



United Voice National Office
303 Cleveland St, Redfern, NSW 2016
Locked Bag 9, Haymarket, NSW 1240

ABN: 5272 8088 684

t (02) 8204 3000
f (02) 9281 4480
e unitedvoice@unitedvoice.org.au
w www.unitedvoice.org.au

Additional Submission to the Productivity Commission Inquiry into the Economic Structure and Performance of the Australian Retail Industry

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This submission has been prepared by United Voice National Office on behalf of United Voice members and branches across Australia.

Authorised by Louise Tarrant, National Secretary

United Voice
303 Cleveland Street
Redfern NSW 2016

For questions regarding the content of this submission, please contact:

Lily Zhang
Research Analyst

United Voice recently provided verbal submissions to the Productivity Commission with respect to its Australian Retail Industry Inquiry. United Voice offers the following additional information to support and extend the material in our verbal and written submissions.

1. Nature of Retail Industry and drivers for Industry conditions

As noted in our verbal submission, the drivers for productivity within the Retail Industry are not enterprise but rather industry based. Cleaning and security contractors operating in retail centres tender for work with major retail owners. The tender process means that contractors often bid below cost to secure contracts, and end up cutting corners in order to make a profit. This unsustainable business model means that cleaning and security contractors may not be able to legally or responsibly meet the requirements of contracts. In practice tenders are assessed solely on price, rather than on the capacity to deliver a legally viable and quality cleaning service. This means workers may not receive the pay or conditions they are legally entitled to. In a labour intensive industry where the workforce is already pushed to the limit, there is nothing left for employers to squeeze. Rather than looking for innovation or investment in capital and their workforce, cleaning contractors are forced to cut corners and work their workforce harder.

Each tender process exacerbates the problem as companies bid competitively to cut the price and win the work. As we highlighted, an example of this 'race to the bottom' can be seen in the collapse of Reflections Group – a major retail cleaning company who, United Voice believes, bid unsustainably to meet the market. This left Reflections Group cleaners out of pocket including the loss of entitlements and millions of dollars in superannuation payments. This unsustainable model of contracting leaves individual supervisors, managers, even entire contracting companies in a no-win situation where the potential to improve workplace conditions or productivity lies outside of their control. It is for this reason that reputable cleaning companies such as international company ISS, the largest cleaning contractor in the world, have all but exited the Australian Retail Industry. As cleaning contractor representatives have stated: "On the one side you've got contractors cutting each other's throats to get work, and on the other side you've got property owners taking the lowest price for each job." (See the attached publication "*A Clean Start for Australia's Shopping Centres*" for more information). Thus reputable companies may not be able to bid for retail work and, as noted in our verbal submission, when larger companies who have the capacity to provide training, good equipment, and shared overheads, and enhance productivity cannot create a sustainable business in the sector, something is fundamentally wrong.

2. Clean Start in Australia's CBD office towers

An example of positive reform, wider than the enterprise level, to resolve industry issues is United Voice's Clean Start campaign in office towers. This campaign sought to engage all industry stakeholders (including cleaners, cleaning contractors, commercial property owners, government and tenants) to find a solution to problems within the cleaning industry in Australia's CBD office towers. By working together to develop industry reforms, including, but not limited to, a Collective Agreement, all industry stakeholders have seen the benefits of a contracting model based on quality, security and need, rather than solely on price. To help provide additional context, attached is a summary of the 'Clean Start Collective Agreement' – the industry wide collective agreement negotiated through the Clean Start campaign. United Voice's research team tracks the economic fundamentals of the cleaning industry on an almost daily basis including contract changes and market share. Currently over 80% of A-grade office space is cleaned by signatories to the Clean Start Collective Agreement. This space is owned by the major property owners in Australia, such as Colonial

First State, AMP, Dexus, Stockland, GPT, Mirvac and ISPT. In addition, nearly fifty cleaning companies have signed on to this higher industry standard. The list of signatories includes all major cleaning companies in large capital cities. The concerns facing the retail cleaning industry are much the same as those which faced the office cleaning industry. We attach a paper outlining the issues in the Retail Cleaning Industry which we believe require a similar industry wide solution. Our paper outlines what is necessary to achieve a quality retail cleaning industry, and the risks to a continuation of the current conditions.

