



THE MCKELL INSTITUTE

# Proceed with care

**Why the Queensland Government  
should not deregulate retail trading hours**

# About the McKell Institute

The McKell Institute is an independent, not-for-profit, public policy institute dedicated to developing practical policy ideas and contributing to public debate. The McKell Institute takes its name from New South Wales wartime Premier and Governor-General of Australia, William McKell.

William McKell made a powerful contribution to both New South Wales and Australian society through significant social, economic and environmental reforms.

For more information phone (02) 9113 0944 or visit [www.mckellinstitute.org.au](http://www.mckellinstitute.org.au)

## Background

The McKell Institute has conducted a range of research into shop trading hours and penalty rates, including:

- *Choosing Opportunity*
- *The importance of penalty rates for our health workforce*
- *Who loses when penalty rates are cut?*
- *The economic impact of penalty rate cuts on rural NSW*
- *Does our spending increase? The relationship between trading restrictions and retail turnover*

The opinions in this report are those of the author and do not necessarily represent the views of the McKell Institute's members, affiliates, individual board members or research committee members. Any remaining errors or omissions are the responsibility of the author.



THE MCKELL INSTITUTE

# Proceed with care

Why the Queensland Government should not deregulate retail trading hours

FEBRUARY 2017



# CONTENTS

<b>Executive Summary</b>	<b>4</b>
Recommendation 1:	5
Recommendation 2:	5
<b>Part One: Queensland's retail industry and regulations</b>	<b>6</b>
The retail industry is being disrupted	6
Figure 1.1: Market share of supermarkets in Australia 2006-2015	6
Retail trading hours regulations exist for a variety of reasons	7
QLD's retail trading laws are complex	7
Table 1.1: Retail trading hours restrictions in Australia	8
<b>Part Two: The reality of shop hours deregulation</b>	<b>9</b>
Figure 2.1: The growth rate of the number of retail workers in Australian states and territories	9
Employment is unlikely to increase following shop trading hours deregulation	10
Figure 2.2: Total retail employment in Western Australia and the Rest of Australia since 1994	11
Figure 2.3: The number of small retailers and the average retail spending per person in Australia (2015 constant dollars)	12
Figure 2.4: The number of small retailers and the total retail spending per person in Western Australia, June 2007 - June 2015	12

Figure 2.5: The population growth rate in Australian states, June 2007 – June 2015	13
Figure 2.6: The number of employees in small and large retail businesses in Australia	14
The economic benefits of shop hours deregulation are overstated and irrational	14
Customers don't shop online only because of the opening hours	15
Table 2.1: The factors driving the choice to purchase goods in-store or online	16
Retail prices are not impacted by shop hours deregulation	16
Figure 2.7: Total retail turnover Implicit Price Deflator (IPD) in Western Australia and the Rest of Australia	17
Public holidays are important for retail workers too	18
Table 2.2: The importance of activities on Boxing Day	18
<b>Conclusion</b>	<b>20</b>





# EXECUTIVE SUMMARY

The retail industry is changing. Online shopping is becoming ubiquitous and is eating into the profits of traditional 'bricks and mortar' stores; automation has appeared at the checkouts of some of our largest retailers; and global retail giants are challenging Australian-owned market leaders for the consumer's dollar.



Some, like the National Retailers Association, have used these trends to argue for the wholesale deregulation of retail trading hours in Queensland. They contend that the consumer's preferences have been ignored up until now, but with the introduction of online shopping, consumers can no longer be ignored. Further, deregulation proponents claim that there are a number of positive benefits to deregulation: for the economy, through an increase in retail expenditure and employment; for the consumer, through increased choice and lower retail prices; and for society as a whole. However, this report will debunk these claims and argue otherwise.

There is no doubt that traditional retailers must accept the disruption brought by online shopping and automation and rethink their offerings to consumers. There is also no doubt that the Government must regularly review legislation to ensure it is up to date and relevant for all stakeholders in the community. But it is not clear that deregulation is the panacea to any of the trends the industry is currently witnessing.

The regulation of shop hours exist to balance the interests between large retailers and small; and between consumers and retail

workers. Retail workers, who often possess limited qualifications, and who sometimes balance work and study or family caring responsibilities, often have little power to secure fair working conditions for themselves. Regulations exist to ensure retail workers are paid appropriately for their work and to ensure they have sufficient time off from work like other Australians.

The Government also regulates to ensure a variety of business types can operate in the market. In a country with one of the most concentrated grocery markets in the world,<sup>1</sup> it is in Australia's best interests to ensure competition can continue between large corporations and small 'mum and dad' businesses.

While many states in Australia have already largely deregulated shop trading hours, Queensland is currently reviewing its regulations. Queensland trading regulations are particularly complex, and would benefit from some key reforms to simplify the system. However, many people and organisations in Queensland do not wish to see wholesale deregulation in the state, and in fact a few communities have successfully fought off deregulation in the recent past.

This report systematically debunks many of the claims made by proponents of deregulation and argues that the Queensland Government must not deregulate shop trading hours entirely, or risk putting some of our lowest paid workers and some of our smallest businesses under greater pressure. The report finds that employment is unlikely to increase as a result of shop hours deregulation; as the recent example of Western Australia's retail industry has shown. We also find that the number of small retailers has decreased across Australia and particularly in Western Australia in recent years, despite the fact that population and retail spending per person has continued to grow during the same period.

We urge the Queensland Government to fully consider the facts regarding shop hours deregulation and how it will likely impact the broader trends within the retail industry; and fully consider the impact further deregulation will have on the lives of retail workers. For if existing regulation protects vulnerable workers, it should be considered only with extreme care.

## RECOMMENDATION ONE

**The Queensland Government should consider the rights of retail workers when designing legislation which regulates shop trading hours.**

Retail workers are some of Australia's most vulnerable workers who cannot often choose which hours they would like to work. Retail workers deserve time off and public holidays like other Australians.

## RECOMMENDATION TWO:

**The Queensland Government should consider the realities of deregulation and understand what it can and can not achieve.**

Deregulation of shop trading hours is not the panacea to the broader trends in the retail industry and the economic arguments for deregulation are overstated. The reality is that deregulation has little to no impact on retail prices or employment; yet is likely to decrease the number of small retailers in the economy and place greater pressure on retail workers and small shop owners.



# PART ONE: QUEENSLAND'S RETAIL INDUSTRY AND REGULATIONS



## The retail industry is being disrupted

The retail industry encompasses supermarkets and grocery stores; furniture, electronics and homewares shops; hardware, building and garden stores; recreational goods outlets; department stores; clothing and footwear boutiques; and pharmacies. It is a broad industry that employs 10.7 per cent of the Australian workforce and generates around 4.5 per cent of GDP.<sup>2</sup>

