



Supply chain rationalization: retailer dominance and labour flexibility in the Australian food and grocery industry

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ABSTRACT

This article reviews the implementation of supply chain management within the Australian food and grocery industry and examines the workplace implications of this new form of industry rationalization within the manufacturing, distribution and retailing components of the grocery supply chain. Based upon documentary sources and interviews with employers, consultants and trade union officials, we find the dominant workplace trend involves a focus on increased labour flexibility amongst upstream suppliers in response to the strategic power of the dominant supermarket chains. However, variations in labour use strategies and union responses across the supply chain also highlight the continued diversity of workplace regimes that result even within a highly concentrated product market. The implications of this case for broader debates on the process of 'systemic rationalization' are explored.

KEY WORDS

grocery industry / labour flexibility / supply chain / work organization

Introduction

Increased competition, 'globalization' and technological change have become common explanations for workplace change. However, one source of organizational restructuring largely ignored in the labour process and industrial relations literatures is recent change in the nature of inter-firm relations that cross enterprise and industry boundaries. This trend involves increasing integration between enterprises within 'production networks' (Harrison, 1997), or more broadly within a process of 'systemic rationalization' (Altmann and Deiß, 1998; Sauer et al., 1992) or 'controlled autonomy' (Appay, 1998).

While existing literature has focused on traditional manufacturing settings, one industry in which such cross-enterprise rationalization is particularly pronounced is food and grocery retailing. Through the application of supply chain management (SCM), grocery retailers world-wide have sought to radically reduce costs and inventory and move towards a 'pull' rather than 'push' distribution system through the development of closer supply relationships and real-time information transfers (Fernie, 1995; Kurt Salmon Associates, 1993; Whiteoak, 1998).

In this article we examine the implementation of supply chain management within the Australian food and grocery industry. Through an analysis of business reports, industrial agreements, statistical data, and interviews with employers, consultants and trade union officials,¹ we review recent industry trends towards greater supply chain integration and the dominant role of the major supermarket chains in this process. We then outline the workplace implications of this new form of industry rationalization across the manufacturing, distribution and retailing components of the supply chain, focusing on changes in employers' labour use strategies and the responses of trade unions to demands for increased labour flexibility. While the prevailing workplace trends include increasing casualization, labour hire, work intensification and outsourcing, our research also highlights diversity in workplace outcomes and a number of countervailing examples. We conclude by reviewing the implications of this case for broader debates on the process of 'systemic rationalization'.

Supply chain rationalization: theoretical insights and industry developments

New information technologies have provided unprecedented opportunities for organizational integration. While optimistic interpretations view these developments as heralding the breakdown of organizational boundaries and the end of hierarchy (Badaracco, 1991; Powell, 1990), critical writers have highlighted how these technological innovations recast traditional patterns of economic restructuring by dominant firms. For instance Harrison (1997) has highlighted how powerful corporations have restructured their operations, maintaining core managerial and administrative functions while outsourcing manufacturing

to global 'production networks' of subcontracting organizations. The implications for labour under such a 'lean and mean' scenario is one of wage polarization, the demise of internal labour markets, and the growth of contingent employment as subcontractors compete for the core firms' business on the basis of labour cost. In a similar manner, Appay (1998) argues that current restructuring processes involve both increasing economic concentration around 'core' firms, as well as increasing externalization of operations through 'cascading subcontracting'; a process she identifies as 'controlled autonomy'.

Other researchers view this as a new phase in capitalist restructuring; a development they title 'systemic rationalization' (Altmann and Deiß, 1998; Sauer et al., 1992). They argue that traditional company-based rationalization strategies are insufficient in the current environment and that dominant companies now seek to increase productivity through the restructuring of technologically-linked networks of dependant firms. As they state, 'This "new type of rationalization" entails the integration of company-wide and inter-company production processes by means of information technology networking and the strategic use of technology as a way to secure flexibility' (Sauer et al., 1992: 46). The outcomes of this process they argue, involve the demise of 'good work' and a renewed focus upon cost reduction and labour flexibility, as well as the fragmentation of the workforce and declining labour solidarity (Altmann and Deiß, 1998).

Current managerial interest in concepts such as SCM, e-commerce and business-to-business (B2B) technologies demonstrate a shift away from micro-level strategies towards a broader process of rationalization that cuts across workplaces, enterprises and entire industries. Like earlier innovations in management practice such as just-in-time, total quality management and business process reengineering, advocates of SCM promote the need to reduce inventory levels, eliminate waste in operational processes and maximize quality at source (Cox, 1999; Sayer, 1986). However, instead of focusing on internal enterprise efficiency, SCM seeks to improve performance through the closer integration of external enterprise relations. As advocates argue, the optimized supply chain involves:

... an integrated collection of organizations that manage information, product and cash flows from a point of origin to a point of consumption with the goals of maximizing consumption satisfaction while minimizing the total costs of the organizations involved. (Kiefer and Novack, 1999: 18)

This macro focus on cross-enterprise relations has been enabled by recent improvements in information technologies offering 'real-time' information transfer across enterprises and industries. Ideally, any organization can now track in real time, geographically remote processes occurring elsewhere in the supply chain, offering unparalleled opportunities for customer responsiveness, cost and productivity improvement. However, as critics note this process favours, and indeed is likely to be promoted by, those enterprises that already enjoy significant market power (Appay, 1998). Supply chain integration then

becomes a tool through which 'core' firms seek to increase efficiency and profitability by controlling the production and service activities of dependent organizations within the supply chain.

