

Supermarket Pricing Inquiry

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Submitted by: The Shop Distributive and Allied Employees' Association
(Queensland Branch)
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Submission by

The Shop Distributive and Allied Employees' Association (Queensland Branch)

To

The Supermarket Pricing Select Committee

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Inquiry into Supermarket Pricing

About the SDA

The Shop, Distributive and Allied Employees' Association (Queensland Branch) represents over 30,000 members in the State of Queensland working in retail, warehousing, fast food, hairdressing, beauty, pharmacy, online retailing, and modelling.

The majority of SDA members are women (60%) or under 35 years (57%) with most on low-incomes.

Retail and food services are two of the three lowest industries for median weekly earnings.

The Queensland Branch advocates for its members in the Queensland region through enterprise bargaining; assisting its national counterpart to make submissions regarding Awards and the NES to provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other important reviews.

Our national body ascribes to 10 policy principles that guide our branch when engaging in these reviews (see Appendix A).

Executive summary

This submission provides a general overview on the retail market from the view point of our members (retail employees) and in particular how the retailers conduct their businesses particularly with the use of technology and automation to extract cost-savings from consumers and employees. These savings whilst benefiting the business and its shareholders should also be reflective of a community responsibility (e.g. to have reasonable product pricing) that benefits society as a whole and is not based solely on profits for shareholders.

The main contention in this submission is that as a result of improved productivity and commercial outcomes there should be a shared benefit by all 3 key pillars of the relevant retailers' success – those being investors, workers and consumers.

The SDA is the union for supermarket workers:

The SDA is a union of workers in retail, warehousing and fast-food. That includes food retailers and supermarkets. Our members have witnessed various structural changes in the major retailers operations in particular:

- The automation of distribution supply chains - digitisation and automation of warehousing and the supply chain – from the back dock to the farm
- The utilization of self-serve checkouts.
- The increasing use of online retailing and click and collect systems.
- The most recent change experienced by workers is the introduction of automated rostering systems, which have created real challenges for those who work under them and those who set rosters using them.

Supermarket workers want the benefits of their productivity shared;

Retail is a dynamic industry and one that has often been an early adopter of technology. It is also an industry that has expanded employment opportunities whilst adopting technology and today employs over 1 million Australians.

Retail is a commercial activity with a sharp focus on the bottom line. Profits are necessary for companies to continue operating and employing people but the SDA and its members believe employees are entitled to a fair and reasonable share in improved profits and improved productivity.

Commercial success for investors should be coupled with better wages and conditions for employees that then help build a stronger more sustainable economy. This is especially true of supermarkets where a large proportion of the population is employed across the country and in all local communities.

General comments and overview to the terms of Reference;

The SDA focusses this submission on increased investment into automated systems as it cannot make significant comment of the reason for cost pricing of products between wholesale and retail. Automation enables the retailers to cut costs of doing business at the supply chain and store front areas, but this benefit should be shared with the community and workers not just investors and the risks – especially to safety – need to be managed.

Automation in the distribution networks of retailers often results in physical workforces being substantially reduced. The influx of self-service registers at supermarkets creates perceived increases in productivity and again requires less staffing in such areas. This should in turn equate to reduced wages costs and cost efficiencies in production.

We submit that such matters would or should have a positive effect if the retailers pass on some of those cost benefits to the consumer.

From a union perspective we suggest that automated digital and generative technologies must enhance, not undermine, decent work.

In 2023, the USA Writers Guild wanted artificial intelligence, such as ChatGPT, to be used only as a tool that could help with research or facilitate script ideas and not as a tool to replace workers.

Reflecting on the resolution of the dispute, UNI Global General Secretary Christy Hoffman said:

“While many aspects of the agreement are unique to TV and film production, the core concerns raised by the Writers Guild of America, East and West, (WGA)—the use of technology, the erosion of job security, and fair compensation—resonate with workers in nearly every industry.”¹

UNI GLOBAL is one of the largest private sector global union federations and has around 20 million members with the majority working in retail and finance. The work of UNI Global can be, partially, summed up as working towards the UN sustainable development goal No. 8:

SDG8 - “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.