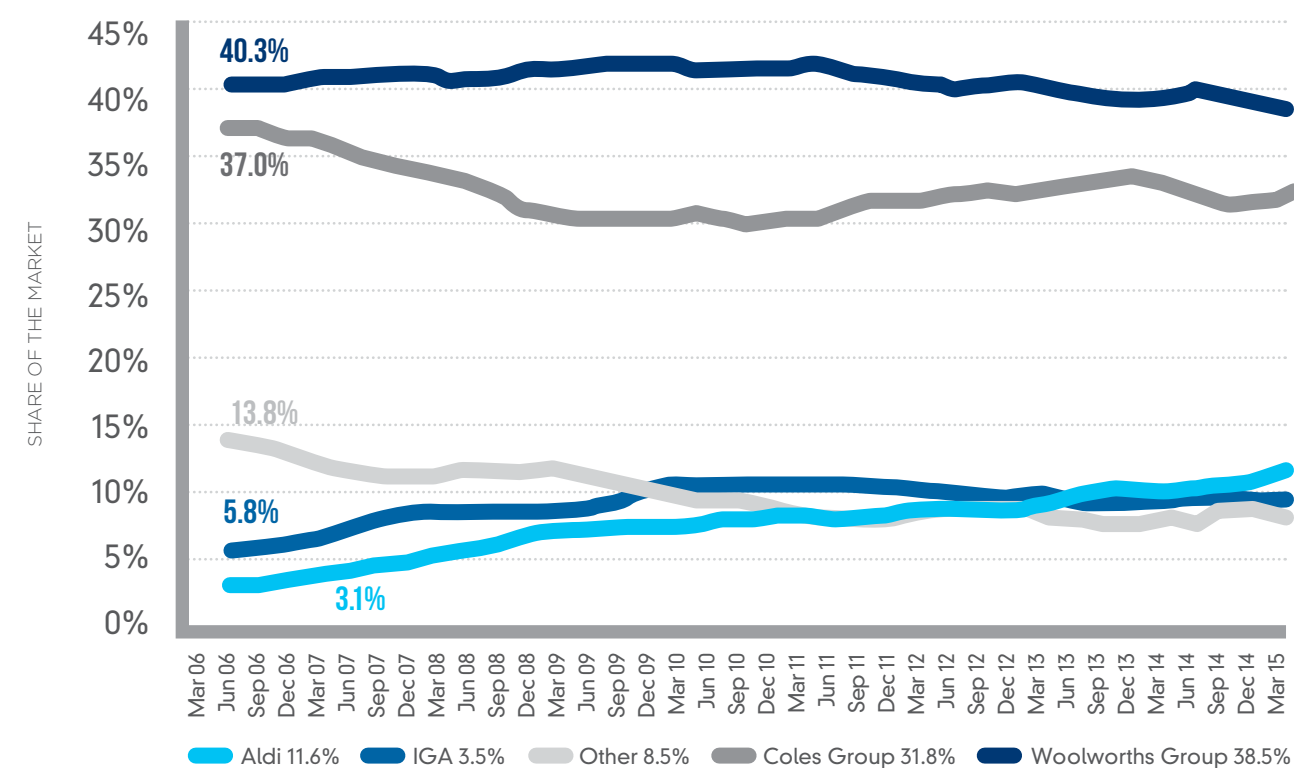
In Queensland, the retail industry employs a slightly larger proportion of the workforce at 10.8 per cent, which is about 248,000 people,<sup>3</sup> of which 36 per cent are employed in small businesses with fewer than 20 employees. However, small retail businesses, particularly in grocery, have been losing market share in recent years.

Australia has one of the most concentrated grocery markets in the world. Wesfarmers (Coles) and Woolworths together command almost 80 per cent of supermarket sales; 60 per cent in alcohol retail; 50 per cent of petrol sales; and 40 per cent of all retail in Australia.<sup>4</sup>

Further, the growth in German-owned supermarket Aldi has been at the expense of nearly all other supermarket retailers, and particularly independent supermarkets, in Australia over the past decade.<sup>5</sup> Since March 2006, the market share of small groceries in Australia has dropped from 13.8 per cent to 8.5 per cent.<sup>6</sup> While the duopoly of Coles and Woolworths has also decreased during this period, Aldi has increased market share from 3.1 per cent to 11.6 per cent.

FIGURE 1.1

Market share of supermarkets in Australia 2006-2015



Source: Roy Morgan Single Source 2015.



In clothing retail, IBISWorld estimates that an increase in international players (such as Zara, Uniqlo and H&M), along with the continued uptake in online shopping will see increased competition in the clothing retail market which may lead to smaller retailers finding it difficult to compete.<sup>7</sup> Although small business operators dominate the industry (accounting for about 44 per cent of the clothing market), large retailers can take advantage of economies of scale in administration and supply chains, making them more resilient to competition and to economic downturns.<sup>8</sup>

Automation of clothing retail jobs is expected to increase during the next five years, as online shopping becomes more prevalent and some low-skilled jobs are replaced. For instance, US clothing retailer Hointer has re-imagined the change room in their clothing stores and department stores such as Macy’s. Customers can scan a product ID code in the store and a robot will deliver their required size direct to the change room. While in the change room, the customer can order more sizes or other garments to try on via their smartphone or a supplied tablet, which will be delivered via a chute. Unwanted garments can be returned via the same chute, and the garments the customer would like to buy can be bagged and paid for at an automatic checkout upon leaving the store.<sup>9</sup>

When this technology comes to Australia, smaller retailers will likely struggle to compete with the lower costs associated with fewer staff members required in each store.

Online shopping has also grown in prevalence in recent years. There are now 47,153 online retailers in Australia and the industry has experienced an average growth of 16.2 per cent per year since 2012. Online shoppers in Australia generate \$18 billion in revenue per year, of which 18.2 per cent comes from Queensland.<sup>10</sup>

Many larger retailers are adapting to the trend of online shopping by investing heavily in their online stores, and reimagining their ‘bricks and mortar’ shops. However, small retailers have a

lower capacity to do the same, with effective delivery and returns infrastructure a high barrier to entry for many small online operators.

Retail trading hours regulations exist for a variety of reasons

Retail trading restrictions exist in many jurisdictions around the world with a variety of objectives. The regulations balance the interests of different groups: workers, consumers, large retailers, small retailers, and the community as a whole.

Some argue retail trading hours regulations exist in order to balance the interests of large retailers against those of workers and families. Others suggest the Government regulates for mandatory hours of closure to ensure retail workers may have time off for leisure like other workers. Public holidays are legislated for the social cohesion created through coordinated leisure time; as well as the benefits of rest and recovery for the nation’s workers. Finally, some suggest that the Government regulates the opening hours of large businesses to allow some small businesses to compete.<sup>11</sup>

QLD’s retail trading laws are complex

Queensland’s retail store opening times are currently regulated by the *Trading (Allowable Hours) Act 1990*, the *Trading (Allowable Hours) Regulation 2004*, and various orders made by the Queensland Industrial Relations Commission (QIRC).<sup>12</sup>

Queensland’s retail trading laws are complex. The South-East corner of Queensland, which encompasses Coolangatta to Noosa and Cleveland to Toowoomba, has different trading regulations than the rest of the state. Other selected towns and major tourist areas, such as Cairns, have different rules again.

TABLE 1.1 Retail trading hours restrictions in Australia

Jurisdiction	Monday to Friday	Saturday	Sunday	Public Holidays
SE QLD	7am-9pm	7am-9pm	9am-6pm	<b>4 RESTRICTED DAYS:</b> Good Friday, ANZAC Day, Labour Day, Christmas Day, Easter Sunday Closed
Selected towns and tourist centres	8am-9pm	8am-5.30pm	9am-6pm	<b>5 RESTRICTED DAYS:</b> Good Friday, Easter Sunday, ANZAC Day, Labour Day, Christmas Day
Rest of QLD	8am-9pm	8am-5pm	Closed	<b>11 RESTRICTED DAYS</b> (all public holidays except Easter Saturday)

In addition, there are three categories of retail shops: exempt, independent and non-exempt shops.

Exempt shops are entirely unrestricted in terms of trading hours and may open whenever they wish. These shops are defined in legislation and include restaurants and cafes, newsagents, fruit shops, refreshment shops, and camping and sporting equipment stores.<sup>14</sup>

Independent shops are small retailers owned by an individual or private company, and employing no more than 20 people per store and 60 in total at any one time. Independent shops are required to close on 2.5 days per year: Christmas Day, Good Friday and ANZAC Day until 1pm. However, independent stores selling food or grocery items have no trading restrictions.

Non-exempt shops are those that are classified neither as exempt nor independent, and include large retailers like Coles and Woolworths, Myer and David Jones, Harvey Norman, Bunnings and Target. Non-exempt shops have regulated hours as per Table 1.1 above. However, there are

28 different arrangements for allowable trading hours across the state for non-exempt stores, as well as allowances for some stores on public holidays. Additionally, there are 37 separate orders for special exhibitions and trade fairs, and established orders for butcher shops, hardware stores, and outlets selling motor vehicles, boats and caravans.

Queensland’s complex regulatory environment for retail stores have led many to argue that Queensland should completely deregulate all shop opening hours and allow individual operators to determine the best opening hours for their outlets. This contention is bolstered by three main categories of argument: that deregulation will positively affect employment; that deregulation will lead to a boost to the local economy of up to \$440 million; and that prices will decrease as a result of increased competition. The remainder of this report will debunk those arguments and discuss other considerations that should be taken into account by the Government before a wholesale deregulation of retail trading hours is undertaken.



## PART TWO: THE REALITY OF SHOP HOURS DEREGULATION

Proponents for the deregulation of retail trading hours present arguments in three main categories: that extended retail trading hours will provide greater freedom for consumers and retailers; that it will lead to an increase in competition and lower prices; and deregulation will increase retail activity and employment.