In the following sections we examine how SCM has been applied within the Australian food and grocery industry. While much of the existing literature on increasing organizational integration has focused on the manufacturing sector, this study highlights the strategic and market power of large retailers in influencing workplace change across the supply chain; a dynamic that has been largely ignored within the labour process and industrial relations literatures. Indeed, the Australian case provides an extreme example of such retailer power, given the highly concentrated nature of grocery retailing in this country. In contrast to both the UK and US grocery industries, in Australia a supermarket duopoly dominates the industry and, as we demonstrate, has a profound influence upon workplaces well beyond its immediate organizational boundaries. In addition, despite recent changes in the nature of Australian industrial relations, this case highlights the process of supply chain rationalization within a relatively highly unionized context, allowing insight into the responses of organized labour and the bargaining and negotiation of workplace change.²

Supply chain integration in the Australian food and grocery industry

Supply chain integration is particularly advanced in food and grocery retailing (Fernie, 1995; Kurt Salmon Associates, 1993). Over the last decade, large supermarket chains have become increasingly dominant through their significant buying power, direct sourcing of product, and the sale of generic and 'house brands' (Burch and Goss, 1999; Hughes, 1996). These developments have resulted in a shift in the traditional power relations between manufacturers and retailers to the extent that retailers 'assume a hegemonic position in relation to other fractions of capital' (Hughes, 1996: 96).

During the later 1990s, the restructuring of the Australian grocery supply chain has been promoted by the major retailers, peak industry groups, and consulting organizations which have established working parties and produced a range of publications advocating the advantages of greater supply chain integration (ECR Australasia, 2000; PricewaterhouseCoopers, 1999). Australian grocery retailing is far more concentrated than its US or UK counterparts (Burch and Goss, 1999). For much of the 1990s, three supermarket chains, Woolworths Ltd., Coles Supermarkets and Franklins Ltd., constituted over 65 percent of the total grocery market (PAG, 2000). In 2001, this market evolved into an effective duopoly with the winding up of the poor-performing Franklins and the break up and sale of its stores to Woolworths, Coles and smaller independents (McCallum, 2001a). Rationalization has also occurred in the grocery wholesale market where the embattled Davids Holdings was acquired and restructured by South African retail giant Metro Cash and Carry in 1998

(Beeby, 1999). Table 1 outlines how the market shares of the leading supermarkets have changed in the last eight years and shows the trend towards increasing concentration.

However, despite the high degree of market concentration, Australian grocery retailing is marked by low margins and close scrutiny from investors for improved returns and reduced costs. The recent entry of foreign competitors such as the South African retailers Metcash and Pick 'n' Pay, and German 'deep discounter' ALDI, has also highlighted potential competitive threats (McCallum, 2001a). These pressures have resulted in a reassessment of business strategy and internal restructuring within the two leading grocery retailers, Woolworths and Coles. Under the title of Efficient Consumer Response (ECR) this has focused on radically reducing inventory, integrating information across organizations, and seeking to ensure a smooth flow of product from manufacturer to distributor, to retailer to customer upon 'just-in-time' principles (Ferne, 1995; Harris et al., 1999: 36–7; Kurt Salmon Associates, 1993). Specifically, the adoption of ECR requires increasing integration of the manufacturing, distribution and retailing functions. Retailers can now manage product categories and identify optimum product mixes for individual stores based on point-of-sale and demographic information; automate the store ordering process with reference to delivery data and sales forecasts; streamline the distribution of product through flow-through distribution techniques; and ensure automatic replenishment of stock from manufacturers (Harris et al., 1999: 37–8).

