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Workplace Relations Framework

Productivity Commission

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Submission to Draft report on Workplace Relations Framework

By email: [workplace.relations@pc.gov.au](mailto:workplace.relations@pc.gov.au)

On behalf of the Australian Food and Grocery Council (AFGC) I would like to make a brief submission in response to the Commission's Draft report on the Workplace Relations Framework.

The AFGC is a member funded trade association that works on behalf of Australia's food and grocery manufacturers and suppliers. Food and grocery processing is Australia's largest manufacturing sector, making up almost one third of total manufacturing in Australia. It is a \$114 billion sector, spanning the Australian operations of global Fast Moving Consumer Goods (FMCG) companies through to small, family owned Australian food and beverage processors. Direct employment totals around 300,000, with 45% of those jobs in rural and regional areas. Food and grocery processing is also a growth sector and is experiencing strong export growth, particularly into the USA and China. Food and grocery imports into Australia are also rising as Australia becomes more integrated into global food supply chains, making it even more important that Australia's food and grocery manufacturing sector remain competitive with offshore peers.

In 2014 AFGC released two major reports on Australia's food and grocery sector relevant to the PC workplace relations inquiry. Both are attached as part of this submission:

1. ***Competitiveness and Sustainable Growth Report 2014*** prepared by KPMG for the AFGC is the most detailed financial health check of the food and grocery manufacturing sector ever conducted. It includes analysis by KPMG showing that manufacturing costs in Australia for the food and grocery sector are the highest in the world, and a key driver of these high costs are labour costs. In short, high labour costs are reducing the international competitiveness of Australia's food and grocery manufacturing sector.
2. ***The Paddock to Plate Report, August 2014***, commissioned by the Retailer and Supplier Roundtable. The report makes three key recommendations for reform of regulations to enhance competitiveness, increase productivity and decrease the cost of doing business in Australia's food sector, spanning production, processing, transportation and retailing. The first of these recommendations is for increased



flexibility in labour laws so that they better align to the reality of the Paddock to Plate sector.

These reports both highlight the importance of labour market reform for the competitiveness of the food sector. The nature of food production, processing, transportation and retailing means companies have to operate outside the 9 to 5, Monday to Friday, standard business hours. Examples include:

- The seasonal nature of agricultural production where labour needs spike during harvest periods;
- Seasonal peaks in food processing where processing plants have to operate around the clock during harvest periods with down time at other times of the year;
- Consumer driven shopping cycles, where Saturday and Sunday have become the biggest supermarket trading days of the week. This directly drives demand for labour at the retail end but also creates an imperative through the supply chain to keep shelves stocked when consumers want to shop;
- Transporting product from farm to processor and from processor to retailer creates a 24/7 requirement, particularly as supply chains have become leaner.

The AFGC welcomes the Commission's draft report and recommendations, particularly the draft recommendations in Chapters 14 – 16 aimed at improving the flexibility of labour laws and harmonising penalty rates.

With regard to Draft Recommendation 14.1 however the AFGC questions why the scope is limited to the hospitality and retail sectors given that the supply chain required to support the food retail and hospitality sectors is also subject to rising demand and cost pressures in responding to shifting consumer preferences. In the AFGC's view, a change to bring Sunday penalty rates into line with Saturday penalty rates should be applied through the whole food and grocery sector. The increasing efficiency of supply chains, under 'just in time' principles, combined with the consumer trend towards shorter shelf life and chilled product, mean that suppliers to food retailers and food service are having to match the work patterns of the consumer-facing retail and hospitality sectors, and should therefore be treated the same under IR regulation.

I would be happy to discuss this matter further with the commission and I commend the attached reports to you.

Yours sincerely

Gary Dawson  
Chief Executive Officer  
Australian Food and Grocery Council  
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