

WOOLWORTHS GROUP



Mr Stephen Palethorpe, Committee Secretary
Senate Education and Employment Committees
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Parliament House
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Dear Mr Palethorpe,

Woolworths Group Ltd welcomes the opportunity to make a submission into the Senate Education and Employment References Committee inquiry into cleaners working in retail chains.

This submission provides the committee with an overview of what Woolworths is doing to ensure our cleaning contractors comply with the law and what we are doing to improve conditions for those cleaning our sites, including matters relating to the 2014 Fair Work Ombudsman (**FWO**) investigation into cleaning services in various Tasmanian supermarkets.

Woolworths operates Australia's largest supermarket chain. We are committed to complying with all aspects of the law, including the Fair Work Act, across our business operations and supply chains. This is also a fundamental requirement for any of our business partners.

Woolworths' supermarkets business has a national cleaning network of 16 head contractors (ie. those holding contracts with Woolworths), approximately 425 sub-contractors (who are engaged directly by the head contractors), and approximately 3,000 individual cleaners (who are employed by the sub-contractors). The only two levels of contracting permitted are head and sub-contractors.

Woolworths has reviewed and strengthened our cleaning services procurement and management procedures, including in response to feedback from and issues raised in the FWO investigation relating to our and our contractors' conduct. This included considering a number of options for cleaning our stores, including bringing services 'in house' or continuing to engage specialised cleaning contractors. After careful review, Woolworths found that specialist contractors deliver the highest quality, cost efficient services to our stores and ultimately to our customers. We have ceased working with a number of our previous suppliers and clarified our expectations of those providers we do work with.

We are currently working with the FWO to establish a Proactive Compliance Deed (**Deed**) in relation to cleaning services, following their investigation. We are hopeful that once FWO completes its formal consideration of the draft deed, it will be ready for execution shortly

thereafter. We have already made many changes to our operations which we expect to be covered by the Deed. Some additional changes will also need to be implemented, such as new third party payroll systems with geofencing capability, to address new requirements under the Deed, as well as further improvements in our communication and training.

Further, we are committed to backpaying cleaners in our supply chain where there is evidence that they have been underpaid, and where a contractor fails to rectify the underpayment.

Woolworths also supports the September 2017 legislative change made to the Fair Work Act enhancing legal protections for vulnerable workers¹. These changes included significant increases to civil penalties for serious breaches of workplace laws (including those relating to underpayments and other entitlements), increasing penalties for record keeping failures, strengthening the FWO's evidence collecting powers, and introducing new penalties if people give the FWO false or misleading information or hinder its investigations.

OUR PRACTICES

Over the last five years we have implemented significant changes to improve compliance in our cleaning supply chain. Contractors are required to undertake independent third party auditing to prove their compliance, attend annual training sessions hosted by Woolworths to ensure all head contractors understand their obligations under the Fair Work Act and that all employees understand their rights. We invite industry experts to speak at these sessions, including representatives from FWO and the ATO, and immigration and Industrial Relations specialists. We have implemented an in-house audit program, doubling the number of sites being audited every year. All operators will be required to use a third party payroll system with time keeping and geofencing capabilities as we re-tender cleaning services.

Woolworths has been pleased to support the development of the Cleaning Accountability Framework (**CAF**), an independent, multi-stakeholder initiative to improve labour and cleaning standards in Australia. The initiative is a partnership between FWO, the United Voice union, the Building Service Contractors Association of Australia (BSCAA), and several large property/asset managers. It is based on a Code of Conduct establishing industry best practices, auditing procedures, and site certification. We are currently in discussions to become a member of this initiative, which has focused on office and commercial cleaning. We are hopeful that our support will ensure that the CAF will be extended to retail cleaning very soon.

Importantly, we use a contract benchmarking tool to identify sustainable contract rates. Woolworths will not award a contract if the tendered rates are below these standards. We update these benchmarks when Modern Award wage and penalty rates increase, and require that contractors pass on all increases to their workers, on time, and audit against this. In addition, Woolworths requires directors of the contracting entity to provide a statutory declaration to confirm that increases have been passed on to their or their subcontractors' workers.

¹ *Fair Work Amendment (Protecting Vulnerable Workers) Act 2017 (Cth).*

AUDITS

In October 2014, Woolworths implemented a comprehensive independent and external third party audit program. In November 2017, we extended this program to include in-person audits conducted by our own in house auditors. Under this program, in-person audits are conducted on around 10% of Woolworths supermarket sites each year. Around half of those audits are conducted by a panel of external Third Party Ethical auditors (BSI, Intertek, and SAI Global), and half by qualified internal auditors who we employ directly. Auditors may request rosters, timesheets, evidence of bank transfers, and other proof of payment (receipts, screenshots).

If non-compliance with our contractual requirements (which include compliance with relevant laws) is identified during an audit, the auditor develops an action plan that is issued to the contractor, including the date that the identified issues need to be addressed by. If serious non-compliance is identified, we may issue “breach notices” and/or terminate contracts at one or all sites serviced by that contractor. These measures are included in our standard contracts for cleaning services.

To date, these audits have identified some non-compliances (including some inadvertent underpayments). We have worked with our contractors to ensure individuals have been paid their entitlements, and on corrective actions to ensure the causes of non-compliance are rectified to prevent recurrence. No audits have identified evidence of deliberate underpayment or exploitation of workers.

WHISTLE-BLOWER SERVICE

Woolworths has an independent and external whistleblower service called ‘Speak Up’, provided by Deloitte. Speak Up provides an anonymous (or, alternatively, confidential) avenue for potential misconduct to be identified and reported, including by team members and suppliers. Calls made to the service are received and addressed by specially trained operators. Callers can remain anonymous if requested and translators are available if required.

Information on Speak Up is provided to all Woolworths employees (during induction and on the staff web portal) and to contractors and their employees (during site inductions and in training programs for contractors). Details are also printed on the back of all cleaning induction cards and are generally displayed on all staff notice boards and on flyers in staff break areas. Information flyers are delivered to all of our sites twice a year.

Further, Woolworths has enhanced the training we will provide to all contractors (and employees of contractors) who complete an online induction. This training must be completed in order for someone to obtain certification to enter a Woolworths site. The training content includes information on employee’s rights under the *Fair Work Act* and *Fair Work Regulations*, as well as information on where to go for help or to make a complaint - including details of the Fair Work Ombudsman, the Fair Work Commission and our Speak Up service. This training has been translated into Korean, Hindi, and Arabic.

REPRESENTATION

Woolworths employs Field Service Coordinators who are primarily responsible for monitoring cleaning service standards at store level, and also to provide cleaners with a direct contact to Woolworths support services.

We acknowledge the freedom of association of all workers at Woolworths sites, and respect permit holders' (for example, relevant unions) rights to attend our sites and hold discussions with them, including under section 484 of the Fair Work Act.

In conclusion, Woolworths Group recognises the important leadership role that it must play, and the responsibility that it has in ensuring that strong governance measures are in place to ensure all team members - whether employed directly or via contractors - receive their proper entitlements. We have made a clear commitment to rectify past shortcomings. We continue to look for ways to strengthen our arrangements, both through our own internal commitment and our work with the Fair Work Ombudsman.

Kind regards,

Trent Mason
General Manager - Facilities Management
Woolworths Group