While the arguments around greater choice for consumers and shop owners are self-evident, the economic benefits of extended trading hours are precarious at best.

In 1996, Victoria deregulated shop trading hours so that there are now no restrictions throughout a normal week, and the only days that are restricted are Good Friday, ANZAC Day (before 1pm); and Christmas Day.

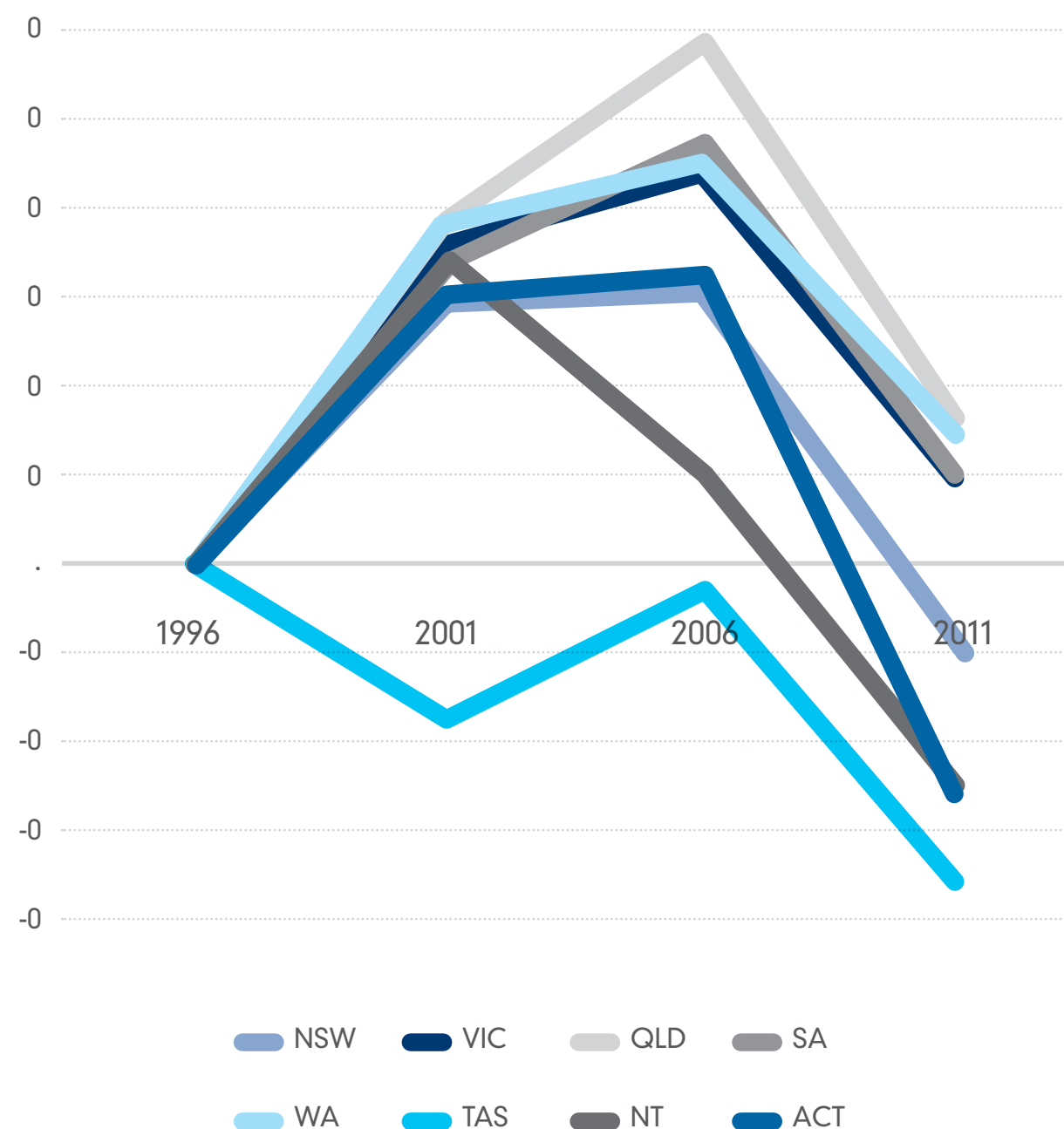
Two separate studies conducted for the Shopping Centre Council of Australia conducted in 1998 and 2000 found that retail trading was boosted by extended trading hours in Victoria.<sup>15</sup> However, Mckell Institute research found that the surge in retail trade in the three years following deregulation of shop trading hours was short-lived; and retail trade has grown at a steady and comparable rate to NSW and the rest of Australia since 2000.<sup>16</sup>

Retail trade employment tells a similar story. Employment in retail trade grew from the 1996 census to a high in 2006; but across the nation retail trade employment has fallen dramatically, according to the most recent Census data from 2011. Fluctuations in retail employment seem to be attributable to factors that influence the nation as a whole, rather than due to the individual policy choices of states and territories.

This section will assess the claims made by deregulation proponents. It will find that the simplistic arguments made by those in favour of wholesale deregulation are misleading, and sometimes just plain wrong.

FIGURE 2.1

The growth rate of the number of retail Workers in Australian states and territories



Source: Mckell Institute, Australian Bureau of Statistics Census data.



### Employment is unlikely to increase following shop trading hours deregulation

Proponents for the deregulation of retail trading hours argue that employment will be increased as a result of longer retail trading. The argument contends that longer hours will require more man-hours to staff retail stores, leading to the necessity for either more staff, or for existing staff to work longer hours. In a report for the Queensland branch of the National Retail Association, Henry Ergas argued that deregulation of retail trading hours would likely result in an additional 3000 jobs for the sector. On the face of it, this argument looks both convincing and appealing. However, the reality is far less so.

There are two different ways of understanding the rebuttal to this argument. Firstly, there is evidence that shows that stores are unlikely to hire additional staff after deregulation occurs. This is due to two reasons: the first is that larger stores are less likely to hire more staff to cover additional hours than give more hours to their existing staff.<sup>17</sup> The second reason is due to a broader shift in the use of technology for low-paid, low-skilled jobs. Automation is entering the retail sector at a fast rate – particularly in supermarkets but also in stores like Target and Kmart. The previous section discussed the innovation of US jeans retailer Hointer which will likely result in fewer jobs in traditional ‘bricks and mortar’ stores in the future. It is likely only a matter of time before this technology enters Australia.

Additionally, the advent of online shopping has led many traditional retailers to shift their focus towards ‘click and deliver’ services. In June 2016, Coles opened its first online-only ‘dark store’ in Melbourne. Dark stores have no customers or sales staff, but are essentially warehouses where online orders are stocked and picked.<sup>18</sup> IBISWorld predicts that online grocery shopping will become more and more prevalent over the next five years; and the stated intention of Amazon and its grocery delivery service AmazonFresh to enter the Australian market will create further competition for all industry players.<sup>19</sup>

