trade was significantly higher than across all industries, but only among full-time employees. They found that 12.2 per cent of full-time adult employees in Retail trade were paid a low wage, compared with 7.2 per cent across all industries. For part-time adult employees in Retail trade, the incidence of low wages (17.2 per cent) was actually a little lower than the incidence across all industries (17.7 per cent).<sup>28</sup>

<sup>25</sup> S McGuinness, J Freebairn and K Mavromaras, *Characteristics of Minimum Wage Employees*, Australian Fair Pay Commission Research Report No.2/07, July 2007.

<sup>26</sup> Some discrepancy between these two sources of survey data is to be expected. For example, the EEH survey, which collects data directly from employers may not adequately capture 'cash in hand' payments. On the other hand, there may be higher levels of error in earnings and/or hours reported by employees to the HILDA survey.

<sup>27</sup> For the purpose of this study, a low wage was defined as hourly earnings of no more than 110 per cent of the then Federal Minimum Wage.

<sup>28</sup> McGuinness et al, 2007, p. 15.

McGuinness et al also found that Retail trade employees accounted for almost 9 per cent of the low-waged full-time adult workforce and 17.5 per cent of the low-waged part-time adult workforce.<sup>29</sup>

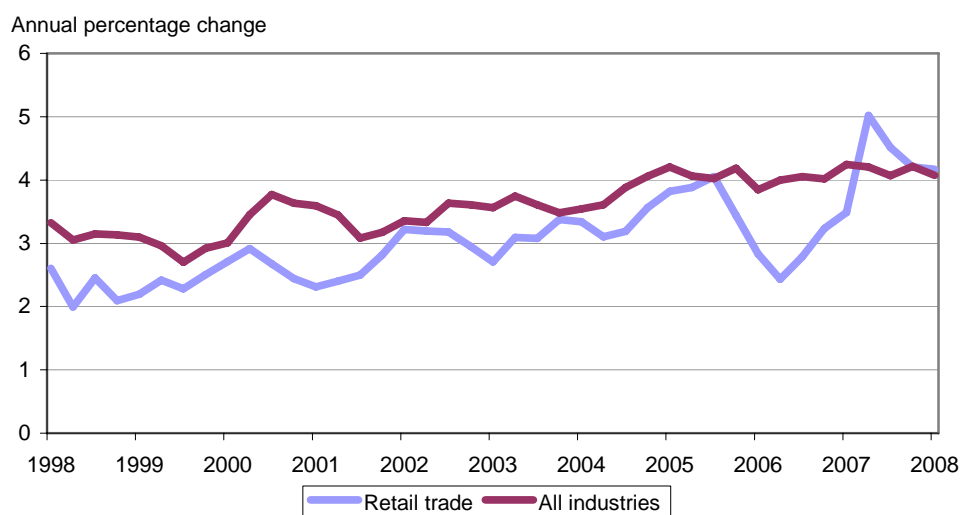
## Junior rates

According to data from the EEH survey, around 10 per cent of all employees in Retail trade were paid junior rates in May 2006 (i.e. they were under 21 years of age and were not paid the full adult rate for their occupation).<sup>30</sup> Of the Retail employees earning junior rates, around two-thirds were estimated to be earning up to \$13 per hour.

## Recent wages growth

Since the introduction of the ABS Wage Price Index (WPI) in the late 1990s, wage growth (as measured by the growth in total hourly rates of pay excluding bonuses) has been lower in Retail trade than across all industries (Figure 10). Average annualised growth in Retail trade wages over the period has been just over 3 per cent, compared with 3.6 per cent across all industries.

**Figure 10: Rate of growth in total hourly rates of pay excluding bonuses, 1998 to 2008**



Note: Based on ANZSIC 1993 classification system.

