Australian supermarket chain sheds hardware stores and jobs

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Woolworths, one of the two dominant supermarket chains in Australia, announced last month it will shut down or sell off its two hardware businesses, directly threatening the jobs of 7,700 workers.

The firm, which has 961 supermarkets and 111,000 employees, also revealed an annual net loss of $1.23 billion for 2015–16, a sharp reversal from the previous year's $2.15 billion profit. It was Woolworths' first loss since listing as a public company in 1993.

Although the loss was mainly attributed to write-offs on the company's failed six-year-old Masters home improvement business, the results point to the underlying impact, across the retail industry, of the global economic stagnation and accompanying deflationary pressures.

Total Australian retail turnover, in current prices, has remained virtually flat for the past three months, according to the latest Australian Bureau of Statistics (ABS) figures. Turnover was unchanged in July 2016, seasonally adjusted, following two months of rises of just 0.1 percent.

Fierce competition in pricing, particularly in food, is exacerbating the crisis, cutting into tight profit margins. These processes are not confined to the retail trade. Even according to under-stated ABS estimates, the number of full-time jobs fell by about 64,500 in the past year, and many of these have been eliminated by major firms.

Woolworths chief executive Brad Banducci said its 82 Masters sites will be sold to a property consortium and its Home Timber and Hardware (HTH) stores are being sold for $165 million to a competitor Metcash, which owns Mitre 10 hardware stores. Masters is scheduled to stop trading in December once its stock is sold off.

Banducci claimed that the 6,300 Masters workers will "have an opportunity" to work elsewhere within the Woolworths group. That promise, made for PR purposes and to quell opposition among workers, is doubly doubtful because of the reversals confronting the remaining Woolworths operations. As for the HTH workers, their fate lies in the hands of the stores' new owner.

The Shop, Distributive and Allied Employees Association (SDA), which covers retail workers, is working hand-in-glove with the management to derail and suppress any opposition among workers. SDA national secretary Gerard Dwyer said the union was working with Woolworths, Masters, HTH and Bunnings, the rival hardware chain owned by Wesfarmers, supposedly to find jobs for the displaced workers.

The SDA is notorious for its collaboration with employers, including via deals to scrap wage penalty rates for evening and weekend shifts. Its only concern is to help ensure the orderly closure of the businesses so that the union maintains its mutually-beneficial arrangements with the big retailers to enrol their employees as SDA members.

The Masters' sale is currently being challenged in the Federal Court by the US hardware firm Lowe's, which has a third share in Masters as a joint venture, with Woolworths holding the other two thirds. The American partner is contesting the tax write off of Masters' value as zero.

Woolworths hopes to make $1.5 billion by shedding the hardware businesses and selling off property. Banducci said the proceeds will be invested in store renewals, including checkout technology, which will almost certainly mean more job losses. On news of the sell-off, the company's shares prices initially rose 5 percent on the anticipation of profits being generated at

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the expense of workers.

There is speculation in the financial press that Woolworths' discount department store, Big W, which lost $14.9 million after a profit of $111.7 million the year before, and its petrol station business, may share the fate of Masters, threatening more jobs. Big W employs 22,000 people.

Last year, Woolworths' food and petrol earnings dropped 40.8 percent to $1.76 billion. This was partly because Woolworths was forced to invest $500 million in reducing prices in a price war with its main competitor, the Coles supermarket chain owned by Wesfarmers.

Industry analysts have expressed concerns that competitive price cuts will reduce the profit margins of both main chains. Coles has 776 supermarkets and 100,000 employees.

Both these majors are under threat from the German discounter Aldi, which opened in Australia in 2001. It currently has 400 supermarkets in New South Wales, the Australian Capital Territory, Queensland and Victoria, and is planning 130 new stores in Western Australia and South Australia.

Aldi already has 10 percent of the market. Analysts predict it could soon reach 16 percent, undercutting not only the two largest chains but the smaller IGA chain owned by Metcash and other operators that employ tens of thousands of workers. Lidl, another German discount supermarket chain, is rumoured to be considering entering the Australian market.

The competition is intensifying in the face of deflationary trends produced by the global slump and falling demand. In the year to June 30, consumer prices in Australia rose by only 1.00 percent, the lowest inflation rate since second quarter 1999. Prices of food and non-alcoholic beverages decreased by 0.1 percent.

Falling or stagnant wages are forcing working class households to cut their spending, including by resorting to multi-store shopping to buy weekly specials to reduce grocery bills. On average, real wages have grown by only 0.3 percent since 2013.

Unemployment and under-employment is also growing, with more workers pushed into insecure part-time and casual jobs, having an impact on retail spending. Roy Morgan Research estimates that 19.5 percent of the workforce is either jobless or looking for more work.

Moody's credit agency has put a red flag against Australian food retailing, warning that Aldi's continued expansion will affect the credit rating of its rivals. Moody's vice president Ian Chitterer told the *Australian* the outlook is negative for Woolworths, Wesfarmers, Metcash and small independent supermarkets.

This year, a series of retail chains have either collapsed or retrenched in Australia, notably electronics firm Dick Smith, furnishing and fashion retailer Laura Ashley and budget department operator Target, destroying thousands of jobs. High-profile clothing outlets, such as Willow, Meredith & Moore and Seduce, have shut their doors. Lesser-publicised failures include the Round the World Experts travel division, video-on-demand company Quickflix, marketing company Brand New Media and pet supplies distributer Animal Supplies Group.

Nearly eight years on from the global financial crisis, the worsening fallout, combined with the anarchy of the capitalist profit system, is threatening jobs in industry after industry in Australia, as elsewhere around the world. The closure of Masters and HDH is another indicator of the socially destructive forces at work.

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