Australian McCormick Foods dispute part of global restructuring drive

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Workers at the McCormick Foods factory in the Melbourne suburb of Clayton South have now been on the job for more than three weeks since the United Workers Union (UWU) declared their six-week strike over on April 7. But the workplace enterprise agreement (EA) invoked by the UWU to shut down the stoppage still has not been published.

As a result, workers at the plant, which produces and packages sauces and spices for major fast-food and retail outlets, still do not know the details of the agreement negotiated by management and the union.

Contrary to the UWU's claims, the meagre 9 percent pay rise over three years that it says is contained in the agreement can hardly be described as a victory. It follows a wage freeze since April 2016.

The workers are currently earning 7 percent less in real terms than they were in 2016 and, according to Trading Economics' consumer price index forecast, would still be earning 3 percent less after the third proposed pay bump took effect in 2023.

While the UWU claimed that "ALL previous conditions the company wanted to remove including the 4 day week roster" were retained in the new agreement, it made no mention of the introduction of a new night shift, which workers have told the *World Socialist Web Site* the union agreed to. Also unclear is whether the final agreement will include a ten-year cap on redundancy entitlements, under conditions of major restructuring efforts and a drive to automation within the company and throughout the economy.

In its recent sellout of workers in the Smeaton Grange dispute, the UWU made it abundantly clear that it will enforce the stepped-up offensive against jobs, wages and conditions. The union isolated the 350 workers at the southwest Sydney Coles warehouse and refused to provide strike pay during a 13-week lockout, before ramming through an agreement for the closure of the facility and the destruction of all, or most, of the jobs there.

Workers at the McCormick Foods plant have told WSWS reporters that the workforce has been reduced by at least a quarter over the past ten years as a result of automation already introduced. This includes automatic container filling, capping, case packing and palletising equipment.

The company plans to open a new facility at Melbourne's Moorabbin airport later this year, featuring a "state-of-the-art logistics centre" as "a continuation of the modernisation of our workplaces."

The global parent company, McCormick and Company, is also building a highly automated "factory-of-the-future" in Peterborough, UK to open later this year, and a "state-of-the-art" distribution centre in Maryland, US, which promises to "driv[e] efficiencies enabled by automation" when it is opened in 2022.

The substantial investment in the distribution side of McCormick's Australian business, along with a 2018 "transfer of certain manufacturing operations in our Asia/Pacific region to a newly constructed facility in Thailand," suggest that the company may be planning to scale back local production.

These moves in the Asia-Pacific region are part of a global cost-cutting drive by the parent company that has been underway for more than 15 years.

A three-year restructuring plan announced in late 2005 slashed 1,270 jobs—17 percent of the company's workforce at the time—and closed manufacturing plants in Salinas, California; Hunt Valley, Maryland; Paisley, Scotland, and Kerava, Finland. Also closed under these cost-cutting measures was the Aeroplane Jelly factory in Sydney, resulting in the destruction of 34 jobs.

A further $393 million in annual cost savings were realised between 2009 and 2015 under the company's Comprehensive Continuous Improvement (CCI) program.

During this period the company's factory in the Netherlands was shut down, European sales and administration were largely transferred to Poland, and jobs in the US and Australia were "streamlined."

The 2016 appointment of Lawrence E. Kurzius as CEO brought about an acceleration in the CCI program, with a new target of $400 million in cost savings over four years.

It is under these conditions that the previous round of negotiations at the Melbourne plant stalled in 2017, with the company offering an EA that would have meant successive 6 percent pay cuts over three years as well as reductions to working conditions.

In 2017 the company began its Global Enablement initiative, which it predicted would require the payment of more than $40 million in severance and related benefits. Some $2.5 million of these severance costs stemmed from the closure of the company's plant in Portugal.

The same year, McCormick began sweeping cuts to pensions and other benefits. By freezing the pensions of workers in Canada, the UK and the US, the company saved more than $95 million. Cuts to medical benefits and the elimination of life insurance for retirees saved the company a further $27.1 million.

Further cuts in 2019, including the slashing of 17 jobs at the Queensland-based Botanical Food Company, which McCormick acquired in 2016, allowed the four-year CCI target of $400 million to be exceeded by 14 percent. The cost-cutting continued, with a further saving of $113 million in 2020.

In 2020, the company posted its highest-ever sales of $5.6 billion, gross profits of $2.3 billion and net income of $747.4 million, a 6.4 percent year-over-year increase.

Kurzius was paid over $19.5 million in cash and stock in 2020, more than 400 times the average wage of workers at the Melbourne plant. Michael R. Smith, McCormick's chief financial officer, received more than $6.9 million, while the next three highest-earning executives at the firm took in an average of $5.5 million.

While workers have been on the receiving end of the 15-year austerity drive, shareholders have reaped the rewards. Since the end of 2005, the share price has increased sixfold, from $15.10 to $90.36. The company has paid dividends to shareholders every year since 1925, and the dividend has increased in each of the past 35 years, earning McCormick the title of "dividend aristocrat."

Similar processes have taken place throughout the food industry. In Campbell Soup's 2015 annual report, CEO Denise M. Morrison wrote: "[C]ompanies have initiated a series of strategic actions, from spin-offs and consolidation to acquisitions and aggressive cost-cutting."

Campbell Soup has shed almost 10,000 jobs in the past 15 years—40 percent of its 2005 workforce—including 4,100 since 2015.

The 2015 merger of H.J. Heinz and Kraft Foods saw the closure of seven factories and the destruction of 5,100 jobs, more than 10 percent of the workforce. In the preceding years Heinz had already slashed 6,650 jobs. The cost cutting continued at the newly formed Kraft Heinz, with 1,800 jobs cut in 2018 and 2019.

These job-slashing measures have been enforced by the trade unions—including the UWU and its predecessor, the National Union of Workers (NUW). They have isolated workers, denied them strike pay and colluded with management to ensure that any industrial action that does take place has minimal effect on production and profits.

When a Kellogg's cereal plant in Charmhaven, 100 kilometres north of Sydney, was shut down in 2013, along with a plant in Canada, an NUW spokesperson dismissed any fight against the closure. He told the WSWS: "The closure is already locked in. It is part of a global structure and the decision has been made by head office in the US. The place is closing, so what can the union do?"

Workers should reject the entire union line, which is that their interests must be subordinated to corporate profits and that jobs losses are inevitable.

A genuine struggle against the global assault on the working class requires a fight for a socialist program and the transformation of essential industries, including food manufacturing, into publicly-owned entities under workers' control.

This can go forward only through a complete break with the unions and the formation of networks of rank-and-file committees, unifying workers across industries and national borders.