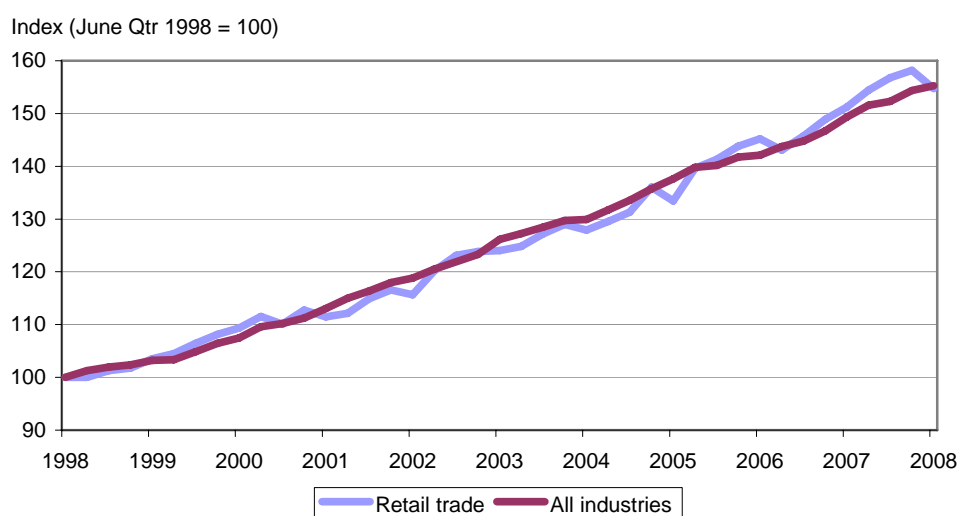
Source: ABS, *Labour Price Index*, September 2008, Catalogue No. 6345.0, Canberra, ABS.

<sup>29</sup> McGuinness et al, 2007, p. 15.

<sup>30</sup> ABS, *Employee Earnings and Hours*, May 2006, Catalogue 6306.0, Canberra, ABS, unpublished data. In the EEH survey, junior employees also include employees who are under 21 years of age and earning apprentice or trainee wages.

Changes in average weekly earnings are affected by both the number of hours worked and the quality of the workforce. Average weekly ordinary-time earnings (AWOTE) for full-time adult employees in Retail trade grew at an annualised rate of 4.5 per cent from August 1997 to August 2008, compared with annualised growth of 3.6 per cent in the WPI total hourly rates of pay measure. Since the latter is designed to measure changes in wages for a given quantity and quality of labour, the difference in outcomes indicates that the skill level of the Retail trade workforce has improved, in line with improvements for the workforce as a whole. Figure 11 shows that, despite lower than average wage growth as measured by the WPI, between 1998 and 2008 AWOTE for full-time adult employees in Retail trade increased by around 55 per cent, about the same as for all full-time adult employees.

**Figure 11: Average weekly ordinary time earnings of full-time adult employees, 1998 to 2008**



Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Average Weekly Earnings*, August 2008, Catalogue No. 6302.0, Canberra, ABS.

## Wage instruments and bargaining

### Method of setting pay

In May 2006, just over one third of employed persons in the Retail trade industry had their pay set by a collective agreement and a slightly smaller proportion had their pay set by individual arrangement (Table 18). Almost three in ten Retail employees had their pay set by awards, well above the corresponding proportion of all employees.

