EMCC case studies

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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies of enterprises in four European countries, which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. In the United Kingdom the enterprises examined were Corus (iron and steel) and Tesco (marketing).

About Tesco

Tesco is the UK’s, and one of the world’s, largest food retailers. The company operates more than 900 stores worldwide, with the majority, over 750, in the UK. It employs over 240,000 people worldwide, over 190,000 of these in the UK. It was founded in 1932 by Sir Jack Cohen, and grew rapidly, largely through the acquisition of other grocery chains. During the 1990s the company grew further and expanded into other European and Asian markets, opening over 200 stores since 1993. Sales continue to expand: in 2001, group sales grew by 12.7% to £25,654m, and 55 new stores were opened in the UK alone. Group profits increased in 2001 by 14.1% to £1,221m.

CSR in Tesco

The Tesco supermarket case is an interesting one for a discussion of CSR because the company shows a CSR awareness across a range of external and internal activities. External activities include local regeneration and employment projects (for details see Retail Week, 7 December 2001), a long-running initiative to link sales to donating computers for schools, and establishing ethical trading practices with different suppliers. In part this external CSR activity can be seen as a counter to past criticism of the supermarket sector in the UK that it was forcing suppliers (particularly farmers) to accept very low prices for produce, and then making unreasonably high profits from the sale of that produce in the supermarkets. While subsequent reports have not supported these continuing allegations, supermarkets have taken a variety of steps to gain greater public support.

Tesco recently produced a Corporate Social Responsibility Review for 2001/02, which extends the comments made on CSR in its 2001/02 Annual Report. Within the CSR Review, a strong emphasis is placed on external CSR activities - ‘its environmental and social performance’ as its chief executive terms it. These activities relate particularly to environmental issues (such as energy efficiency measures and recycling efforts) and community activities (most notably Tesco’s ‘computers for schools’ initiative, and working with local authorities in ‘regeneration’ areas to train long-term unemployed people for jobs in new stores). Internal CSR activities are noted in such areas as employment diversity, health and safety, and the increased availability of an occupational pension scheme.

In terms of handling any issues relating to restructuring, a central mechanism for this is the partnership agreement that Tesco signed in 1998 with its recognised trade union USDAW (Union of Shop, Distributive and Allied Workers). At the time, Bill Connor, USDAW’s General Secretary, called this agreement ‘the start of a partnership which will offer them the opportunity for more involvement and more consultation than ever before’ (Northern Echo, 14 March 1998). Likewise, the General Secretary of the TUC, John Monks, declared that poor employers should ‘come to Tesco and learn that good partnership relations between a union and employer can add value’ (The Times, 14 March 1998).

Examples of this partnership approach have been evident in relation both to health and safety and assistance for the unemployed. In 1999, Tesco was praised by the TUC for a health and safety partnership with USDAW
which cut staff accidents and sickness. It was the first retailer to sign up to the TUC’s safety initiative. More recently, the focus has been on providing jobs and regeneration through partnerships between local authorities, USDAW and Tesco to guarantee jobs in new stores to local unemployed people who completed specially run training courses.

Under this partnership agreement, staff forums have been created in each of its over seven hundred stores, the forums comprising store management (the Store Manager and Personnel Manager), union representatives and elected employee representatives (elected on the basis of one employee representative per fifty employees with a minimum of five representatives per store).

Elected representatives receive training in, for example, holding effective meetings and giving briefings. The forums meet four times a year and discuss local store issues, but not terms and conditions. The individual store forums in turn send representatives to one of three regional forums, which in turn elect a national forum. The Tesco UK workforce includes over 100,000 USDAW members (up from 80,000 at the time the Partnership Agreement was signed in 1998). This represents the largest unionised workforce of any UK company.

Management thinking behind the agreement was to create greater staff cooperation, resolve local problems, and create a more open style of communication. The five key aspirations it had for the agreement were:

- to secure high quality representation for staff;
- to allow USDAW to understand and promote Tesco’s business goals;
- to guarantee cooperation;
- to enable USDAW to challenge management;
- to allow Tesco to remain flexible enough to retain its leading market position (Allen, 1998).

The union presence is seen by management to give greater legitimacy to the process, and the union has been highly supportive of the agreement.

The partnership relations have not been without criticism, particularly criticism of union incorporation (see for example comments in People Management, 27 April 2000). However, other commentators have seen advantages in replacing traditional union-management relations with the multi-level forums, particularly in terms of allowing a broadening of the union-management agenda to take more account of issues such as job security, training, and career prospects (Allen, 1998). For Allen and others, the result has been an overall increase in trade union and employee input into business decision-making.