It does this alongside other SDGs, including gender equality (SDG5) and reducing inequality (SDG10).

Nationally the SDA is affiliated to UNI Global and works towards decent work and economic growth for Australia’s workers in retail, warehousing, fast food, hairdressing, beauty, pharmacy, online retailing, and modelling. Together, private sector unions around the world share the view that the benefits of technology should be shared with workers as well as shareholders and consumers/citizens.

¹ <https://www.fastcompany.com/90961199/how-the-hollywood-writers-strike-will-impact-the-wider-world-of-work>

For workers that the SDA represent to achieve decent work, gender equality and income equality requires that workers get –

- a safe work environment,
- a wage they can live on,
- stable, predictable, and secure hours of work,
- supportive workplace conditions such as parental leave, and
- a regular and consistent income.

Consequently, retailers that are picking up automated, digital and AI technologies need to ensure that they are sharing the prosperity gained from digital and technological progress. A new wave of automation is gaining pace in retail warehouses and whilst we are at the front end of this new curve it must be acknowledged now that productivity gains in the years ahead must be shared with the workforce and in turn might also reflect in fairer pricing

Sharing the benefits would also help redress the rising inequality that is contrary to the objective of SDG 10. This is a growing problem in Australia as this quote shows:

“Since World War Two, the majority of the benefits of economic growth flowed to the bottom 90 per cent of income earners. However, between 2009 and 2019 the top 10 per cent got almost all of the gains of the latest recovery: that group secured 93 per cent of the income growth in that period.”²

Supermarkets have long used digitisation and automation to change their way of working. They went from accounts to credit and store cards, to integrated EFTPOS to pay by mobile; from signage to price tags to barcodes; from full service to click and collect and back.

The most visually apparent technology changes for shoppers have been the changes at the point of sale: from calculators, cash and paper to registers with integrated eftpos, and more recently to self-serve checkouts.

The most recent change experienced directly by workers is the introduction of automated rostering systems, which have created real challenges for those who work on them and those who set rosters using them.

Wages

The constant change in retail is in part because retail companies are exceptionally driven by traditional market notions of ‘value’, ‘revenue and growth’ and ‘profitability’. That is why they are resilient to economic volatility. The focus of the retail industry centres on ‘the customer experience’, global trade and supply chain.

Commercial success for investors must be coupled with better wages and conditions for employees that help build a better broad based consumer driven economy. This is especially true of supermarkets where a large proportion of the population is employed across the country and in all local communities.

In a virtuous economic model, the commercial success for investors and economic gains for workers would also be distributed to consumers.

² <https://australiainstitute.org.au/report/inequality-on-steroids-the-distribution-of-economic-growth-in-australia/>

Retail is a commercial activity with a sharp focus on the bottom line. Profits are necessary for companies to continue operating and employing people but the SDA and its members believe employees are entitled to a fair and reasonable share in any improved profits and improved productivity.

SDA members are clearly not advocating against the success of their employer, but they do believe that productivity should be shared across the three pillars of a successful business – investors, workers and consumers.

For the workers, analysis from the McKell Institute shows that the productivity increases by workers are not coming back to them in wages. In retail the 'wages to productivity' deficit for employees over the past 20 years is -7% (McKell Institute). Economist Jim Stanford (Centre for Future Work) submits there is a 15% deficit in wages versus productivity gains over the past 20 years across the whole Australian economy³. Rod Sims (Former Chair of the ACCC) has identified that the share of productivity gains going to workers has declined by 25 per cent in the last 15 years.⁴ Whilst the figures differ slightly the irrefutable conclusion is that wages have not kept up with productivity gains over the past two decades.

Gains made in productivity should be reflected in minimum wages to ensure the economy works for all - for investors, workers and citizens.