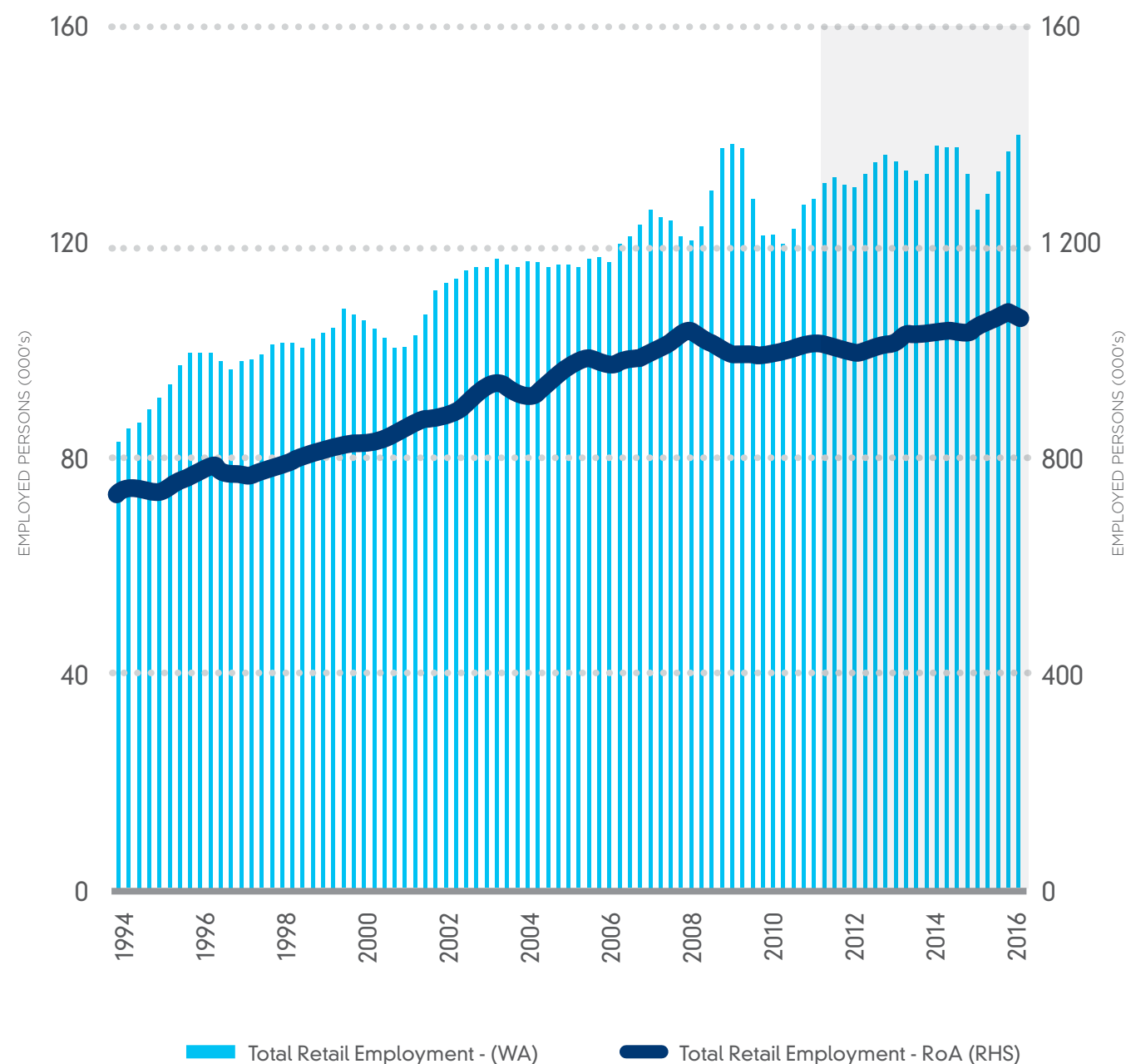
These trends lead us to believe that shop hours deregulation will likely not lead to an increase in employment for the retail sector, and will be unlikely to stop the bleeding of jobs from the industry in any way.

Recent research backs this up. A 2016 report into the Western Australian retail sector found that there was no material lift in employment in WA since deregulation of opening hours occurred in 2010 - 2011. “In fact, the total number of retail jobs fell in the period since deregulation. Total hours worked did not improve above and beyond its usual cyclical drivers following deregulation.”<sup>20</sup> The same was also true for hours worked across most sub-sectors of the retail industry.<sup>21</sup>



**FIGURE 2.2**

Total retail employment in Western Australia and the Rest of Australia since 1994



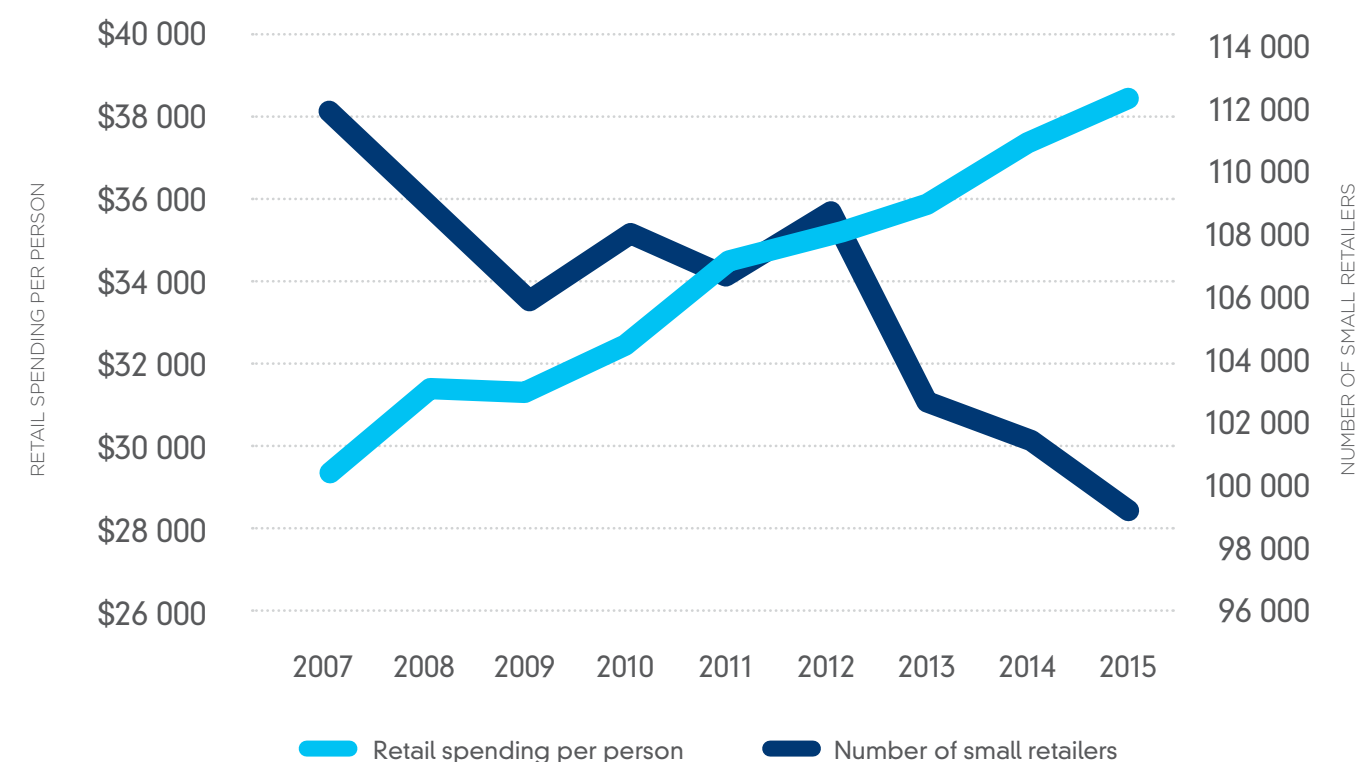
Source: BIS Shrapnel, 2016.

The second phenomena that contributes to this argument is that when larger stores are allowed to open for longer hours, this affects the competitiveness of smaller stores. As such, staff are more likely to be laid off from smaller stores, leading to a decrease in employment opportunities at small retailers. This also places a greater pressure on small businesses, as shops run by 'mum and dad' owners will likely see the owners work longer hours to make up for the loss in staff.

This has been further compounded recently in Australia where although average spending in retail has grown since 2007, the number of small retail shops has fallen dramatically across the nation. McKell Institute research has found that Australia is witnessing a concentration of market share with large retailers at the expense of many small retail stores (a small retailer employs fewer than 20 people). Figure 2.3 displays the extent of the drop in the number of small retailers since 2007, despite average retail spending per person continuing to grow.