**Table 18: Methods of setting pay, May 2006**

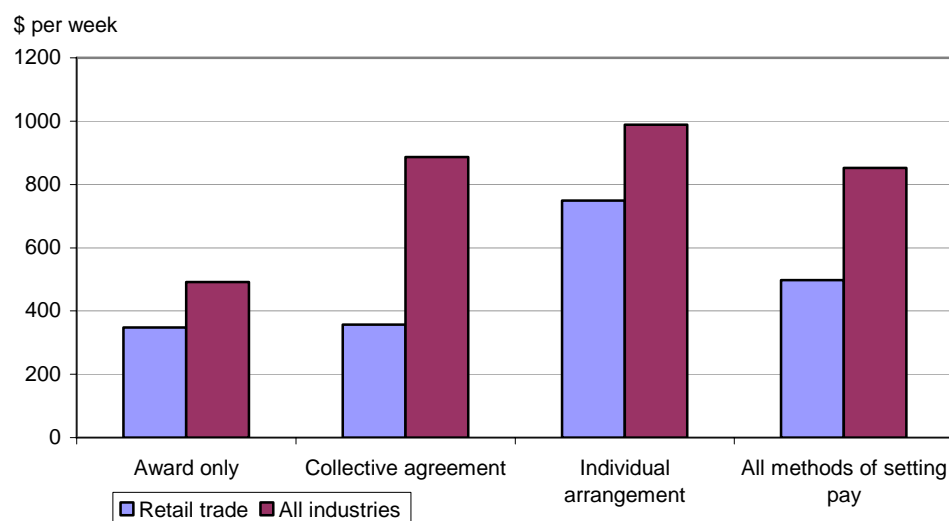
	Proportion of employed persons (%)	
	Retail trade	All industries
Award only	28.7	19.0
Collective agreement	34.8	41.2
Individual arrangement	32.1	34.8
Working proprietor of incorporated business	4.4	5.1
	100.0	100.0

Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Employee Earnings and Hours*, May 2006, Catalogue No. 6306.0, Canberra, ABS.

In most industries, employees who have the main part of their pay set by a collective agreement or individual arrangement earn more than employees who are paid the award rate of pay. However, a very different pattern applies in Retail trade (Figure 12).

**Figure 12: Average weekly total cash earnings by method of setting pay, May 2006**



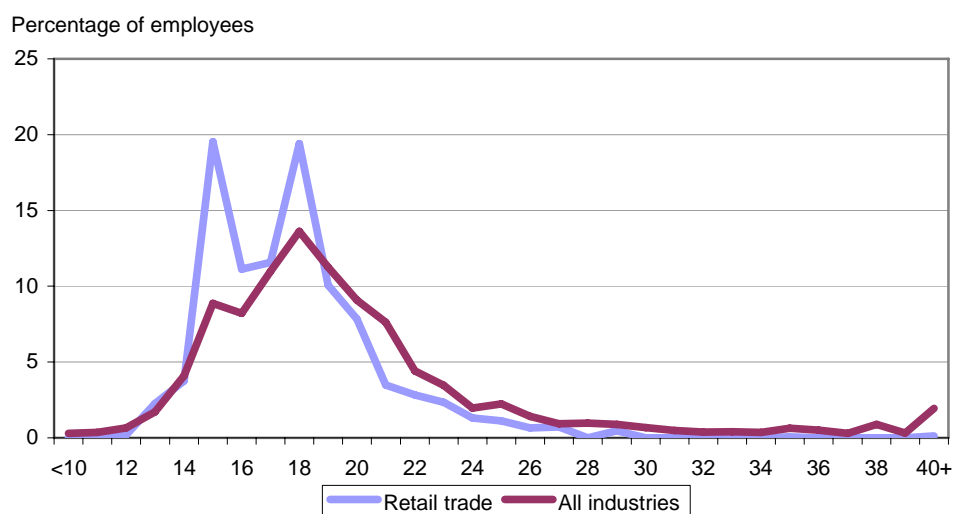
Note: Based on ANZSIC 1993 classification system.

Source: ABS, *Employee Earnings and Hours*, May 2006, Catalogue No. 6306.0, Canberra, ABS.

In May 2006, Retail trade employees who were paid an award rate of pay earned \$348 per week on average, an amount not dissimilar to the average earnings of those on collective agreements. Employees on individual arrangements, by contrast, earned more than twice as much (about \$750 per week on average). This suggests that within the Retail trade industry, collective agreements are more closely aligned with relevant awards than is the case in other industries, and also that individual pay-setting are mainly the preserve of managerial staff.