Both Woolworths and Coles have embraced many of the components of ECR in particular through the sharing of electronic and increasingly internet-based information with their suppliers, the establishment of electronic procurement networks, as well as 'partnering' relationships between food manufacturers and the major supermarket chains (Roberts, 1998). As one manager in a leading food company outlined:

We're looking at how we integrate. We have in at least one of our major foodstore partners, what we call 'co-managed inventory roles', whereby we place *our* people in their warehouses, and we manage *our* stock in *their* central warehouses, so *that*

Table 1 Market shares of the Australian grocery industry

	1994	1998	2002
	%	%	%
Woolworths Ltd	31	36	42
Coles Supermarkets	24	30	36
Franklins Ltd	14	14	0
Metcash (Davids)	15	15	13
Foodland Associated Ltd	6	4	4
Others	10	1	5

Source: Retail World, 2001; Anon, 2002

we do all the ordering on their behalf to ensure that they're getting the right stock levels. (emphasis added)

Indicative of these trends is Woolworths' 'Project Refresh', a three- to five-year programme projected to deliver as much as \$200 million worth of cost savings by 2003. Modelled on the US retail giant Wal-Mart's 'culture of perpetual change', Project Refresh has involved a restructuring of the supermarket's buying and marketing functions into a centralized national structure, building closer relationships with key suppliers, and investment in state-of-the art distribution centres and information technologies (Mitchell, 2002). Its implementation has been linked to greater than expected savings, profit growth and a doubling of Woolworths' share price (Hannen, 2001).

However, notwithstanding the rhetoric of 'partnership', integrating the supply chain in grocery retailing also involves a more traditional market-based approach to supplier relations. As the CEO of Woolworths outlined in a recent interview:

Strategic alliances should never exclude competitive forces. If they do, in the long term they will be to the detriment of both parties to that strategic alliance. We've got some really big suppliers *but I'm making sure all the time they don't feel there isn't competition for them* and that they haven't got all the action, and *if they're not on their toes then someone else will take the business*. Competition is a really good thing. (Mitchell, 2002, emphasis added)

As a senior supermarket manager more bluntly stated of his relationships with suppliers, 'We don't trust them, and they don't trust us!' (PAG, 2000). While this may represent an extreme position, the key point is that the rhetoric of trust-based partnerships between suppliers and retailers is often underpinned by more fundamental market-based power relations (Doel, 1999; Hughes, 1996). While our interviews with major food manufacturers revealed moves towards strategic partnerships with the two major supermarket chains, these appear to have been limited to the largest multinational food companies with established brand names and significant market power. By contrast, small- and medium-sized manufacturers and suppliers lacking such market power appear to have little choice but to fit in with the retailers' supply chain initiatives. As another industry representative pointed out, 'No major supplier, no matter how big or powerful they are, can afford to be offside, or out of favour, with Coles or Woolworths' (Wade, 2002).

Workplace implications of supply chain integration

How, then, have these broader patterns of industry rationalization affected the management of labour within the food and grocery supply chain? The following sections review the impact of this product market dynamic upon labour management within the three key parts of the food and grocery supply chain; manufacturing, distribution and retailing. Our concern here is to trace how

supply chain integration is affecting the general patterns of labour regulation within these sub-sectors rather than provide a detailed analysis of changes within individual workplaces.

Food and grocery manufacturing

A broad range of food and other manufacturing companies supply the major supermarket chains. These vary from large multinationals such as Nestlé, Heinz, Kellogg, Simplot, Coca-Cola, Cadbury-Schweppes and Colgate Palmolive, to a multitude of small- and medium-sized local enterprises. As the major interface with the consuming public, the supermarket chains have come to wield significant power in their relations with these suppliers, in terms of which products and brands are offered for sale, and their location and promotion on supermarket shelves. Indeed, it is common practice for grocery suppliers to pay significant sums to get new products displayed on supermarket shelves (Porter, 1994). With the shift to greater supply chain integration, scrutiny of specific product lines and brands has increased, as the retailers constantly analyse the degree of turnover of particular items. Woolworths, for instance, deletes 2000 items from its shelves every year and accepts only 11 per cent of new products that are offered (McIntyre, 2002).

This degree of market power places significant pressures on even the largest food and grocery manufacturers to increase efficiency and reduce unit costs in order to win and maintain retail supply contracts. Manufacturers also have to be much more flexible and responsive to retailer product demands, particularly as the industry has moved towards ECR and 'just-in-time' models of retailing. Trends such as supermarket specific secondary marketing (for example special packaging and limited promotional offers) have also increased the need for more flexible production. As a senior union official noted:

A lot of these places have got what they call 'Just-In-Time' systems in place and our members call them 'Just-Too-Late' because they usually are; there's usually a glitch and then the whole thing falls over. But they get orders in from companies that are saying, 'this year tomato sauce is not a big seller', so [retailer X] will be saying to them 'we're only looking at a couple of pallets a week'. They've done their production planning about that and all of a sudden because [retailer X] have had a blue with [manufacturer Y], who didn't do what they were told that week, this company will get an order for tonnes of tomato sauce and 'we want it now!' ... Well the pressure on the company and the employees is incredible because they have to get the stuff out of the end of the line.

