

## **Summary of a hearing with the Union of Shop, Distributive and Allied Workers (USDAW)**

### **Background on USDAW**

1. The Union of Shop, Distributive and Allied Workers (USDAW) told us that it had 340,000 members, making it the fifth largest union in the UK. Its members were mainly in the grocery sector, from manufacturing and distribution through to the supermarkets. Two-thirds of its members were shop workers.
2. It was concerned about job losses if enforcement action were to be taken against the supermarkets. Jobs in the main supermarkets were better paid and offered other benefits such as pensions and share schemes. It did not want to see these jobs being replaced by the minimum-wage jobs provided by corner shops.

### **The market**

3. There had been a move by the supermarkets into the convenience sector since the last major investigation in 2000. Of the 50,000 convenience stores in the UK, 2,000 were owned by the supermarket multiples, which had brought greater competition to that sector. Corner shops now had a competitive challenge to rise to in terms of improving the quality, range and freshness of their products. This had improved the market and shoppers' access to products.
4. A number of its members who had previously worked in smaller corner shops were now employed in the convenience stores, which many found beneficial. Working conditions were better; for example, they were not expected to work unpaid overtime and received premiums for working anti-social hours.
5. It had seen an improved competitive position within the grocery market during the last year. Some of the major chains had gone through difficult times. Morrisons had completed its integration with Safeway, and was now challenging the two main leaders Tesco and Asda. Similarly, Sainsbury's was recovering from the problems it had experienced in recent years and was now in a more competitive position. Tesco and Asda were now facing more competition from Morrisons and Sainsbury's, providing a better marketplace for the consumer.
6. The supermarkets had tried to identify retail work as a career rather than a job that an individual did until they got something better. Some supermarkets worked closely with the union on the retention of staff and their career development. Retail was important from the economic perspective because of the large number of people that worked in the sector. USDAW had a real insight into some of the employment issues, particularly with the large supermarkets with whom it had good agreements. The debates about career development, employment issues, uniforms and profit sharing would not have happened if the supermarket multiples had not played a part. It would have been a very different sector from what it was today.
7. A number of years ago, some of the supermarkets targeted different sectors of the market. Asda targeted the cheaper end of the market, Tesco offered slightly better quality and Sainsbury's targeted the higher end. Now all the supermarkets were trying to broaden their range for customers in all sectors of the market. There was sharp competition between Tesco and Asda to provide the cheapest service and offer the cheapest range of products. Morrisons offered value for money. There was

now a recognition from the supermarkets that they could not rely on a strategy of 'pile it high, sell it cheap', but had to deliver on quality.

8. There had also been a change among consumers, who now wanted good quality, locally produced, and organically sourced products, and who were having a real influence on the supermarkets. Tesco was involved in Scotland in a strategy to source more goods locally and was looking to extend this across the UK. Sainsbury's had announced that all its bananas would be fair trade.
9. Retailers competed on customer service and union representatives were always involved in this debate. There were initiatives like the 'one in front', the layout of the store, the quality of the product, and the 'freedom from fear' campaign which was about respect in the workplace from consumers who might abuse staff verbally and physically. The union was working closely with retailers on this campaign. If retailers did not provide the right service they would not retain customers. The expertise of the supermarket multiples in developing the customer relationship had been brought into the convenience store sector. The Co-op, for example, had introduced initiatives covering customer service and staff interaction with the customer.
10. The supermarket multiples recognized the benefits of consulting their staff who were able to identify potential problems in their respective stores. If staff were engaged in this way, they would be more productive and relate better to customers. Tesco had a very well-developed staff partnership with representatives being selected from the shop floor. These employees went to regional forums and were then elected on to a national forum. Tesco tried to deliver the best pay rates in the sector and involve its staff, asking their views on how service could be improved. USDAW had agreements with all the major retailers and were able to see how they had progressed over the years. Partnership agreements were about value, career development, education and many things that had never been debated in the retail sector. A real challenge was to work within the 24-hour, seven-day market but still enable people to have career opportunities. Job security was an overriding concern. Tesco and others worked with the trade union on relationships with the community.