**FIGURE 2.3**

The number of small retailers and the average retail spending per person in Australia (2015 constant dollars)

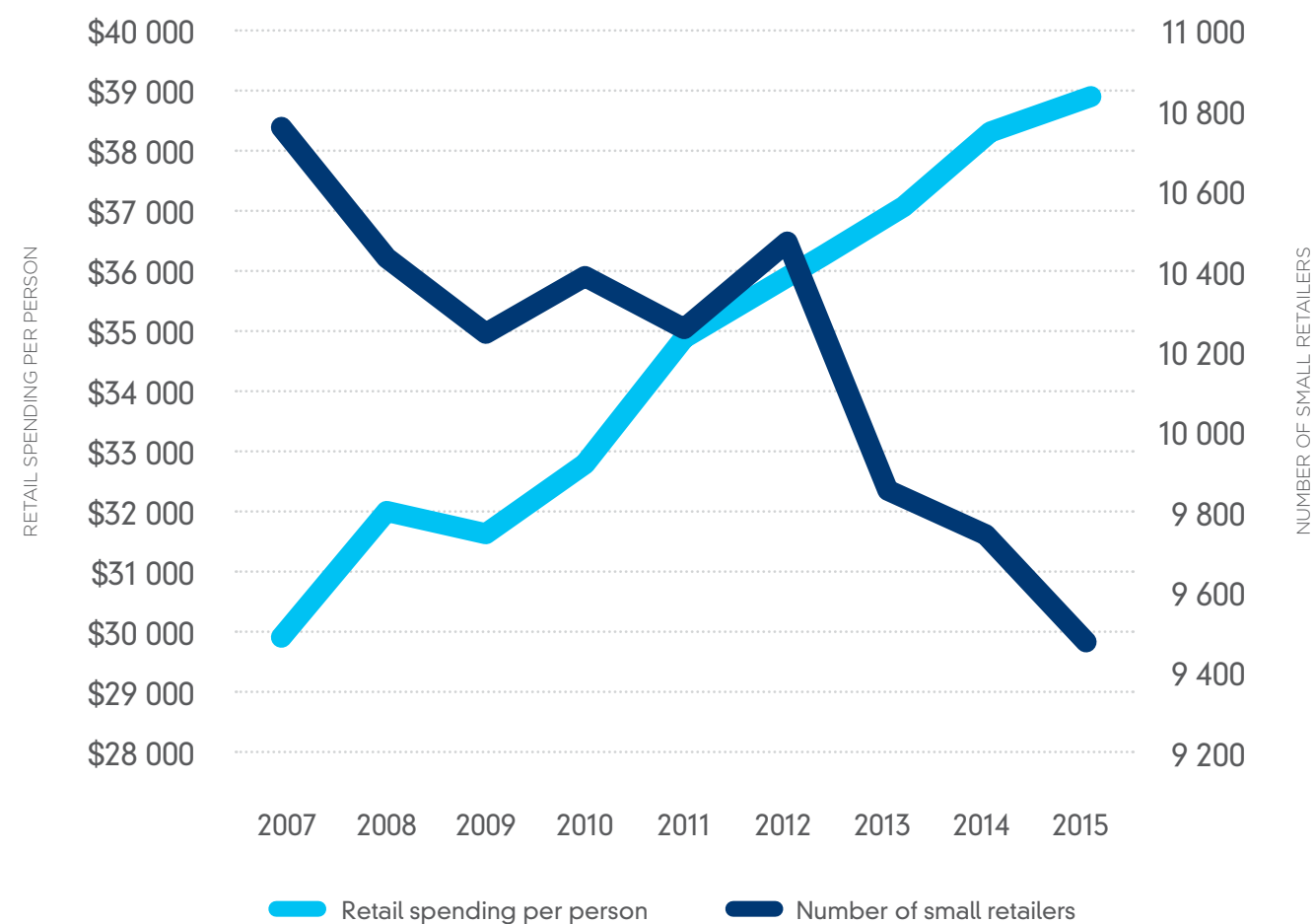


Source: McKell Institute; Australian Bureau of Statistics data, 2016.

Specifically, in Western Australia the number of small retailers increased slightly after deregulation in 2010, but then the number has dropped off significantly since 2012 by approximately 1000 establishments. Some might argue that this could be attributed to the end of the mining boom, however we have found that retail spending per person has continued to rise during the same period, as displayed in Figure 2.4.

**FIGURE 2.4**

The number of small retailers and the total retail spending per person in Western Australia, June 2007 - June 2015

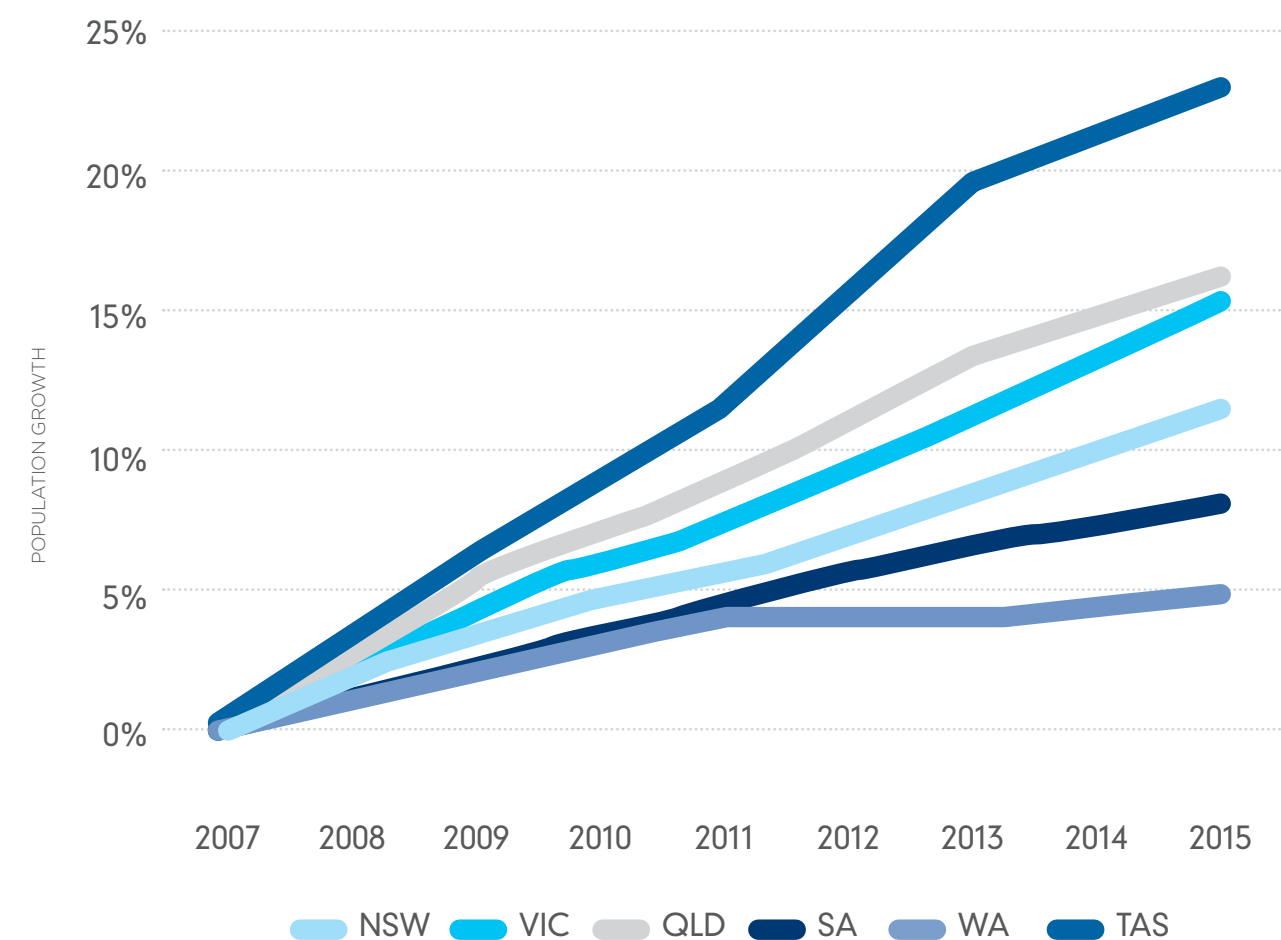


Source: Mckell Institute; Australian Bureau of Statistics data, 2016.

This is even as the Western Australian population has continued to grow at a rate far faster than any other Australian state or territory since 2007, as Figure 2.5 shows. This data suggests that there are more people in Western Australia and they are spending more in retail than ever before; but smaller retailers are capturing a smaller and smaller proportion of sales, as evidenced through the number of small retail stores that are going out of business.

**FIGURE 2.5**

The population growth rate in Australian states, June 2007 – June 2015



Source: Mckell Institute; Australian Bureau of Statistics data, 2016.