The large difference between average earnings in Retail trade and All industries is partly due to the much shorter average hours<sup>31</sup> worked by retail employees and the higher incidence of junior rates of pay. When the distributions of adult hourly wages are compared (Figure 13), award-reliant adult employees in Retail trade who were receiving the award rate of pay still tended to be lower paid than award-reliant adult employees as a whole, but the difference was much less marked.<sup>32</sup> Consequently, the median hourly rate of pay for award-reliant adult employees in Retail trade (about \$17 per hour) was only slightly lower than the median hourly rate of pay for all award-reliant adult employees (about \$18 per hour).

**Figure 13: Distribution of hourly total cash earnings (\$1 intervals), adult employees receiving the award rate of pay, May 2006**



Note: Based on ANZSIC 1993 classification system. Employees are segmented using dollar intervals - e.g. \$15 includes employees receiving over \$14 per hour and equal to or less than \$15 per hour.  
 Source: ABS, *Employee Earnings and Hours*, May 2006, Catalogue No. 6306.0, Canberra, ABS, unpublished data.

## Enterprise bargaining outcomes

Consistent with the evidence presented earlier in relation to growth in the Wage Price Index (Figure 10), average wage increases negotiated under enterprise agreements in the Retail trade industry have been lower than the average across all industries. Data from the Department of Education, Employment and Workplace Relations indicate that over the four quarters to September 2008, average annualised wage increases per employee in Retail trade ranged between 3.4 and 3.8 per cent, compared with increases across all industries of 3.7 to 4.1 per cent. This continues a longer term trend.<sup>33</sup>

<sup>31</sup> ABS, *Labour Force, Australia, Detailed, Quarterly*, November 2008, Catalogue 6291.0.55.003, Canberra, ABS, Table 11. In the November 2008 quarter average weekly actual hours worked in Retail trade are 29.3, compared with 34.2 for the workforce as a whole.

<sup>32</sup> This is in part because employees in Manufacturing are less likely to receive a casual loading.

<sup>33</sup> Department of Education, Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining, September Quarter 2008*, <<http://www.workplace.gov.au/NR/rdonlyres/ADEAFA25-D0FE-4422-8AB4-23E68768928A/0/TrendsS08.pdf>> as at 19 February 2009.

# Appendix A

## ANZSIC 2006 Division, Subdivision, Group and Class Codes for Retail Trade Industry

### G Retail Trade

- 39 Motor Vehicle and Motor Vehicle Parts Retailing
  - 391 Motor Vehicle Retailing
    - 3911 Car Retailing
    - 3912 Motor Cycle Retailing
    - 3913 Trailer and Other Motor Vehicle Retailing
  - 392 Motor Vehicle Parts and Tyre Retailing
    - 3921 Motor Vehicle Parts Retailing
    - 3922 Tyre Retailing
- 40 Fuel Retailing
  - 400 Fuel Retailing
    - 4000 Fuel Retailing
- 41 Food Retailing
  - 411 Supermarket and Grocery Stores
    - 4110 Supermarket and Grocery Stores
  - 412 Specialised Food Retailing
    - 4121 Fresh Meat, Fish and Poultry Retailing
    - 4122 Fruit and Vegetable Retailing
    - 4123 Liquor Retailing
    - 4129 Other Specialised Food Retailing
- 42 Other Store-Based Retailing
  - 421 Furniture, Floor Coverings, Houseware and Textile Goods Retailing
    - 4211 Furniture Retailing
    - 4212 Floor Coverings Retailing
    - 4213 Houseware Retailing
    - 4214 Manchester and Textile Goods Retailing
  - 422 Electrical and Electronic Goods Retailing
    - 4221 Electrical, Electronic and Gas Appliance Retailing
    - 4222 Computer and Computer Peripheral Retailing
    - 4229 Other Electrical and Electronic Goods Retailing
  - 423 Hardware, Building and Garden Supplies Retailing
    - 4231 Hardware and Building Supplies Retailing
    - 4232 Garden Supplies Retailing
  - 424 Recreational Goods Retailing
    - 4241 Sport and Camping Equipment Retailing
    - 4242 Entertainment Media Retailing
    - 4243 Toy and Game Retailing
    - 4244 Newspaper and Book Retailing
    - 4245 Marine Equipment Retailing
  - 425 Clothing, Footwear and Personal Accessory Retailing
    - 4251 Clothing Retailing
    - 4252 Footwear Retailing
    - 4253 Watch and Jewellery Retailing
    - 4259 Other Personal Accessory Retailing