Food manufacturers have sought to deal with this increasing volatility in product demand through a variety of labour strategies. One approach has been to develop a 'flexible firm' model of labour utilization (Atkinson, 1984), where a permanent core of skilled workers is supplemented by a casual workforce that can be quickly increased or decreased in size subject to changing product demand. This has involved a reduction in the number of permanent employees

in favour of less secure, and more easily dispensed with, casual workers. While the food industry, given its seasonal nature, has always had a significant proportion of casual workers, as highlighted in Table 2 the extent of casual employment has increased dramatically over the last decade in areas such as fruit and vegetable processing, dairy manufacturing and cereal food manufacturing. As the national employee relations manager of one major food company acknowledged of his firm, 'we certainly have a greater casualization of our workforce, yeah. That's steadily increased'.

The nature of casualization has also changed as food manufacturers have outsourced the casual workforce to third-party labour hire firms (Murphy, 1997). This follows earlier initiatives by companies such as Kellogg which pioneered the outsourcing of maintenance work to labour hire companies in order to overcome perceived union obstructionism and high labour costs (Long, 1996). Employers argue that increasing use of labour hire assists them in responding more quickly to variations in demand for their product. However, food unions argue that the increase in the use of labour hire means employers can avoid the administrative costs of employment and workers' compensation responsibilities.

Labour flexibility is also evident in changes to working hours. The standard 38-hour, five-day working week based around penalty, overtime and shift

Table 2 Casualization within the food and grocery supply chain, 1990–2001*

	August 1990			August 2001		
	Total employees	Casual employees	% casual	Total employees	Casual employees	% casual
Meat and meat product manufacturing	54,278	10,016	18.5%	47,638	5,221	11.0%
Dairy product manufacturing	16,320	1,095	6.7%	20,940	4,446	21.2%
Fruit and vegetable processing	11,906	1,249	10.5%	14,381	5,496	38.2%
Oil and fat manufacturing	2,239	N/A	N/A	N/A	N/A	N/A
Flour mill and cereal food manufacturing	9,275	725	7.8%	15,056	2,837	18.8%
Bakery product manufacturing	37,585	8,977	23.9%	29,914	7,276	24.3%
Other food manufacturing	35,518	5,554	15.6%	27,790	7,019	25.3%
Beverage and malt manufacturing	16,091	2,125	13.2%	22,057	4,934	22.4%
Tobacco product manufacturing	2,964	N/A	N/A	2,572	N/A	N/A
All food, beverage and tobacco manufacturing	186,176	29,740	16.0%	181,150	37,657	20.8%
Food, drink and tobacco wholesaling	1,537	248	16.1%	65,130	20,017	30.7%
Supermarket and grocery stores	88,018	19,771	22.5%	227,615	96,636	42.5%
All employees (all industry classifications)	6,565,560	1,271,779	19.4%	7,772,152	2,117,584	27.2%

Source: ABS, *Employee Earnings, Benefits and Trade Union Membership*, 1990, 2001 (unpublished data).

*The Australian Bureau of Statistics defines casuals as employees without leave entitlements.

allowances has in many instances been replaced by a varying pattern of labour utilization. Amongst larger food manufacturers there has been a shift towards annualized salaries and rotating 12-hour shift arrangements aimed at maximizing the use of costly capital equipment on a continuous production basis (Arnotts Ltd., 2001; IRCNSW, 2000). This maximizing approach to labour use is often run in parallel with a more flexible approach in other geographical locations where production could be 'ramped up' or 'ramped down' according to changing patterns of retailer demand. Increased labour flexibility has also resulted from the geographical restructuring of production facilities based on changed retailer practices. As a senior manager in one major food company pointed out, the shift of both Coles and Woolworths from state-based to national buying patterns five years ago had forced his company to restructure from a state-based to a centralized national structure, resulting in significant redundancies.

So by coming back to a more national approach we were able to close a number of lines. Last year that probably made 200 people redundant across the country out of manufacturing, just by closing lines and rationalizing production.

Large food manufacturers have also sought to increase functional flexibility. Enterprise agreements and industrial awards in the food industry commonly stress the elimination of job demarcations and multi-skilling, and in some cases link these changes to training, career progression and team-working (Arnotts Ltd., 2001; IRCNSW, 2000). The focus on training and skills in the food industry has been driven by the increasing automation of manufacturing processes and union pressure for the recognition of competency standards, as well as a concern to improve food safety and quality following scares over food poisoning. However, the extent of formalized training within the food industry overall appears rudimentary and limited to the larger manufacturers (Buchanan et al., 2002). Moreover, where upskilling of jobs has occurred, this appears to have been limited to a core of permanent workers. Union officials highlighted how the upskilling of a select few in an environment of workforce reduction and increasing production uncertainty also carried with it significant implications for work intensification and job stress. As one official pointed out:

Where there's factories that have got key personnel that are highly skilled and highly trained, there is incredible pressure on those people to work huge hours because no one else can do that job and 'if you don't come in we won't be able to run the line, if we can't run the line we can't get the product into Woolworths, they'll cancel our contract, and all these people will be out of a job'. So this guy or woman has got the pressure of all their workmates' jobs on their shoulders if they don't turn up. No matter how much we push in some companies to train other people, it would mean they would have to pay those other people at a higher rate of pay and they don't want to do that.