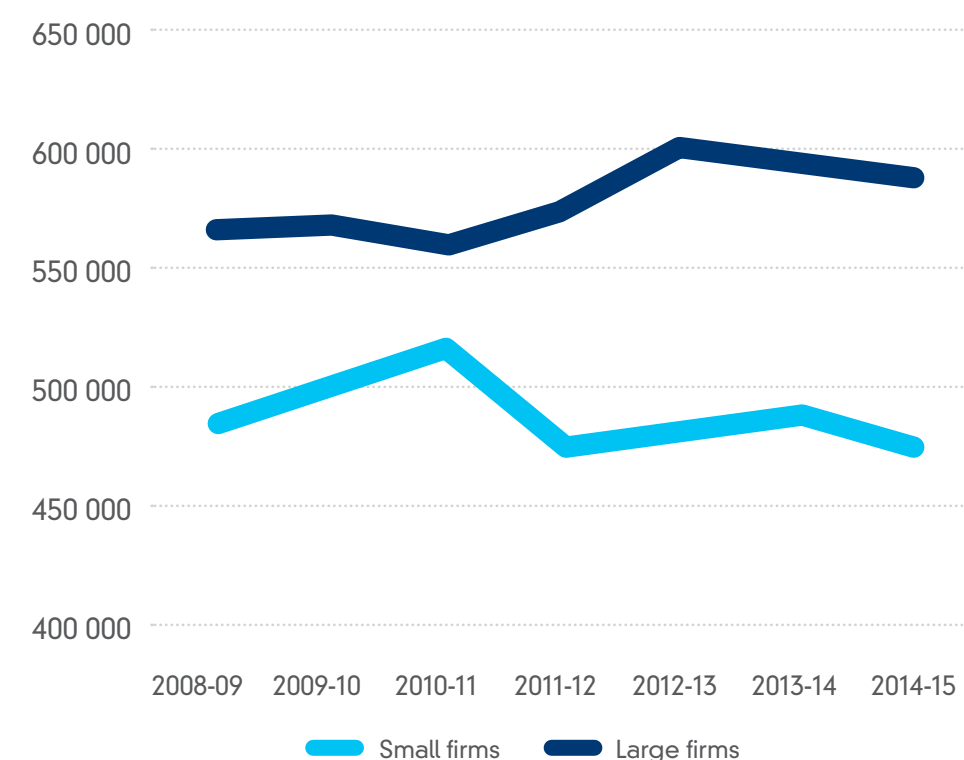




Further, the number of employees in small retail stores as compared to large stores in Australia has fallen since the 2010-11 financial year. Recent data is not available on a state-by-state basis for retail employees.

**FIGURE 2.6**

The number of employees in small and large retail businesses in Australia



Source: Mckell Institute; Australian Bureau of Statistics data, 2016.

These findings are significant for retail workers. Rising levels of automation and online shopping will continue to reduce the number of jobs available at large retail stores over the coming decade; and so the greater number of large retailers there are, coupled with the decreasing number of small retailers, will compound to speed up the trend.

Of course, shop hours regulations cannot alone stop or even slow the trends of rising automation and retail job obsolescence; but they do help smaller retail stores to compete with larger stores on convenience.

We do not wish to make a value judgement on whether the Government should regulate to protect smaller players in any market; but it is clear that this argument – that employment is increased as a result of deregulation – is both incorrect and misleading. Employment is far more likely to decrease at a faster rate in retail as a result of deregulation.





## The economic benefits of shop hours deregulation are overstated and irrational

A recent report for the Queensland branch of the National Retail Association argued that deregulation for Queensland's shop hours could lead to an economic benefit to the Gross State Product of as much as \$440 million per year, in 2014 dollars. However, modelling conducted by The McKell Institute in 2012 before the introduction of relaxed trading restrictions on Boxing Day in New South Wales found that there is no discernible economic benefit to the economy when shops are open longer hours.<sup>22</sup>

Additionally, if one thinks rationally about this argument, it doesn't make sense that people will spend more money in retail simply because stores are open for longer. In a more recent report, McKell found that when stores were allowed to open on Boxing Day for the first time in New South Wales, customers spread their spending out over the extra day, but did not spend more in total over the month of December. In fact, the research found that New South Wales' retailers had a disappointing month of December compared both to other states, as well as other months of the year in

2015. An extra day of trade did not translate into higher spending for that month.<sup>23</sup>

The same was found for the deregulation of Easter trading in Victoria. Although it appeared initially that deregulation had a positive impact on trading over the period, more thorough analysis discovered that consumers simply spread out their spending over a longer period (to include the Easter public holidays).<sup>24</sup>

This argument might hold up if employment were to rise as a result of deregulated trading hours, as more hours of work for more people in the economy would result in higher average levels of disposable income; however as the previous section showed, this is likely not the case.

Further, proponents often argue that the main benefit of the deregulation of shops hours will lie with consumers: giving more choice to when and where a consumer can shop and lowering prices, particularly in subsectors such as grocery, due to the increased competition. For instance, "for those consumers who have less flexibility to shop during legislated opening times such as shift workers and busy parents, the retail trading restrictions mean that they are effectively forced

to pay more for essential purchases when it is by no means certain that they would choose to pay the premium for the convenience of the 'local corner shop'."<sup>25</sup>

In fact, this is where the argument for deregulation becomes confused: proponents argue that shoppers will spend more money when stores are open for longer hours; yet they also argue that prices will be lower when there is more competition amongst retail stores when deregulation occurs. It is assumed that this argument is premised on the idea that grocery shoppers will have more disposable income in their pockets when large supermarkets are allowed to open at all hours; yet why this would translate into more spending in other retail stores is unclear.

Additionally, the argument that shift workers and busy parents sometimes have no choice but to buy expensive groceries at their local corner store is incorrect. This may have been true in the days before internet shopping and home grocery delivery, but is certainly not true anymore. Shoppers now have myriad options for buying groceries that do not require the shift worker or busy parent to trek to the supermarket during business hours.

## Customers don't shop online only because of the opening hours

Part of the drive for deregulation comes from large retailers who feel that their profits are affected by the rise of online shopping which is always open for business. It's no doubt that online shopping has had a significant impact on the retail sector in Australia and across the world; and will continue to disrupt traditional retailing. Australians currently spend \$18 billion per year online, and the industry is expected to continue to grow at an average of 9.4 per cent for the next five years to 2021-22.<sup>26</sup>

Many larger retailers have invested significantly into their online stores and delivery capabilities in order to compete with global players like Amazon, ASOS, Net-a-porter and China's Ali-Baba; as well as re-imagine the customer experience at their 'bricks and mortar' stores.<sup>27</sup>

However, rather than competing on opening hours, which 'bricks and mortar' retailers can never do due to the costs involved with paying staff; retailers are advised to capitalise on their strengths; namely, that customers can see and feel the products before purchase, that they can provide face-to-face service, and that customers can receive the purchased goods immediately.<sup>28</sup>



TABLE 2.1 The factors driving the choice to purchase goods in-store or online

Factors driving a choice to purchase online			Factors driving a choice to purchase in-store	
1	Save money (better pricing, deals)	55%	Let's me see and feel the products before I buy	51%
2	Shopping is easier	28%	Shopping is easier	33%
3	Better selection	26%	Returns are more hassle-free	29%
4	Shopping is faster	25%	I'm routinely shopping there already	28%
=5	Get better information	21%	Bet better information	22%
=5	I'm routinely shopping there already	21%	Save money (better pricing, deals)	22%

Source: GfK FutureBuy survey of 23,000 shoppers in APAC, LATAM, Europe, North America and the Middle East.<sup>29</sup>



Interestingly, convenience is not noted as one of the top six reasons driving purchases online. Although you could argue that ‘shopping is easier’ could encompass ‘convenience,’ it is clear that there are a variety of reasons why customers choose to shop online; and it’s not just because they can shop after 6pm on a weekend.

Although the researcher of this survey also found that younger shoppers are more likely to purchase goods online than older shoppers, he argued that ‘bricks and mortar’ stores “can thrive alongside online retail because many consumers continue to regard shopping as a social activity.”<sup>30</sup>

Retail prices are not impacted by shop hours deregulation

The argument that retail prices will become cheaper for consumers following deregulation is largely based on the grocery sector. Proponents argue that smaller convenience stores and grocers do not have access to the economies of scale that larger supermarkets have, and therefore their prices are higher. As such, for those customers who find they must buy grocery items during times when large stores are closed, they are limited by choice and must pay higher prices than if they had shopped within normal trading hours.

Proponents contend that if large supermarkets were to open for longer hours, customers would be given more choice as to where they can shop and are given the choice of paying less for grocery items at large stores.