- 426 Department Stores
  - 4260 Department Stores
- 427 Pharmaceutical and Other Store-Based Retailing
  - 4271 Pharmaceutical, Cosmetic and Toiletry Goods Retailing
  - 4272 Stationery Goods Retailing
  - 4273 Antique and Used Goods Retailing
  - 4274 Flower Retailing
  - 4279 Other Store-Based Retailing n.e.c.
- 43 Non-Store Retailing and Retail Commission Based Buying and/or Selling
  - 431 Non-Store Retailing
    - 4310 Non-Store Retailing
  - 432 Retail Commission Based Buying and/or Selling
    - 4320 Retail Commission Based Buying and/or Selling

## **ANZSIC 1993 Division, Subdivision, Group and Class Codes for Retail Trade Industry**

### **G Retail Trade**

- 51 Food Retailing
  - 511 Supermarket and Grocery Stores
    - 5110 Supermarket and Grocery Stores
  - 512 Specialised Food Retailing
    - 5121 Fresh Meat, Fish and Poultry Retailing
    - 5122 Fruit and Vegetable Retailing
    - 5123 Liquor Retailing
    - 5124 Bread and Cake Retailing
    - 5125 Takeaway Food Retailing
    - 5126 Milk Vending
    - 5129 Specialised Food Retailing n.e.c.
- 52 Personal and Household Good Retailing
  - 521 Department Stores
    - 5210 Department Stores
  - 522 Clothing and Soft Good Retailing
    - 5221 Clothing Retailing
    - 5222 Footwear Retailing
    - 5223 Fabric and Other Soft Good Retailing
  - 523 Furniture, Houseware and Appliance Retailing
    - 5231 Furniture Retailing
    - 5232 Floor Coverings Retailing
    - 5233 Domestic Hardware and Houseware Retailing
    - 5234 Domestic Appliance Retailing
    - 5235 Recorded Music Retailing
  - 524 Recreational Good Retailing
    - 5241 Sport and Camping Equipment Retailing
    - 5242 Toy and Game Retailing
    - 5243 Newspaper, Book and Stationery Retailing
    - 5244 Photographic Equipment Retailing
    - 5245 Marine Equipment Retailing

- 525 Other Personal and Household Good Retailing
  - 5251 Pharmaceutical, Cosmetic and Toiletry Retailing
  - 5252 Antique and Used Goods Retailing
  - 5253 Garden Equipment Retailing
  - 5254 Flower Retailing
  - 5255 Watch and Jewellery Retailing
  - 5259 Retailing n.e.c.
- 526 Household Equipment Repair Services
  - 5261 Household Equipment Repair Services (Electrical)
  - 5269 Household Equipment Repair Services n.e.c.
- 53 Motor Vehicle Retailing and Services
  - 531 Motor Vehicle Retailing
    - 5311 Car Retailing
    - 5312 Motor Cycle Dealing
    - 5313 Trailer and Caravan Dealing
  - 532 Motor Vehicle Services
    - 5321 Automotive Fuel Retailing
    - 5322 Automotive Electrical Services
    - 5323 Smash Repairing
    - 5324 Tyre Retailing
    - 5329 Automotive Repair Services n.e.c.

Note: n.e.c. = not elsewhere classified

Source: Australian Bureau of Statistics, *Australian and New Zealand Standard Industrial Classification 2006*, Catalogue No. 1292.0