UK’s largest supermarket Tesco to shed 9,000 jobs

Margot Miller
5 February 2019

Amid speculation about 15,000 possible job losses, UK supermarket giant Tesco has confirmed that it will shed 9,000 jobs.

Tesco announced its intention to close 90 fresh-food counters and delicatessens as part of a three-year restructuring plan initiated in 2016 in a bid to save £1.5 billion. Hundreds more jobs will disappear as 200 staff canteens are shut—a service provided by outsourcing companies since 2017. The numbers of head-office employees will also be trimmed.

It expects to save between £150 million to £170 million a year with the latest job losses and achieve an operating margin of 3.5 percent to 4.0 percent by 2019-2020—up from 2.9 percent in 2017-2018.

As the biggest supermarket chain in the UK, Tesco captures a quarter of the market in groceries. It is the largest private employer in the UK, with 324,000 workers employed at more than 3,400 stores in the UK and Ireland.

Competition in the retail industry, which is the biggest employer in the private sector, is fierce and growing. In 2017, around 9.5 percent of the workforce or 2.8 million workers were employed in retail. Retailers predict that a third of these jobs will be lost by 2025.

German-based budget retailers Aldi and Lidl are steadily eroding the market share of the older established chains like Tesco, by undercutting their prices. In the run-up to Christmas, Aldi’s sales increased by 10 percent. If Tesco rival Sainsbury’s manages a takeover of Asda, its very size will increase its bargaining power with suppliers and pose a challenge to Tesco.

Continued austerity and low wages, still below their pre-2008 levels, have reduced the disposable income of consumers. Two thirds of those in work in the UK are classed as the “working poor.” This translated into disappointing sales figures for many high street stores over the Christmas period. Sales slumped for Sainsbury’s, Marks & Spencer, Halfords, Debenhams and Mothercare. Tesco, however, offered a number of seasonal discounts and saw its best Christmas sales in a decade.

High street shopping is increasingly giving way to shopping on the Internet. Competitors like Amazon, eBay, Japanese-based Rakuten and Chinese-based Alibaba increased their global market share to 17.3 percent.

According to the chairman of Debenhams, Sir Ian Cheshire, “[The retail] world has been upturned by the arrival of smartphones, which has really allowed internet shopping to take off, that has totally changed the game.”

Internet companies are not immune from slumping demand. In December, the shares of online fashion retailer Asos fell 38 percent after weak consumer demand led to a fall in profits, and a similar fate was shared by rival Boohoo. Retailers say shoppers are reining in their spending due to fears of how Brexit will impact on their personal finances.

Though most high street chains have diversified into online shopping, they are saddled with costly brick-and-mortar overheads, as well as long-term leases they cannot extricate themselves from.

Debenhams, for example, wishes to close one third of its retail department stores. The problem is the company has signed leases of 25 or 30 years on the buildings they do not own but occupy, and the only way to get out of them is to resort to a Company Voluntary Arrangement (CVA)—an insolvency procedure for companies with debt problems.

Last year Mothercare, Homebase, New Look and

Carpetright entered into CVAs. On the brink of administration, House of Frazer was rescued by Sports Direct. Retail tycoon Mike Ashley secured deals with landlords to close 23 House of Frazer stores and it is unclear how many more will go.

The retail property market is huge, considered by investors a safe, long-term bet. A collapse in property market values because of store closures would have implications far beyond the companies involved. In 2008, inflated property prices were at the heart of the economic crash in the world financial system.

Last year, 85,000 retail jobs were lost as department stores closed their doors.

The response of the trade unions to the proposed 9,000 job losses has been predictably muted. No fight will be waged by the unions to save a single job. Since 2014, when Tesco's current chief executive, Dave Lewis, took over, Tesco has slashed 10,000 jobs with the collaboration of the unions, in a four-year restructuring programme.

Pauline Foulkes, the national officer of the Union of Shop, Distributive and Allied Workers (Usdaw), the main union representing Tesco staff, said, "Usdaw is seeking an urgent meeting with the company to clarify the situation, to examine the details of what changes they are proposing and what this means for staff. ..."

She added, "This [9,000 job losses] is devastating news for staff, who have played a crucial role in Tesco's turnaround project, contributing to 12 successive quarters of growth, solid Christmas trading and over a billion pounds of profit."

Foulkes said nothing about mobilising any of the more than 160,000 members it has at Tesco or any of its total membership of 430,000 to fight the job losses. Instead, she proposed only that the union "will enter into consultation talks with Tesco, where we will examine the business case for their proposed changes."

Unite represents 1,000 workers in four Tesco distribution centres. Its national officer for retail distribution, Adrian Jones, said, "Our top priority this week is to arrange a meeting with Tesco's management to get a clear picture of what the supermarket is planning."

Three of the UK's big four supermarkets—Tesco, Morrisons, Sainsbury's—have begun to cut prices in an attempt to protect their share of the market. Any benefit to consumers, however, will be short-lived, as the prices of imports are predicted to shoot up in the eventuality of Brexit, in whatever form.

The British Retail Consortium recently sent a letter to the crisis-ridden Conservative government of Theresa May. The letter was signed by the bosses of the biggest food retailers—Sainsbury's, Asda, Marks & Spencer, the Co-op, Waitrose, Costcutter, KFC UK, Pret a Manger, Lidl and McDonald's. It warned that Britain's just-in-time food supply chain would be disrupted in the event of a no-deal Brexit. Nearly a third of foodstuffs consumed in the UK comes from Europe. Without a trade deal, tariffs would send prices soaring.

While manufacturers are stockpiling food at record levels, their supply of perishables like fruit and salad will last only for two weeks before running out.

In the lead-up to Brexit, many manufactures are either moving their headquarters out of the UK onto mainland Europe or setting up additional companies in Europe. While Dyson is moving headquarters from the UK to Singapore, Japanese electronics company Panasonic is moving to Amsterdam. Sony is moving out to the Netherlands, while Japanese banks Nomura and Daiwa are establishing operations in Germany.

Whichever way the Brexit crisis pans out, the world economy is increasingly characterised by sanctions and tariff barriers spurred on by the US. American sanctions against the world's second-largest economy, China, which may rise to from 10 percent to 25 percent after March 1 on £200 billion worth of Chinese goods, could plunge the world into recession.

In the fight to defend their jobs and livelihoods, retail workers must look to the example of autoworkers in Mexico and the US, and plantation workers in Sri Lanka, who are rejecting the unions and building their own rank-and-file committees in order to wage a genuine struggle to defend jobs and fight for better wages and working conditions.