The company does not communicate extensively on the nature and activities of the workplace forums. Their existence is noted on their website (in the section on staff, see http://www.tesco.com) but is not communicated in the company’s annual reviews or CSR report.

**Views on the workplace forums**

The functioning of the workplace forums was discussed with managers and employee representatives at two stores, and in addition with a sample of employees not directly involved in the forum activity.
Among those involved, general satisfaction was expressed that the partnership model, based on the staff forums, was a good idea and fitted well with the company’s overall policy towards employee relations. An even more tangible aspect of the partnership model was seen to be the significant bonuses paid to staff, reflecting the annual profits made by the company. Among the trade union representatives, a feeling was evident that the consultative style of employee relations was the only relationship the company was prepared to countenance with USDAW, and that the consequence for the union of not accepting a partnership approach would probably have been de-recognition by Tesco. However, all parties expressed the view that the forums worked reasonably well as an open exchange of views on store-level matters.

At the same time, a number of problems were identified with maintaining the level of forum activity. Two were most evident:

1. Maintaining an adequate agenda. The forum meetings are typically quarterly in frequency and this was widely seen to be too infrequent for day-to-day issues to be adequately covered. These shorter-term issues are more likely to be covered in regular five-minute briefings by managers, referred to as Team 5 within Tesco. These briefings have been introduced on a weekly basis and aim to cover all staff. According to the company, currently around two-thirds (65%) of staff say that they are getting a Team 5 briefing each week, and the company’s target is to extend this to cover all staff (Tesco CSR Review, p. 25). Further, certain subjects, notably issues relating to employees’ terms and conditions of employment, cannot be discussed in the forums. This again appeared to concentrate forum discussion on a store management rather than employee agenda.

2. The agenda of the workplace forums appeared also to have been restricted to a degree by the company’s success and continued expansion. Thus, since their introduction in 1998, there had been very little in the area of restructuring for the forums to be concerned with. As a result, emphasis in the forums had been on work arrangements, store organisation, training, customer relations and so on, rather than employees’ internal working conditions. Only if at a future date the company undergoes significant restructuring will the forum system, along with the broader partnership relationship with the union, be tested as to its robustness in dealing with the consequences of restructuring. If this arises, however, both company and union representatives will have enjoyed a significant period of building relations under relatively conducive conditions.

Among the employees not directly involved in the forum process, there was some feeling that the forum activity was not a prominent source of information or consultation for them. The feeling appeared to be that these employees learnt more about what developments were occurring from the management briefings, or informally from their union representative, than from the forums.

Conclusions from the Tesco case

Both the company and the union welcomed the partnership agreement as a means of developing employee relations within Tesco. During a period which has seen considerable decline in union membership and the coverage of union recognition in the UK, this agreement with USDAW has proved symbolic in illustrating how companies and unions can develop collective relations. At the time, Tesco’s retail manager, Michael Wemms, maintained that this partnership agreement showed ‘that a unionised company should always be able to do better than a non-unionised set-up given a sensible structure’ (Glasgow Herald, 14 March 1998). Since the late 1990s, a series of other companies in the UK have likewise forged partnership relations with their main union(s). The fostering of relations with unions rather than seeking to minimise their presence in the company represents an area of CSR that has not to date been adequately considered.
The discussions with those involved in the workplace forums indicated a generally supportive response to this method of social dialogue. Currently in the UK there is no legal requirement to consult with employees at workplace level, other than to deal with specific issues (such as collective redundancies and transfer of undertakings). This will change in the coming period as the European directive on works councils takes effect. The Tesco case indicates that such forums can play a useful consultative role within organisations.

The Tesco case has also shown the problem (evident too in other studies of consultative mechanisms) of maintaining an adequate agenda for such consultative bodies, particularly where the meetings are held relatively infrequently, where certain issues (such as terms and conditions) are deemed not suitable for discussion, and where other management briefing systems exist which allow more regular communication of locally relevant issues. As the discussions with those not directly involved in the forums also highlighted, a persistent problem with such representative mechanisms is how to keep the constituency informed and involved with the consultative process, rather than becoming an activity more or less separate from the workforce.

Tesco chooses to showcase its external CSR activity in communications to its various stakeholders. However, while the company appears to make little of its internal consultative activity as a form of CSR, the forum structure, and more broadly its partnership relationship with its trade union, represents an example of good practice CSR in the field of social dialogue.