Australia: Woolworths admits to massively underpaying staff

By Terry Cook
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In one of the most glaring examples of the widespread practice of wage theft—the underpayment of workers by companies and employers—Australia's largest supermarket chain Woolworths recently admitted to having withheld some $300 million in owed wages to 5,700 salaried staff over the past decade.

The affected workers are employed at Woolworths' supermarkets and Metro stores across the country. In a statement issued at the end of last month, the company claimed to have "discovered" that staff had not been paid in accordance with the General Retail Industry Award (GRIA), which mandates minimum wage and salary levels. It maintained that knowledge of the underpayment only emerged when the implementation of a new enterprise agreement revealed "an inconsistency in pay" under the old agreement for some workers.

The statement explained that the employees were entitled to be paid either their contractual salary or "what they otherwise would have earned for actual hours worked under the GRIA," that is, whichever amount was higher. Woolworths said it found that the number of hours worked, and when they were worked, "were not adequately factored into the individual salary settings for some salaried store team members."

The company reported the issue to the Fair Work Ombudsman (FWO), the statutory agency created in 2009 and tasked with assessing complaints or suspected breaches of workplace laws. Woolworths also announced it has now hired accounting firm PwC and law firm Ashurst to assist with an "internal review" across other areas of its operations and to develop an "extensive plan" supposedly to "ensure it does not happen again."

It is hardly credible, however, that an enterprise as large and well-resourced as Woolworths, with an army of financial and legal advisers at its disposal, could have had no prior knowledge of the multi-million dollar wage underpayments.

Other companies implicated in wage theft have similarly expressed shock and horror that they have not been paying their staff mandated wages as a result of accountancy errors. Unsurprisingly, to date, no cases have emerged in which staff were paid more than they were owed.

A more plausible explanation for Woolworths' announcement is that amid a raft of recent wage-theft revelations the company calculated that it was only a matter of time before its practices would be exposed. The company likely decided to initiate a damage-control operation to limit the fall out and restrict any examination of its broader wage system to an "internal review."

Woolworths' announcement follows recent exposures of wage theft by major companies and high-profile individuals. It is clear that the practice is rampant across the entire private sector and is a deliberate business model aimed at slashing costs.

Companies shown to be involved in underpayment include leading retailers such as the jewelry giant Michael Hill. The Super Retail Group, which owns Rebel Sport, Supercheap Auto and Macpac, underpaid store managers by some $32 million over the past six years and Sunglass Hut underpaid 620 staff members a total of $2.3 million.

Fast food and supermarket chains, including 7-Eleven, Domino's Pizza and Donut King, have also faced exposures over the recent period, as have a number of major companies.

Qantas admitted to underpaying about 55 of its office staff by an average of $8,000 a year by putting them on contracts rather than applying the award rate. The Australian Broadcasting Company (ABC) owned up to underpaying 2,500 casual staff over the past six years and the Commonwealth Bank also underpaid around 8,000 staff by $15 million, blaming it on an accounting systems error.

Like many the companies caught out underpaying, Woolworths issued an apology. The truth is Woolworths, like its competitor Coles and other retail giants, puts profits and shareholder values first and has worked systematically over years to massively bolster both at the expense of the workforce.

In June, for example, the company initiated a “new store model” and roster changes to gain savings of $50 million a year. Under the model the jobs of staff at lower store management levels were axed and the workers pushed to redeploy into positions on far lower pay but expected to do the same duties.

This continuous assault on workers’ conditions has allowed Woolworths to massively increase profits. For example, the final dividend to shareholders for the year that ended on June 30 increased by 14 percent, after the company recorded a 56 percent rise in annual profits to $2.7 billion

The widespread and endemic nature of underpayments demonstrates it is not the outcome of “system failures,” errors, or of supposed oversights or miscalculations.

It is no accident that the vast majority of the businesses involved, including Woolworths, have been at the forefront of a drive to casualise the workforce. This has been a key factor in creating the conditions that allow for wage theft to occur and for it to covered-up.

Working in precarious conditions that allow companies to terminate their employment on the spot or to penalise them by severely cutting back their hours, casuals are reluctant to report underpayments and other forms of workplace abuse.

In the wake of the revelations by Woolworths, Shop, Distributive and Allied Employees’ Association (SDA) national secretary Gerard Dwyer declared that the union “had a concern for some time about how the industrial world operates for the salaried employees.” Retail and Fast Food Workers Union secretary Josh Cullinan declared the underpayments amounted to “wage theft.”

Such declarations are aimed at covering up the unions’ own role in the gutting of wages. Over decades, the unions have imposed enterprise work agreements facilitating ever greater levels of casualisation and other cost-cutting measures. A number of agreements imposed by the SDA itself, covering supermarket and fast food workers, were found to violate minimum pay requirements. At the same time, the unions have functioned as an industrial police force, collaborating with management and isolating militant workers.

The massive erosion of working conditions has been overseen by Labor and Liberal-National governments alike. In league with the unions, both have introduced, maintained and enforced draconian industrial relations laws that virtually outlaw all industrial action. The central aim has been to straightjacket the working class and to prevent it from undertaking any unified fight back against the ongoing corporate assault.