3. Challenges to productivity measures in service based industries.

In addition to the industry wide, rather than enterprise based, nature of working conditions and productivity drivers, the consideration of productivity measurement in service based industries may be relevant to the Productivity Commission's Inquiry. In industries producing one type of product, counting outputs vs. inputs is more straightforward than in service based industries. In the cleaning and security contracts within the Retail Industry this becomes even more challenging. Inputs including hours worked in the sector are unclear. In addition, there are significant illegal work practices occurring across the industry, making it difficult to measure outputs. Job descriptions and minimum hours implemented in the Collective Agreement described above in Australia's office towers go some way toward addressing some productivity measurement concerns.

We acknowledge and support the Productivity Commission's statement that productivity gains cannot be found in cutting minimum wages and conditions, however, given the nature of the industry and the complaints employer associations have made about the *Fair Work Act* and Modern Award as inhibitors to flexibility and productivity we are concerned that employers are only interested in finding ways to reduce their wages bill with no interest in actually working with the industry and their workforce to find real solutions to industry wide challenges. For example, arguments about workforce inflexibility as a result of penalty rates have a real impact on the take home pay and living standards of our members not to mention ensuring a workforce willing to work 24/7. Further, arguments around labour market inflexibility are focused on an employer's inability to undercut minimum Award conditions rather than genuine flexibility arrangements for both employers and employees. This is why they will not pass the better off over all test.

4. Adding value to the Retail Industry through the provision of quality services

Further to this, United Voice believes the way in which to maximise the value of capital inputs in service based industries is to develop a decent training and skills agenda, along with minimising workforce turnover. There is value in delivering, through the provision of quality services, an improved customer experience which keeps customers returning and satisfied with their shopping experience, as outlined in our written submission. Minimising turnover and retaining skilled and experienced staff is key. One of the questions from Commissioner Sylvan related to employee loyalty within retail cleaning. It is worth making the point that it is not an acceptable circumstance to have a industry in which we accept that there will be abuses and conditions resulting in high turnover. Cleaners are proud of the hard work they do to deliver a healthy and safe shopping experience for the Australian public. As United Voice member Kerrie Jones has stated, cleaners should not be faced with the sole option of leaving an industry in which they wish to work in order to survive. The solution we see is for the Retail Industry to focus on quality service provision, the improved treatment and conditions for its employees and the maintenance of a skilled and experienced workforce. Job security is a linked issue. Cleaning and security contracts within the retail industry range from month to month arrangements to on average 3-5 year contracts. With workers linked to enterprises rather than workplaces, cleaners and security

guards effectively lose their jobs, entitlements and service every time a contract changes.

Is the retail industry profitable?

United Voice would like to challenge the assumption that in the current climate there is not enough profit in retail to share around. The fundamentals of the Retail Industry are sound with continued high occupancy and turnover, as evidenced in the submissions to this Productivity Commission Inquiry by major owners of Australian retail space. Australia's shopping centres are some of the most profitable by square metre in the world. Rather than productivity gains or the additional availability of rental space, what is required is the adequate regulation of a retail space to ensure this space meets the needs of communities in and around retail spaces. Along with contributing to the improvement of retail spaces, communities and retail employees must receive the full share of the value they assist in creating in the form of living wages, decent working conditions, respect, and retail spaces we can all be proud to work and shop in.

5. Fair Work Act Review

Finally United Voice wishes to reiterate that the appropriate mechanism and timetable for the review of the Fair Work Act is currently in place, and we would not wish to see this amended in any way.