### **Local competition**

11. The convenience store sector had seen major benefits as a result of the supermarket multiples entering the market, and there had been an immediate uplift of terms and conditions because they were not viewed as separate companies. There were more career opportunities such as Tesco's Options programme whereby an employee could move from a convenience store to a larger one as a way to improve skills. There were benefits in the convenience store sector both for personnel and for value. The benefits of the superstore environment with its pleasant and welcoming design had had an impact on convenience stores, which tended to have a harder more practical edge to them. The Co-op had lifted its game to compete.
12. USDAW stated that price was only one factor that attracted customers. Some of the supermarkets might find difficulty with certain stores and one of the first factors they looked at was staff retention and staff turnover. If staff turnover was high it was likely to lead to worsening of services for the public. Sometimes there were recruitment problems in an area. Recently local authorities and local councils had sought partnerships with some of the bigger supermarkets in order to help regenerate areas. Staff retention and staff morale was often very high in those stores and that had had a positive impact.
13. USDAW did not have dealings with the symbol groups that historically had a high staff turnover, which affected trade union membership. It had had fleeting

relationships with some small retailers where it had been able to contribute to disciplinary and grievance procedures and clearer communication channels.

14. When the supermarket multiples opened a store they tended to use the staffing formats operated in existing stores. Tesco, for example, used a similar format for its Extra, Metro, Express and superstores which linked the size of the store to the number of employees. There was not much variation in the number of staff employed even with seasonal fluctuation. Retailers had over the years created an environment which gave the consumer high expectations of a particular service. When a store was launched everyone worked hard to give a good impression but if this level of service dropped later, it would be noticed and consumers would go elsewhere. USDAW had not experienced any problems whereby people had been employed but laid off a number of weeks later.
15. There was a degree of flexibility in the workforce and high staff turnover in the first year was a problem. Support in the first 12 months was crucial as people tended to stay with a company long term after this period. The standard of training was better now than it had been. The supermarket multiples had many initiatives and there was real competition to retain the best staff.

## **Supply chain**

16. The retail sector had never been top in terms of pay and conditions. The supermarkets drove a hard bargain to get the cheapest prices for goods on the shelf because consumers wanted to pay less. There were pressures within the supply chain from time to time but there was also sharp competition between suppliers regarding the supply of supermarkets. USDAW did not believe that the supermarkets were driving an unreasonable deal with suppliers and food manufacturers. When there were changes in food manufacturing, the easiest option was to blame the supermarket multiples.
17. USDAW also had members in supplier organizations. Retailers drove a hard bargain so suppliers needed to be efficient. In some instances suppliers either had too many sites or did not focus sufficiently on the location of existing production lines.
18. The unions' membership had grown consistently during the last 30 years and there had not been significant job losses. There was now an increased move to the home shopping market in terms of delivery of food.

## **Supermarket Code of Practice**

19. USDAW acknowledged that there were articles in the press and anecdotal evidence from suppliers that they were being squeezed on price but wanted to see the evidence. Although there was a Supermarket Code of Practice complaints had been practically non-existent. It was not the case that complaints were being made but no action was being taken. It was a tough marketplace and there was pressure on suppliers to deliver on quality, range and the price. It was an easy option for suppliers to blame their problems on the supermarkets. Various interest groups such as farmers got a good press. If they had serious complaints they needed to put them in the public domain, otherwise it appeared that the supermarkets had been found guilty without the necessary evidence. USDAW was concerned that employees in the supply chain were being short-changed because the companies they worked for were not rising to the challenge.

20. Supermarkets were under a lot of scrutiny, and if they started delisting suppliers because they were unhappy or the supplier had made a complaint, the public would react very strongly. It was not a monopoly situation and if suppliers lost a contract to supply one supermarket there were plenty of others in the marketplace they could supply.
21. One company which supplied a number of the major retailers had told USDAW that, whilst it found business hard-going, it would have been more difficult later on had it not been forced to be efficient and cost-effective. It was a big organization with many sites managed vertically with many different power bases. Demands by more efficient and organized retailers made it realize that it had to change. Businesses continually had to reinvent themselves and keep in mind what the customer wanted.