The contradictory nature of current labour use strategies in food manufacturing was highlighted by one manager:

Actually one of the dilemmas I have is putting the skills back into the operator, at the same time you're increasing the casualization. You're not going to get that, because you're taking away the maintenance support, QA staff and putting it onto the lines. You don't get that in a casual worker. They're basically doing the basic competencies of start and stop. So how do we balance off that need for highly skilled individuals with a flexible casualized workforce?

The union response to growing labour flexibility in food manufacturing has been complex and reflects the number and diversity of unions which have coverage of different sections of the food industry.³ Against the background of threatened plant closures, declining employment security and increasing casualization, unions have engaged in a range of defensive actions in an attempt to maintain wages and working conditions. Examples have included combined union campaigns against the use of labour hire companies (Murphy, 1997), as well as community boycotts organized by unions protesting against plant closures and job losses (Kirkwood, 2001). In some cases unions have been able to develop multi-site framework agreements which have limited the ability of food companies to play individual plants off against one another and ratchet down wages and working conditions (AIRC, 1999).

However, militating against more coordinated union action are the significant number of unions involved and the propensity for employers to develop preferential relationships with unions they perceive as more accommodating to their change agendas. As one union official noted such 'union shopping' had become increasingly commonplace with the blurring of demarcation boundaries due to new food products, as well as increasing inter-union competition for members. One recent example of this process was a major demarcation dispute between the AMWU and the more industrially moderate National Union of Workers (Victorian Branch), over the registering of a 'greenfield' enterprise agreement at a new export pasta plant constructed by the Japanese company Saizeriya. Under this agreement the NUW was granted exclusive coverage of the Saizeriya workforce with the support of both the company and the Victorian government, despite the AMWU's traditional coverage of this segment of the food industry (Potter, 2001).

Food and grocery distribution

The distribution sector provides the crucial intermediary step between the manufacture of food and grocery products and their sale to consumers through retail outlets. For both manufacturers and retailers, the storage and transportation of grocery product has become increasingly important in attempts to reduce inventory and cost from the supply chain.

Grocery distribution has undergone significant rationalization since the early 1990s as the supermarket chains have sought to increase the productivity of their logistics and distribution networks. This has involved a move towards larger, centralized distribution centres, and the adoption of computerized inventory control and warehouse management systems as a way of ensuring greater

through-put and responsiveness to orders from retail outlets (Wright and Lund, 1996). With the adoption of supply chain strategies such as ECR, grocery firms have adopted a broader range of techniques that increase the importance of distribution centres within the flow of product from suppliers to customers. In addition to *warehouse* and *labour management systems* which enable detailed monitoring of inventory and labour within grocery warehouses, *transport management systems* have enabled distributors more accurately to plan and coordinate the loading and scheduling of truck movements between distribution centres and supermarket outlets (Cooke, 1998). Another recent trend within grocery distribution has been the growing use of *cross-docking* which is seen as an integral part of ECR (Cooke, 1994). Under a cross-docking system, warehouses become less a location for the storage of product and more a processing centre in which smaller volumes of more frequently delivered product is received and loaded onto trucks for immediate distribution. Pallets of product move across the dock of the warehouse from receiving to shipping, rather than being stored in the warehouse for later distribution. Despite some initial implementation problems, major retailers such as Woolworths and Coles have integrated cross-docking operations as a core part of their distribution strategies (Roberts, 1998).

There has also been an increase in the contracting out of warehousing and transportation functions to third-party logistics (3PL) companies. This trend has been pronounced amongst food manufacturers, new e-commerce retailing ventures and the transportation function of the large supermarket retailers (Bass, 2000). A senior manager from one 3PL noted that most major food and grocery manufacturers have now outsourced the warehousing and distribution function given that 3PLs are able to provide dedicated logistics expertise and technology that increase supply chain efficiencies. However, two major exceptions to this outsourcing trend have been the two dominant supermarket retailers, Woolworths and Coles, which, having experimented with the outsourcing of their distribution centres, have now chosen to directly manage these facilities given the perception that they are too crucial a link in the supply chain to outsource to a third party.

