Australia: Warehouse job cuts ahead as supermarkets increase automation

Martin Scott
9 August 2021

Australia's major supermarket chains are expected to outlay around $10 billion in capital expenditure over the next three years, in a bid to drive down labour costs and cash in on the growing online grocery market.

The major component of this investment is in new, highly-automated distribution centres, which will replace smaller warehouses across Queensland, New South Wales and Victoria, destroying thousands of jobs.

The motive for this is clear. The forthcoming closure of Woolworths' Yennora, Minchinbury and Mulgrave distribution centres is expected to cut the company's wage bill by $135 million per year and bring $65 million in other annual cost savings. Coles' "Second Century" strategy aims to slash a billion dollars by 2023, relative to 2018 costs.

These sweeping restructuring operations are driven by the profit demands of the companies' major shareholders, which include the world's largest banks and investment funds.

The intensifying onslaught on working-class jobs is only possible because of the role played by the unions, particularly the United Workers Union (UWU), which has coverage over most supermarket distribution centre workers. The UWU serves as an industrial police force of management, suppressing any genuine opposition to warehouse closures.

This was expressed sharply in the recent Smeaton Grange dispute, where 350 locked-out workers resisted the union's campaign to ram through a sell-out enterprise agreement for 14 weeks, before the financial pressure created by the union's refusal to provide strike pay finally forced a "yes" vote.

The UWU made no attempt to mobilise its members working in other Coles warehouses, ensuring the lock-out had minimal impact on the company's operations and profits.

The UWU operation at Smeaton Grange was not an aberration, but a pledge from the union to Australia's major supermarket chains that it will do everything do enforce the cuts they are demanding.

Woolworths, Australia's largest supermarket chain, several years ahead of major competitor Coles, in terms of automation, is expected to invest more than $1.8 billion in 2021, up from $1.6 billion last year.

In May, the company's supply chain arm, Primary Connect, began construction of a new National Distribution Centre (NDC) at Moorebank, in southwestern Sydney. The 40,700 square metre facility, set to open in 2023, replacing the current NDC in Mulgrave, Victoria, will feature "wall-to-wall automation" from Dematic, and service more than 1,000 stores.

The Moorebank site will also house a slightly smaller Regional Distribution Centre, fitted out with end-to-end robotised case picking technology from Vanderlande. The warehouse, which will supply around 200 stores, is set to open in 2025.

The location was chosen to allow the company to profit from the federal government's investment of more than $550 million in the Moorebank Intermodal Terminal, which provides a direct rail link to Port Botany, and an upgrade to the M5 Motorway—Moorebank Avenue intersection.

Woolworths also plans to build a 60,000-square metre fresh food distribution centre in Wetherill Park, to replace its Minchinbury warehouse.

The closure of the existing distribution centres in Yennora, Minchinbury and Mulgrave will destroy 1,350 jobs.

Coles has revealed it plans to spend $1.1 billion this year and $1.4 billion in 2022 on warehouse automation and e-commerce, around 50 percent more than its average capital expenditure in recent years.

The company is building two 70,000 square metre distribution centres, equipped with WITRON automation technology in Redbank, southwest Brisbane and Kemps Creek, western Sydney.

These facilities, set to open in 2023, will replace existing warehouses at Smeaton Grange, Eastern Creek and Goulburn in New South Wales, as well as Forest Lake and Heathwood in Queensland. These closures will result in the destruction of around 2,000 jobs.

Aldi sold its six distribution centres last year to finance the construction of three new automated facilities in New South Wales, Victoria, and Queensland. The discount supermarket chain plans to open the first of these new warehouses in Sydney, in 2024 or 2025.

Metcash, a wholesale distributor that supplies most other Australian supermarkets, will invest $375 million over the next three years in refurbishments, e-commerce and warehouse upgrades. This announcement has prompted criticism from financial analysts, who argue it will not be enough to allow the company to compete with the major chains.