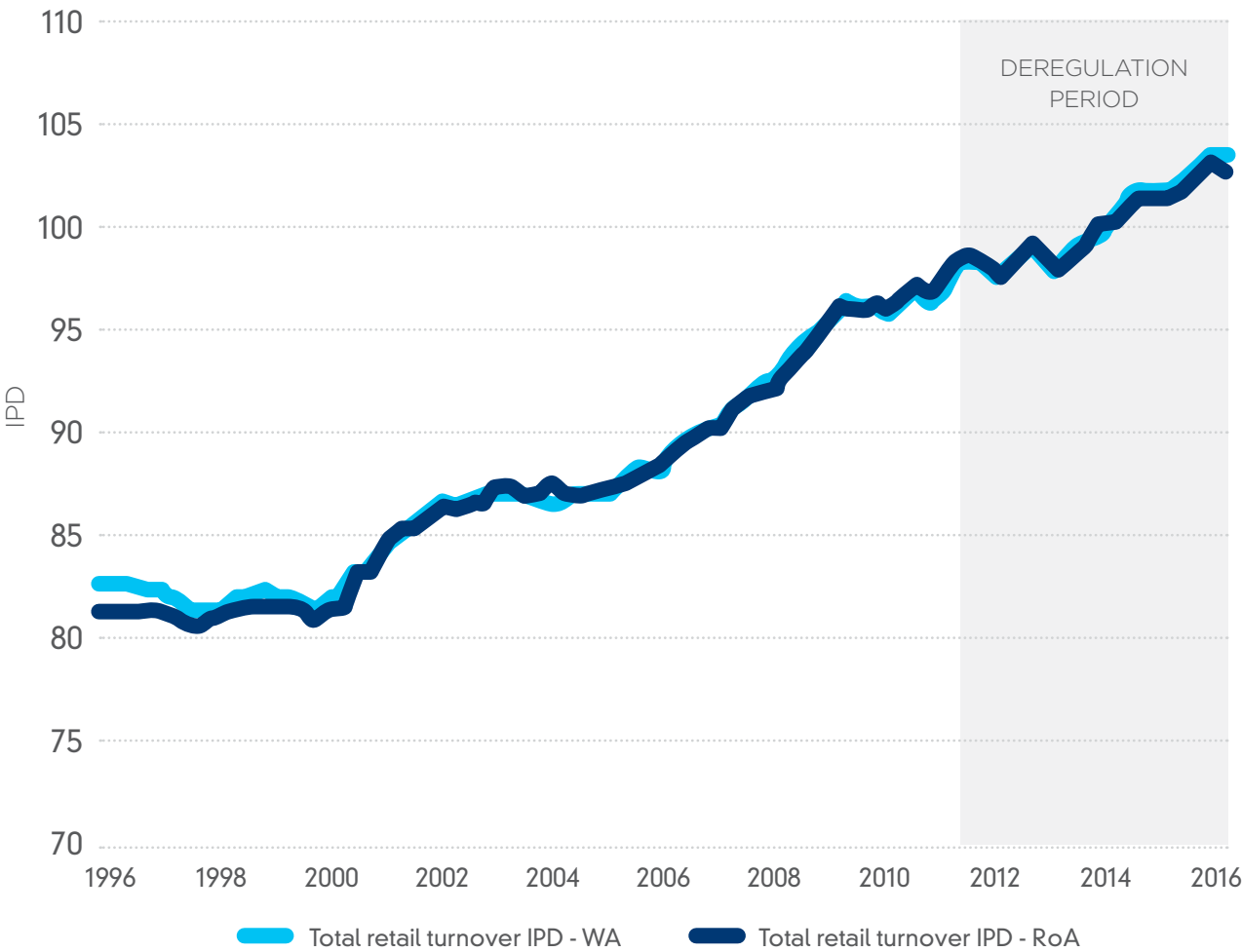
However, this argument is fatally flawed. The first is that small stores such as local grocers and convenience stores cannot compete on price; so they compete on convenience. If those stores can no longer compete on convenience either, as they have large stores to compete with at odd hours, then they will likely go out of business. If such stores go out of business in sufficient numbers, the large supermarkets like Coles and Woolworths will increase their market share, potentially leading to higher prices for customers. The author does note, however, that there is no

evidence of this occurring in the Australian states that have had deregulation for some time.

Nonetheless, the real world evidence provides a more convincing argument. A range of studies have found that retail prices are not impacted by shop hours deregulation at all. Recent research conducted after Western Australia deregulated shop trading hours in 2011 found that the state’s consumers did not receive any decrease in retail prices following the deregulation event. In fact, the research discovered that Western Australia performed similarly to the rest of Australia in terms of retail price growth.<sup>31</sup>



**FIGURE 2.7**  
Total retail turnover Implicit Price Deflator (IPD) in Western Australia and the Rest of Australia



Source: BIS Shrapnel, ABS data.

Other academic studies conducted throughout the 1990s found that deregulation is likely to have little to no impact on lowering prices; and could in fact increase prices for consumers if shops experience an increase in operating costs due to longer operating hours; or if larger shops decide to raise prices because of an increase in customers who usually shop at smaller stores after-hours.<sup>32</sup>



**Public holidays are important for retail workers too**

*“At a time when our community is suffering from a lack of interpersonal connection, and the challenge of balancing work and life commitments is becoming increasingly difficult for many, it seems ill-advised to further accelerate this process by removing trading restrictions without a compelling case for the broader societal benefits.”<sup>33</sup>*

In early January 2016 following the introduction of Boxing Day trading for all retail stores in New South Wales, Essential Media conducted a poll on the activities and opinions of residents regarding the deregulated public holiday. A majority of respondents stated that they

preferred spending time with family and friends or relaxing on Boxing Day. Going shopping was reported as the 6th most important activity by respondents for what they prefer to do on Boxing Day, behind socialising, watching the cricket, and going to the beach.<sup>34</sup>

**TABLE 2.2**  
The importance of activities on Boxing Day

	1	2	3	4	5	6	TOTAL RANKED 1-3
Spending time with family	55%	24%	13%	4%	3%	2%	92%
Just relaxing	28%	29%	27%	11%	4%	1%	84%
Spending time with friends	7%	35%	36%	17%	4%	2%	78%
Shopping	5%	5%	9%	27%	28%	26%	19%
Watching cricket on TV	5%	5%	9%	16%	19%	47%	19%
Helping a charity	1%	2%	6%	26%	42%	23%	9%

Source: Essential Media 2016.





The retail industry often cites that shop hours deregulation benefits consumers most, and in relation to public holidays trading, allows consumers to have access to retail trading on days when they would most like to go shopping. However, in the New South Wales' poll following the Boxing Day regulation event, 89 per cent of respondents stated that they thought it was important for Australians to get a two-day break over the Christmas period.<sup>35</sup>

Forty per cent of retail workers worked on Boxing Day 2015, as compared to just 6 per cent of all workers. Of those who worked on Boxing Day in 2015, only 25 per cent said they would like to work again on Boxing Day in 2016. 55 per cent would prefer to spend time with family, and 52 per cent would prefer to just relax.<sup>36</sup>

These poll results and many others reflect the attitudes of Australians towards free time and public holidays. Australians value their free time to socialise and do leisure-related activities; and do not particularly regard shopping as an important activity to do on days off.

This sentiment is backed up by research into labour productivity and mental health. The OECD notes, "the amount and quality of leisure time is important for people's wellbeing for the direct satisfaction it brings. Additionally, leisure, taken in certain ways, is important for physical and mental health. Leisure also contributes to the wellbeing of people other than the person directly enjoying leisure."<sup>37</sup>

Labour productivity, too, is understood to be improved by regular time off, allowing workers to recharge and regroup, by spending leisure time with family and friends.<sup>38</sup>

Of course, there are always some in our community who will or must work on national days of leisure; however policymakers must ask themselves, is it in the community's best interests to deregulate trading hours so that thousands of retail workers must work on public holidays, simply in order to allow some citizens to spend the day at the shops? Or is it better for our social cohesion to keep large retailers closed on public holidays, and allow those workers a day with their friends and family? The Mckell Institute argues that the benefit to society of deregulation of shop trading hours on public holidays is far outweighed by the costs to workers, to the community, and to our economy.