In terms of the management of labour within grocery distribution, several trends are evident. Despite a decline in unionization from previous 'closed shop' levels, the major food and grocery distribution centres continue to be relatively highly unionized, with the NUW having majority coverage of manufacturer and retail distribution centres in New South Wales, and the Transport Workers Union (TWU) covering truck drivers and, increasingly, warehouses operated by 3PL providers such as Toll and Linfox (IRCNSW, 1999; IRCNSW, 2001; Linfox, 2000; Toll Logistics, 1999). In other states such as Victoria and Queensland, the Shop Distributive and Allied Employees Association (SDA) also has coverage in a number of grocery distribution centres (for example AIRC, 2001). Like their counterparts in food manufacturing, grocery distribution employers have sought to increase labour flexibility given the volatility of grocery demand and the shift towards retail-responsive distribution networks.

As one senior logistics manager noted, 'the predominant trend is that the industry is 24 hours a day by seven days a week, so that immediately starts to push us into looking very closely at our shift arrangements'. In this firm, the response to more costly weekend penalty rates had been to introduce seven-day rosters, as well as sub-contract weekend work to smaller non-union transport companies and owner-drivers.

Despite instances of employer initiated increases in the standard working week, in many of the larger, unionized warehouses this has remained at 36 hours, and seasonal fluctuations in consumer demand have been accommodated by increasing casualization of warehouse and transport work. Union organizers suggested that in certain warehouses where union organization was weaker, the proportion of casuals at certain times could be as high as 50 percent of the workforce, with these workers employed through labour hire agencies and concentrated in the more arduous jobs such as order selection. Labour flexibility pressures are particularly pronounced amongst 3PL providers which tender for logistics contracts in a highly competitive market. For instance, the human resource manager of one 3PL noted how the uncertainty of winning contracts, and variations in product demand had led his firm to develop strategic alliances with a range of labour hire organizations in order to increase or decrease staffing levels quickly (Bass, 2000).

Work intensification also appears as a central issue in the rationalization of grocery distribution. A key part of the computerization of warehouse work over the last decade has involved the introduction of 'engineered work standards', which enable managers to measure employee efficiency on a 'real-time' basis. Each job order performed by a warehouse worker is logged on a central computer system and the time taken to complete the order is compared with a computer-generated standard time. Managers can then calculate daily performance scores for individual employees, which can form the basis for incentive or disciplinary action (Wright and Lund, 1996, 1998). A key outcome of the introduction of these systems has been to increase the pace of work. For instance, one review of the expected work rates for order selectors in two Sydney grocery warehouses found increases of between 35 to 75 percent one year after the introduction of engineered standards (Wright and Lund, 1998: 6). For the increasing numbers of casual workers, lack of job security provides a powerful incentive to attain these performance targets and may also hide the negative health and safety implications of work intensification. Despite a long and bitter campaign of union resistance in the New South Wales industry, these technologies have become increasingly commonplace within Australian grocery distribution (Lund and Wright, 2001). A similar trend of work intensification has also been evident in the transport side of the industry, where the TWU has campaigned against ever-tightening schedules and delivery 'windows' implemented by the major retailers, which place increasing pressures on drivers to deliver consignments on time (Transport Workers Union, 2000).

The general tenor of industrial relations in the industry has changed markedly from a decade ago when unions such as the Storemen and Packers

were able to extract concessions from employers through coordinated industrial action that threatened the entire grocery supply chain (Norington, 1986). The current shift towards greater labour flexibility has been initiated by employers and assisted by changes to industrial law which have fragmented bargaining structures to the enterprise and workplace level and greatly limited industrial action. In some cases, unions have been forced to concede on areas such as limitations on casuals and penalty and overtime rates in return for employer recognition and higher ordinary rates of pay. As one union organizer noted of two new distribution centres:

... we had to make some hard decisions to get in there, because in terms of numbers they're big and once you're established the long term view is you try to improve them and bring them up to the standards you've got at other warehouses. Even though there's trade-offs, the base rates of pay are high, but in terms of penalties and the overtime arrangements and the roster arrangements the Company gets the flexibility there.

Indeed, as has been the case in food manufacturing, unions are in an increasingly competitive situation with regard to workplace representation. In grocery warehousing, this has become apparent in disputes between the NUW and TWU for coverage of new warehouse facilities. As one of the more successful exponents of the 'organizing' model of unionism, the TWU has sought to expand its coverage into transport-related areas such as warehousing, logistics and e-commerce, bringing it into conflict with rival unions. One example of this occurred in 1998 with regard to a 3PL facility operated by Toll Logistics for the Franklins supermarket chain. Despite the NUW having traditional coverage of warehouse work, both Toll and the TWU argued that this facility, which utilized a cross-docking system, was a qualitatively new type of integrated logistics service and that coverage should be granted to the TWU. In deciding in favour of the TWU, the NSW Industrial Commission highlighted that, in addition to the existing bargaining relationship between Toll and the TWU, TWU members exhibited a greater acceptance of multi-skilling, higher productivity levels, and a more cooperative industrial relations record than the industrially militant NUW (IRCNSW, 1998).

