

THE AUSTRALIAN

The coming shake-up of Australian supermarkets

ROBERT GOTTLIEBSEN THE AUSTRALIAN 9:03AM JUNE 6, 2016

Australian shoppers are changing their habits and that change is going to bring to a head the issues created by the Fair Work Commission decision in the Coles 2014 enterprise bargaining agreement case.

On Friday, I examined the Fair Work Commission decision as it exposed the relationships between unions, large companies and the ALP in retailing and other industries (*Supermarkets not the only players under pressure from wage decision*, June 3).

Today, I want to show you how the mechanics of unwinding the Coles 2014 EBA will take us to the heart of the new trends in Australian retailing.

In short, Australian shopping is increasingly becoming a week night (buying small amounts) and weekend (the big shop) affair.

In other words, more Australians are shopping at times when penalty rates apply. Given that labour is more costly at these times, in a perfect business world, prices should be higher at the most popular shopping times.

The ill-fated 2014 Coles EBA meant that the overall wages bill of Coles was higher than it would have been under straight statutory obligations. But those who worked on the weekend received a lower pay than the statutory rate, while those who worked during the conventional Monday to Friday received wages above the statutory rate. Because those weekend workers are worse off than they would be under the award, Fair Work has overturned its previous approval of the Coles EBA.

And Fair Work has given Coles three ways to fix the problem, so in coming weeks Coles, the union, the workers and the Fair Work people will work out an outcome.

The first way Fair Work suggests the problem can be fixed is for Coles to simply pay the extra money at the weekends — this would a substantial amount and change the economics of weekend trade.

Woolworths would almost certainly face the same bill. It is unlikely that any Coles payment would be backdated because Coles, in good faith, was paying the amounts set out in an enterprise agreement approved by the Fair Work people. But, if there was any suggestion of “back pay,” then huge amounts would be involved, so Coles almost certainly would go to the third solution (outlined below).

If, going forward, Coles and Woolworths are to pay extra amounts for weekend work, both will need to consider whether there should be an extra charge for weekend purchases.

This would be a very dangerous strategy for the majors, because Aldi keeps away from unions and almost certainly would not follow suit.

Paying the higher rates and either charging customers or accepting lower margins in the fastest growing retail timeslot are clearly options, albeit not happy ones for either Coles or Woolworths.

Lower prices at supermarket have played a big role in lowering Australia’s inflation rate. Any decision to lift prices at weekends and/or evenings would have an impact on the inflation game.

The second solution offered by the Fair Work Commission is to alter the shifts that people work. As I understand it, if, say, a person working at weekends did a day shift on a Wednesday then they would be paid the Coles rate for the Wednesday shift and that would mean that the total payment would be accordance with the Fair Work rules. Similarly, the person working on the Wednesday would be able to replace the weekend worker and once again the rules will have been complied with.

Hey presto, on the surface all that is required is a few simple changes to the roster and everything in the garden is rosy.

But there is a problem. The people who work during weekdays are usually people with families and they do not want to work on the weekend.

Those that work on the weekend are often students and they do not want to work during the week. And remember we are going to have to change the shifts of some 77,000 people in ways most will not be happy with. What seems an easy option is in fact a potential recipe for chaos.

So, we now are down to the third solution offered by the Fair Work

Commission — abandon the 2014 agreement and go back to the 2011 agreement.

Indeed this is the required solution in the statutes. The 2011 agreement base pay is naturally a lot less than that set in 2014. But the 2011 agreement has the same basic penalty rate structure as the 2014 agreement.

Coles would be in its legal right to pay its workers at the rate prescribed in the 2011 agreement, adjusted for extra payment at the weekends.

That would be a huge savings for the company and workers would have much less in their pocket. While Coles would be in its legal right to take such a step, I emphasise that there is no intention whatsoever to make that move.

But, on a technical level, it might be possible to play with the lower 2011 base pay rate in a way that enables the pay rates for weekend workers, which were blocked by Fair Work, to suddenly become legal because of the lower base pay rate in the 2011 agreement.

It sounds easy but it will be complex.

In addition, there were a couple of problems with the 2011 agreement.

First of all, in 2011 meat workers were covered by separate state-based agreements. The left wing Meat workers union was very unhappy at losing its members to the right-wing Shop Distributive & Allied Employees Association in 2014.

In addition, workers delivering online orders were not covered in the 2011 agreement; they were covered by the award.

Having Meat workers union people in a supermarket is bad news. Aldi, which is a non-union shop, overcomes the problem by offering only pre-packed meat, which takes place outside the supermarket.

If Coles adopts the 2011 agreement, it would be well advised to sack its meat workers and go for pre-packaged meat.

And there are other areas where Aldi's lead could be followed.

For example, many Aldi outlets open at around 10am and closes at 6pm,
which cuts down on evening penalty rates

which cuts down on evening penalty rates.

As I pointed out on Friday, Coles' and Woolworths' costs are higher than Aldi and they cannot afford to have that gap widen.

Of course, as Aldi has shown, there are management solutions to escape from the morass of unions and the Fair Work Commission but it requires human resource executive skills that Coles and Woolworths do not have. But those skills are available in the market place.

I don't have all the solutions, but it is going to be a tense time and the outcome will affect Australian retailing and, if the negotiation goes wrong, Coles' profit.

THE AUSTRALIAN*

CREATIVE COUNTRY

in partnership with nab

CREATING A CULTURE OF INNOVATION

Guy Kawasaki | Michelle Guthrie | Professor Brian Schmidt and more

July 28, 2016 - Melbourne

Ticket Information
Powered by **Eventbrite**

TICKET TYPE	SALES END	PRICE *	FEE	QUANTITY
EARLY BIRD OFFER - SINGLE TICKET	25/07/2016	\$299.00	\$0.00	0 ▼
EARLY BIRD OFFER - TABLE OF 8 (cost per ticket)	25/07/2016	\$299.00	\$0.00	0 ▼

* Prices include GST

Enter promotional code

Order Now

Online registration powered by **Eventbrite**