# CONCLUSION

Queensland policymakers have an important task on their hands when it comes to the review of retail trading hours regulations. The regulations exist to ensure workers have sufficient leisure and rest time, to ensure our market is efficiently competitive, and to protect those with limited power. With the increased prevalence of online shopping and automation, government policymakers must be careful not to equate deregulation as the panacea for retail industry disruption.

This report has looked at the facts and existing literature surrounding retail trading hours deregulation and found that many of the arguments posed by large retailers and proponents of deregulation to be either misleading or based on false presumptions. Trading hours should be restricted in order to protect those that need protection in our community and economy.

Retailers, too, must be careful not to hang all their hopes on deregulation. The industry is experiencing some large changes that have the potential to change the face of retail: those who do not adapt will be left behind, and the deregulation of trading hours will not help.

The Mckell Institute strongly urges the Queensland Government to fully consider the purpose of retail trading hours restrictions, and thoroughly examine the facts of deregulation: what it can achieve and what it can't. The question that policymakers must ask themselves is, is it worth giving up the protections of retail workers to have a few days off per year with other Australians, or to not work regular unsocial hours, just for the convenience of a minority of consumers? We believe it is not.





# REFERENCES

1. Shop Ethical! *Supermarkets in Australia*. Viewed 6 December 2016: <http://www.ethical.org.au/3.4.2/get-informed/issues/supermarkets-in-australia/>
2. Productivity Commission, 2011, *Economic Structure and Performance of the Australian Retail Industry*, Report no. 56, Canberra; and Australian Government, *Retail workforce study*, Service Skills Australia and Australian Workforce and Productivity Agency, March 2014.
3. Queensland Government Queensland Trading Hours Review 2016: Issues Paper, p17.
4. Shop Ethical! *Supermarkets in Australia*. Viewed 6 December 2016: <http://www.ethical.org.au/3.4.2/get-informed/issues/supermarkets-in-australia/>
5. Queensland Government Queensland Trading Hours Review 2016: Issues Paper, p19.
6. Roy Morgan, *The ALDI effect: Australia's changing supermarket scene*, 22 June 2015. Viewed 7 December 2016: <http://www.roymorgan.com/findings/6297-aldi-effect-australias-changing-supermarket-scene-201506220132>
7. Lauren Magner, 'Room to grow: The expansion of industry players' online presence will boost revenue,' *IBISWorld Industry Report G4251: Clothing retailing in Australia*, October 2016.
8. Lauren Magner, 'Room to grow: The expansion of industry players' online presence will boost revenue,' *IBISWorld Industry Report G4251: Clothing retailing in Australia*, October 2016.
9. David J. Hill, 'High-tech clothing store Hointer employs robots and mobile tech instead of salespeople,' *Singularity Hub*, 28 February 2013. Viewed 8 December 2016: <http://singularityhub.com/2013/02/28/high-tech-clothing-store-hointer-employs-robots-and-mobile-technology-instead-of-salespeople/>
10. Lauren Magner, 'Buying in: Consumer acceptance of online shopping has boosted revenue growth,' *IBISWorld Industry report X0004: Online shopping in Australia*, November 2016.
11. Productivity Commission, 2011, *Economic structure and performance of the Australian retail industry*, Report number 56, Canberra, p.276.
12. Chamber of Commerce and Industry Queensland, *Queensland Shop Trading Hours*, September 2014. Viewed 8 December 2016: <https://www.cciq.com.au/assets/Documents/Advocacy/Blue-prints/Shop-trading-hours-print-final120914.pdf>
13. Chamber of Commerce and Industry Queensland, *Queensland Shop Trading Hours*, September 2014. Viewed 8 December 2016: <https://www.cciq.com.au/assets/Documents/Advocacy/Blue-prints/Shop-trading-hours-print-final120914.pdf>
14. Chamber of Commerce and Industry Queensland, *Queensland Shop Trading Hours*, September 2014. Viewed 8 December 2016: <https://www.cciq.com.au/assets/Documents/Advocacy/Blue-prints/Shop-trading-hours-print-final120914.pdf>
15. Tony Dimasi, *Western Australia Retail Trading Hours Review: Analysis of economic & consumer issues*, August 1998; and Tracey Atkins, *Shop Trading Hours in Western Australia: A legal, social and economic analysis of shop trading hours in Western Australia*, The University of Western Australia, November 2011.
16. The Mckell Institute, *Retail trading on Boxing Day: Why the costs far outweigh the benefits of retail trading on the Boxing Day public holiday*, March 2016.
17. BIS Shrapnel, *Deregulation of retail trading hours in Western Australia*, November 2016.
18. IBISWorld, *Supermarkets and Grocery Stores in Australia Industry Report*, September 2016, p7.
19. IBISWorld, *Supermarkets and Grocery Stores in Australia Industry Report*, September 2016, p7.
20. BIS Shrapnel, *Deregulation of retail trading hours in Western Australia*, November 2016.
21. BIS Shrapnel, *Deregulation of retail trading hours in Western Australia*, November 2016.
22. The Mckell Institute, *Does our spending increase? The relationship between trading restrictions and retail turnover*, May 2012.
23. The Mckell Institute, *Retail trading on Boxing Day: Why the costs far outweigh the benefits of retail trading on the Boxing Day public holiday*, March 2016, p17; and Andrew Bunn, *SDA NSW and Newcastle Boxing Day Poll 2015*, Essential Media, 20 January 2016.
24. The Mckell Institute, *Does our spending increase? The relationship between trading restrictions and retail turnover*, May 2012.
25. Henry Ergas, *Economic impacts of deregulating retail trading hours on Queensland's economy*, Green Square Associates, March 2014.
26. Lauren Magner, 'Buying in: Consumer acceptance of online shopping has boosted revenue growth,' *IBISWorld Industry Report x0004: Online shopping in Australia*, November 2016.
27. Lauren Magner, 'Buying in: Consumer acceptance of online shopping has boosted revenue growth,' *IBISWorld Industry Report x0004: Online shopping in Australia*, November 2016.
28. Lauren Magner, 'Buying in: Consumer acceptance of online shopping has boosted revenue growth,' *IBISWorld Industry Report x0004: Online shopping in Australia*, November 2016.
29. Grant Arnott, 'Why people buy online vs in store – not what you think,' *Power Retail*, 11 May 2016.
30. James Llewellyn, *The shopper of the future: How today's young shoppers see tomorrow's shopping experience*, GfK. Viewed 13 December 2016: [https://www.gfk.com/fileadmin/user\\_upload/dyna\\_content\\_import/2015-09-01\\_news/data/au/news-and-events/News/Documents/GfK\\_whitepaper\\_TheShopperOfTheFuture.pdf](https://www.gfk.com/fileadmin/user_upload/dyna_content_import/2015-09-01_news/data/au/news-and-events/News/Documents/GfK_whitepaper_TheShopperOfTheFuture.pdf)
31. BIS Shrapnel, *Deregulation of retail trading hours in Western Australia*, November 2016.
32. BIS Shrapnel, *Deregulation of retail trading hours in Western Australia*, November 2016.
33. The Mckell Institute, *Does our spending increase? The relationship between trading restrictions and retail turnover*, May 2012.
34. Andrew Bunn, *SDA NSW and Newcastle Boxing Day Poll 2015*, Essential Media, 20 January 2016.
35. Andrew Bunn, *SDA NSW and Newcastle Boxing Day Poll 2015*, Essential Media, 20 January 2016.
36. The Mckell Institute, *Retail trading on Boxing Day: Why the costs far outweigh the benefits of retail trading on the Boxing Day public holiday*, March 2016, p17; and Andrew Bunn, *SDA NSW and Newcastle Boxing Day Poll 2015*, Essential Media, 20 January 2016.
37. OECD. (2009), *Society at a glance 2009: OECD Social Indicators*, p.20
38. Ray Markey et al, 2013, *The Case for a National Portable Long Service Leave Scheme in Australia*, The Mckell Institute.







#### CONTACT THE MCKELL INSTITUTE

**T.** (02) 9113 0944 **F.** (02) 9113 0949 **E.** [mckell@mckellinstitute.org.au](mailto:mckell@mckellinstitute.org.au)

PO Box 21552, World Square NSW 2002

 @McKellInstitute  [www.facebook.com/mckellinstitute](https://www.facebook.com/mckellinstitute)

[www.mckellinstitute.org.au](http://www.mckellinstitute.org.au)