It is submitted that to enable retailers to justify pricing they should inject a share of the efficiency gains, productivity gains and profitability into wages thereby empowering a significant part of the working economy to participate more significantly in the broader economy.

Daron Acemoglu (economist at MIT and a nominee for the 2023 Nobel prize in economics) used to believe in the conventional wisdom, that technology is always a force for economic good. But now, in his new book "[Power and Progress](#)" (co-authored with Simon Johnson, August 2023) he warns how innovation often winds up being harmful to society until collective forces like unions impose community standards on it. Fair distribution of the additional wealth created is one community standard.

He cites many examples over the past 1,000 years where technology created wealth for an elite and it was not good for society – not in the medium term anyway. His example of English workers at the outset of the Industrial Revolution is a good one:

"Workers in England during the mid-19th century, who endured almost 100 years of a tech-driven dystopia. At the time, few had the right to vote, let alone to unionize. The Chartists who demanded universal male suffrage were jailed. The Luddites who broke the textile machines that displaced them were exiled to Australia or hanged. And yet they recognized that they deserved more, and they fought for the kinds of rights that translated into higher wages and a better life for them and, two centuries later, for us. Had they not bothered, the march of technology would have turned out very differently."

His key message:

"The conclusion to be drawn is not that technology is workers' enemy. It's that we need to make sure we end up with directions of technology that are more conducive to wage growth and shared prosperity."

³ <https://www.abc.net.au/news/2023-05-23/why-your-pay-is-not-keeping-up-with-inflation/102379114>

⁴ <https://www.theguardian.com/commentisfree/2023/sep/05/lack-of-competition-damages-australia-economy-rod-sims>

Acemoglu notes the challenge that western society now faces after decades of neo-liberalism demonizing and undermining organised labour. Without bargaining power, workers won't get a say in how AI tools are implemented on the job, or who shares in the wealth they create.

Low paid workers have demands put on the scarce resource that is wages. If the wages go up, they spend that money in ways that increase productivity. The economic cycle that retail workers support is critical to economic recovery. That means, minimum wages must increase, especially for those in low paid, feminised and youthful workforces.

Rostering

Increasingly, supermarkets are using rostering systems that are algorithm led.

The systems typically use a range of data including customer traffic, stock flows and task time analysis to determine the number of hours of labour needed at any time in the week. This then determines how many hours are needed to be rostered across the store or departments of a store. Rosters are often then electronically generated using the information and communicated to workers via an app. The app is used for multiple purposes including to communicate rosters, get employee acceptance, for signing in and out of shifts and for communication and training purposes.

These rostering platforms are sometimes described as 'designed to avoid issues of preferential treatment by managers', they were in practice contributing to financial difficulties in low-income families, they made it difficult for families to access childcare, and made it difficult for families to spend time together. Some technological improvements have been made to some platforms but they remain well short of ideal.

Rostering practices can also prevent workers from working more hours. Employers' rostering practices add to parents' unpaid workload. In the SDAs Work and Care research⁵ the data showed a grave issue of digitised systems impacts.

Among those with a child aged 12 or under:

- 68% agreed or strongly agreed with the statement "When I get my roster, I have to check it fits with the family's childcare arrangements".
- 69% agreed their work times affect when other family members can work.
- 62% said they find it stressful to organise childcare around work times.

Rostering also impacts on family stress and the mental health of the worker and members of their family:

- Of those with a child 12 or under, 37% of mothers and 42% of fathers agreed or strongly agreed with the statement "The way I am rostered to work impacts on my mental health".
- 63% of parents with a child aged 12 or under agreed or strongly agreed that they worry about what's happening with their children whilst working (69% of mothers and 57% of fathers).
- Among mothers with a child below school age, those using formal childcare services were less likely to worry about their children compared with others, underlining the importance of formal childcare for alleviating maternal stress.