Food and grocery retailing

The third and final tier of the grocery supply chain involves the retail stores that sell product to consumers. With the demise of Franklins, Australian food and grocery retailing is dominated by the 'Big Two' supermarket chains (Woolworths and Coles), supplemented by a number of smaller supermarket operators (Pick 'n' Pay, Foodland, ALDI), as well as the rapidly growing franchises of convenience stores and fast food outlets (Pritchard, 2000; Retail World, 2001). During the 1990s, major industry developments have included the extension of supermarket opening hours, the development of supplementary mini-supermarket formats, and employment growth based on a significantly

casualized workforce (Porter, 1994; Pritchard, 2000). Casual employees, who have traditionally constituted a significant proportion of supermarket labour, provide employers with numerical flexibility in terms of daily and weekly fluctuations in shopping patterns.

A key goal of supply chain principles such as ECR has been to reduce stock shortages on supermarket shelves (so-called 'stock-outs') and also tailor stock selection to changing demographic and consumer preferences (McCallum, 2001b). Against a background of extended store opening hours (in some cases 24-hour, seven-day-a-week operation) this has entailed more frequent product deliveries and greater through-put of product. The labour implications of these changes have involved a broadening of the span of regular working hours, as well as employer attempts to match staffing levels more tightly to daily changes in consumer buying patterns. Taken together, these trends suggest an intensification of work effort. As one union official noted:

I get the distinct impression that people are clearly working harder in shops these days, which is brought about by companies obviously relying on fewer staff to do increasing amounts of work. ... Once upon a time it was like 'pick a number and we'll put these people in the store and try and run it'. But now, with the systems they have in place, and the rigour in which those systems are applied, they deploy their labour, they measure it by the hour, numbers of people they need, when, and with some real precision. ... You don't walk into a Woolworths supermarket and see people standing around pulling their thumbs. They are pretty lean and mean operations.

At the same time that retailers have intensified the through-put and responsiveness of supermarket outlets, variations in labour-use strategies are also evident. For instance, as part of a strategy to differentiate its retail outlets in terms of superior customer service, Coles Supermarkets recently implemented a programme to increase the proportion of permanent employees and reduce its traditional reliance on high levels of casual workers. Outcomes from this initiative resulted in a decline in the proportion of casual employees from 60 percent of the workforce to 34 percent, which the company justified in terms of reduced labour turnover and improved customer service (Carson, 1999). Despite this example, however, casualization remains a key part of grocery retail employment more generally. Indeed, statistical data indicates a doubling in the proportion of casual employees over the last 10 years in the supermarket and grocery store sector overall (see Table 2). In addition, permanent retail workers, particularly part-timers, have increasingly had to adopt more flexible patterns of working hours that mirror aspects of casual employment.

In the negotiation of workplace change, the major supermarket employers have developed a close and relatively harmonious relationship over time with the major retail union, the SDA.⁴ Enterprise agreements have reinforced earlier trends towards the broadening of regular working hours and reductions in overtime and penalty rates, providing employers with significant labour flexibility. A stronger model of resistance to employer attempts to increase labour

flexibility has been evident in the response of the AMIEU, which represents butchers and employees working in supermarket meat sections. Here the union has succeeded in maintaining award conditions and the trade-based nature of butchers' work. Employer responses to such trade union resistance have included the introduction of so-called 'retail ready' meat which is pre-prepared prior to delivery to the supermarket and potentially will do away with the need for skilled butchers and in-store meat preparation (AMIEU, 2001).

The move to greater supply chain integration does not appear to have affected the supermarket labour process to the same extent as within food and grocery manufacture and distribution. Supermarket employers have traditionally enjoyed significant labour flexibility through high levels of casualization. The key outcomes of current supply chain initiatives at the supermarket level involve a refining of traditional strategies of work intensification and cost cutting, as well as attempts by some supermarkets to limit labour turnover and improve customer service.

Conclusion

Supply chain integration in the Australian food and grocery industry corresponds with many of the features of 'systemic rationalization' (Altmann and Deiß, 1998; Sauer et al., 1992). In this case, the adoption by the major supermarket chains of closer supplier relationships, new information technologies and a leaner, 'just-in-time' distribution system has resulted in increasing organizational integration, requiring suppliers to respond in a more rapid and flexible manner. This has forced upstream manufacturers and distributors to restructure their organizations and increase labour flexibility through reductions in permanent employment, increasing casualization, the use of labour hire, changes in working time arrangements, multiskilling, and work intensification. This pattern of workplace change accords with those researchers who argue that contemporary industry rationalization results in more intensive, less secure employment and declining labour solidarity (Altmann and Deiß, 1998).