The introduction of sophisticated automation in distribution centres will also impact jobs in retail stores. The new technology is able to build pallets according to the layout of individual supermarket aisles, reducing the amount of back-of-house sorting required. One analyst, quoted by the Australian Financial Review in 2018, speculated: “Woolworths hasn't talked this up ... but they could save four people per store.”

Both Coles and Woolworths are also building smaller automated fulfilment centres to capitalise on the boom in online shopping. Growth in the segment was accelerated with the onset of the COVID-19 pandemic last year, with Woolworths reporting 92 percent growth in the six months to December and Coles 48 percent. Over the same period, in-store sales increased by 9.3 percent for Woolworths, and 7.2 percent for Coles.

Woolworths received planning approval in June for a 20,000-square metre online fulfilment centre in the western Sydney suburb of Auburn. The facility, expected to open in 2024, will operate 24/7 and employ only the equivalent of 250 full-time workers to process 50,000 orders per week, double the rate of manual facilities.

The shift to dedicated online fulfilment centres will lead to job cuts in retail stores, where orders are currently picked and packed from supermarket shelves.

A report conducted by Australian Catholic University (ACU) researchers for the UWU, surveyed workers one year after they were retrenched, when Woolworths closed its Hume distribution centre in 2019. The facility was shuttered, destroying 680 jobs, when the company opened its Melbourne South Regional Distribution Centre (MSRDC), the first of these highly automated warehouses.

Of the 64 workers surveyed in August 2020, 28 percent reported being unemployed, despite nearly one third having applied for more than 30 jobs since the warehouse was shuttered. Only 11 percent were in permanent jobs, while 23 percent were employed through a labour-hire company and 17 percent had found only casual positions. Only one of the surveyed workers did not report a reduction in income after the closure.

The report noted that in August 2016, the official unemployment rate in Broadmeadows, where the Hume warehouse was located, was already at 15.9 percent, more than twice the national average of 6.9 percent. By October the following year, the official Broadmeadows figure had climbed to 26.7 percent. Significantly, the distribution centre was less than two kilometres south of Ford’s car assembly plant, which was closed in October 2016.

Unsurprisingly, given its provenance, the report draws the same conclusion as the UWU—increased automation will inevitably lead to the destruction of thousands of jobs, and there is nothing that workers can do except hope for a slightly improved redundancy package.

The reality is, the UWU, and its predecessor the National Union of Workers, played a key role in the Hume shutdown, suppressing opposition to the announcement and diverting workers’ anger into appeals for improved redundancy payouts and for the company to offer a handful of workers redeployment to the MSRDC, 73 kilometres away.

The union has performed the same function at other distribution centres, including Coles warehouses in Goulburn, slated to close in October, and at Smeaton Grange.

This is among the sharpest expressions of the corporate, anti-working-class character of all the unions. Taking their pro-capitalist and nationalist program to its logical conclusion, they have become thoroughly integrated into company managements, and directly preside over the destruction of jobs and the gutting of conditions.

The unions’ assertions that technological progress, including artificial intelligence and automation, inevitably leads to a worsening of the social position of the working class, is based on the bureaucracy’s support for capitalism and the dominance of social life by the banks and the major corporations.

In reality, the issue is who owns, controls and profits from the technology.

In the hands of the capitalist class, every technological development means a new opportunity to slash labour costs and drive up profits. In the hands of the working class, automation could be harnessed to shorten working hours—without reducing pay—and eliminate onerous tasks, while also increasing productivity, to meet the needs of all.

This would free up precious hours for workers to engage in leisure and cultural activities, profoundly improving quality of life for the entire working class.

This is the perspective for which workers must fight—a socialist future, where the wealth of the billionaires is expropriated and the major corporations and banks are placed under the democratic control and ownership of the working class.

None of this is possible within the framework of the unions, which are, themselves, an integral part of the capitalist state. Instead, workers must form rank-and-file committees, independent of the unions, to carry out a political struggle against the financial oligarchy and all its defenders, including Labor and the unions.