For management, it is remarkable that this is not a greater focus. Among parents with a child aged 12 or under, 43% of mothers and 35% of fathers reported wanting to work more hours. They needed more stable hours in order to make it work. Notably, it is also a compliance matter:

- Firstly, they are a system of work and that brings them within the workplace health and safety jurisdiction. The process of setting and adjusting rosters requires greater certainty and control, and the algorithms and authorisations within the system need to be accessible to Health and Safety Representatives.
- Secondly, as rostering systems are a system of work. Digitising rostering systems is a change that was implemented without consultation with workers. Under state-based workplace health and safety legislation, such consultation is mandatory. Further, when changes to the systems are implemented, for example a change to the algorithms or procedures, they need to go through formal consultation.
- Finally, automated rostering is uniquely dehumanising. If the employee and employer are communicating exclusively through automated messages on an app, the relationship loses its human connection, and the safety of the worker, especially related to mental health and ability to speak up in relation to other matters, is compromised.

Better protections and rights for workers in relation to the use of technology must be developed including compensation for time expected to use workplace technology outside of the workplace and for the use of the workers own device and data. Technology should also ensure compliance with the relevant industrial instrument governing rostering, such as Awards and Enterprise Agreements, and not result in discriminatory outcomes.

Automation of warehousing

In SDA industries, the rise of digital has manifest in the rise of what is known as “omnichannel retailing”. This is to say that Australian retail remains and will continue to remain connected to bricks and mortar with a changing mix of online, click and collect and other innovations.

KPMG's Australian Retail Outlook 2023 (ARO2023) indicated that “only 30 per cent of retailers list growing online as one of their top priorities for 2023 and only 12 per cent of retailers reported a significant rise in their e-commerce revenue in 2022 with 49 per cent experiencing some increase.”

This is described as “leveling off” of the growth in e-commerce. Further, 39 per cent of retailers who operate physical stores plan to increase their footprint in 2023. It remains clear that in most cases, bricks-and mortar still play a significant role in retail.

The 2024 retail perspectives are yet to be released, but this ‘leveling off’ is likely to be easing as the NAB Online Retail Index, estimates that growth in online accelerated in 2023.

The changes in warehousing, fulfillment and distribution jobs are incorporated within what is classified as the wholesale, retail and logistics industries, and described diversely given the rising role of omnichannel retailing. They are sometimes described as store persons (often in a traditional warehouse) and sometimes sales workers (often in a distribution centre or 'dark stores'). They might be a "personal shopper" doing fulfillment in a store for click and collect or delivery.

If policy makers respond to the growth in digitization, automation and predictive analytics with investment in skills and other labour standards, workers in these areas will have a better chance to get and keep good jobs

⁵ Cortis, N., Blaxland, M., and Charlesworth, S. (2021) *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*. Sydney: Social Policy Research Centre, UNSW Sydney. (Available at <https://national.sda.com.au/care/>)

Concluding Remarks – “shared prosperity”

The SDA seeks not to comment on the interactions and or negotiations regarding the pricing that occurs between product production and sale to retailers and the price a consumer might pay at the supermarket or online, because this is not the SDAs area of expertise.

There are presumably variable economic contingencies and impacts that cause price differentiation between regions – obviously cost of producing may increase and the cost of transport which impacts price.

While the SDA is not privy to the impediments to primary producers gaining profits, it is well aware that automation of the supply chain makes the supply of goods from producer to store more efficient and hence presume that such cost efficiency could be more reflective in product pricing but also in turn a better outcome for employees in terms of wages and conditions.

There is surely a correlation between the profits earned by retailers and the level of pricing in the market. The SDA can speak to the area that it is involved in the retailer operated supply chain – consequently this relates to the action of supplying stores, stocking shelves and selling to consumers.

What the SDA views in these areas is a continual increase in productivity and automation - whilst these may incur high investment costs it is envisaged that investment is outweighed by increased costs savings.

It is our primary submission that retailers (especially supermarkets chains) enjoy high degree of profit – linked to shareholder expectations and there may be room to consider that there should be a better sharing of economic benefit in terms of better wages for employees, better pricing for the general public and a better overall impact to society.