However, even in such a highly concentrated product market, the nature of workplace change has been complex and dependent on a range of contingencies. In particular, while existing literature has stressed the way in which dominant manufacturers increasingly outsource production through a complex array of sub-contract relationships (Appay, 1998; Harrison, 1997), supply chain developments within the Australian grocery industry reveal that the trend towards 'externalization' is at best partial. For instance, despite the emergence of 3PL providers, and the growing use of labour hire in both food manufacturing and distribution, all three segments of the grocery supply chain (manufacturing, distribution and retailing), continue to employ significant internal workforces. Indeed, a trend back to internalization can be seen in the way in which the major supermarket chains have rejected third-party management of their distribution centres, given their crucial role in the supply of product to

supermarket outlets. Contradictions are also apparent in the moves by larger food manufacturers to invest in training and career paths, while at the same time increasing the casualization of their workforce overall. An even more pronounced counter-example has been the well-publicized attempts by individual supermarket chains to reduce their traditional reliance on casuals and increase permanent employment in order to differentiate themselves in terms of superior customer service.

Rather than contradicting the 'systemic rationalization' thesis, these contrasting examples highlight a key feature of this restructuring paradigm; the variation in workplace regimes that result from the actions of dominant firms (Altmann and Deiß, 1998: 141; Sauer et al., 1992: 53). Within a general dynamic of cross-enterprise rationalization, the drive for labour flexibility has involved a complex range of strategies, in part shaped by a company's location within the broader supply chain, its size and market power, as well as management perceptions of the advantages of simple cost minimization versus other considerations such as continuity of supply, and quality of output and customer service. The extent of change has also been shaped by the nature of trade union coverage and union response. For instance, union militancy and resistance have in a number of instances forestalled more wide-ranging attempts by employers to casualize employment and intensify work effort. On the other hand, such resistance has also encouraged employers to seek out more moderate union representation or to outsource operations to third parties.

This raises the question for trade unions of how best to respond to demands for increased labour flexibility. Unlike other industries, Australian food and grocery employers in general have not sought to engage in significant de-unionization, and union density levels remain relatively high within the major manufacturing, distribution and retailing companies. While the trend towards organizational integration potentially increases union bargaining power given the increased vulnerability of employers to industrial action throughout the supply chain, our analysis suggests Australian unions have not sought to exploit such strategic dynamics but have responded in an essentially defensive manner. This has involved attempts to maintain existing standards against the backdrop of threatened job losses and plant closures if greater 'flexibility' is not accepted. While this is an area requiring further research, major impediments to a more coordinated and strategic union response appear to include recent changes in labour law which constrain the ability of unions to undertake multi-employer bargaining, union acceptance of fragmented, enterprise-level bargaining structures and inter-union competition for coverage and membership. Alternatives might involve attempts to develop union bargaining and organizing strategies which target synergies across the manufacturing and distribution sectors, as well as building greater information sharing and solidarity amongst the different unions representing workers within the broader food and grocery supply chain.

Overall, this case highlights how broader patterns of industry restructuring, based around increased organizational integration, have significant work-

place implications. The rationalization of work is clearly being shaped by a wider range of dynamics that extend beyond the boundaries of individual enterprises. In tracing the current path of workplace change, researchers need to be aware of the process of supply chain integration and how this wider business dynamic impacts upon the wages and working conditions of employees in both dominant and dependent enterprises. The challenge for future research is to build upon broader theoretical explanations of 'systemic rationalization', by identifying and explaining the complexity of management practice and labour response in specific workplace settings.

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Notes

- 1 This study is based upon analysis of business press coverage, industrial awards, enterprise agreements, and industry and consultancy reports. Semi-structured interviews were conducted with employee relations and logistics managers in three major food manufacturers, management consultants specializing in SCM implementation, and senior managers in a third-party logistics provider. Interviews were also conducted with officials in the five major trade unions representing food manufacturing, grocery distribution and retail workers. Quotations from the interviews are unreferenced to preserve the anonymity of respondents.
- 2 Australian industrial relations has undergone fundamental change over the last decade through the shift from a system of industrial awards and compulsory state conciliation and arbitration to a system of 'enterprise bargaining'. Changes in industrial legislation have facilitated non-union agreements and individual contracts, prohibited trade union 'closed shops', and restricted the ability of unions to take industrial action. The 1990s have also witnessed dramatic declines in trade union density (see ACIRRT, 1999).
- 3 Key food manufacturing unions include the Australian Manufacturing Workers' Union (AMWU) which has coverage of 'wet' products such as sauces, juices, prepared meals, pasta and confectionery; the National Union of Workers (NUW) which covers 'dry' food manufacturing such as flour and sugar milling, cereals and biscuit making; the Australasian Meat Industry Employees' Union (AMIEU) which covers meat and chicken processing; as well as a range of other unions in smaller pockets of the industry.
- 4 Despite high levels of casual and part-time employment, SDA officials argue that a majority of employees in the major supermarkets are union members.

The exception to this is the new German-owned supermarket entrant ALDI, which set up operations in late 2000 and engaged its entire workforce on non-union individual contracts.

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