This does not mean that retailers should not seek cost efficiencies or profits. We submit that those are requirements for prosperity of the business but retailers as a whole should be cognisant of how to best assist in achieving reasonable pricing that allows those who are at lower economic levels to enjoy and participate in the economy which may also relate to appropriate compensation for purchased products and wage levels.

Research

In closing, the SDA brings to the attention of the Select Committee the following research:

- Carnovale, A. (2020), *Technology in Workplaces: Impact on the Retail Industry*. (Unpublished)
- Cortis, N., Blaxland, M., and Charlesworth, S. (2021) *Challenges of work, family and care for Australia's retail, online retail, warehousing and fast food workers*. Sydney: Social Policy Research Centre, UNSW Sydney. (Available at <https://national.sda.com.au/care/>)
- Lipton, B., Vromen, A., Rutledge-Prior, S., Good, L., Cooper, R., Foley, M. (2023) *Technology and skills in the future of retail work: A summary of findings* (Available at <https://ses.library.usyd.edu.au/handle/2123/29372>)
- Podkalicka, A. and Andrejevic, M. (Forthcoming) *Workers in Transition: Automating Retail* (Unpublished, details available at <https://autoworkproject.org/sale-and-service/>)
- Zerbib, F., Connor Wherrett, C., and Cavanough, E. (Oct 2021) *Reshaping Redundancy: For the Automation Age* (Available at <https://mckellinstitute.org.au/research/reports/rethinking-redundancy/>)

Appendix A: Principles underpinning SDA policy positions

SDA policy is driven by providing value to our members whose work is regulated by an industrial system that has been reformed, but had failed them for decades.

Australians need to be supported by an economic system that has working people at its centre. Our predecessors built an industrial system which provided the foundations for shared prosperity. It is now our responsibility to utilise the reformed industrial framework for the current and future generations. Decades of concerted attacks on our industrial relations system saw inequality grow, and economic and political power has further concentrated in the hands of a few.

The world of work has changed and will keep changing. There is an unprecedented intersection between work and care. Income and gender inequality have combined to increase disadvantage. Predictable, secure hours of work that provide a living wage are at the centre of decent work. But there has been growth in insecure work, digitalisation is now a matter of course, safety concerns have persisted, and automated, digital and generative technologies must be shaped to enhance, not undermine, decent work.

We believe that fundamental not incremental change is needed. In contributing to policy, we seek to drive a new system that acknowledges the change that has occurred and will be fit for purpose in the emerging world of work.

The SDA engages in topics that help drive this agenda and we are guided by ten principles that we believe will create value for our members.

Those principles are:

1. **Address Inequality & Enshrine Fairness**

Minimum expectations must be set and adhered to.

2. **Equity & Empowerment**

All workers must be supported to progress so that no-one is left behind.

3. **Mobility & Security**

A socially successful economy must provide opportunity for all, regardless of their background. Systems must be built in a way that supports success and adaptation in a rapidly changing world of work.

4. **Delivering Prosperity & Growth For All**

A foundation for prosperity and economic growth must be achieved.

5. **Protection in Work & Beyond**

Workplaces and the community must be healthy and safe for all workers and their families during and beyond their working lives.

6. **Workers Capital & Superannuation**

Workers capital and superannuation must be an industrial right for all workers and treated as deferred earnings designed for dignity and justice in retirement.

7. **A Strong Independent Umpire**

A strong, independent, cost effective and accessible industrial umpire and regulator must be central to the future system of work in Australia.

8. Protection & Support for Our Future

Protecting and supporting our future requires a strong and vibrant retail industry and supply chain providing decent work and jobs with fair and just remuneration and contributing to the economy including through skilled workers.

9. Work & Community

Work is a fundamental human activity that provides for personal, social and economic development. Work as it operates in community must build and protect a balance between life at work and life so that workers can contribute to society through the wider community.

10. Institutional Support for Collective Agents

Institutional support must provide for collective agents (registered organisations) in all industries so that they are recognised, enshrined and explicitly supported as central to the effective functioning of the system.