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Value in Motion: Labour and Distribution in Global Value Chains

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Context: Supermarkets, Supremacy and the Supply Chain

- Origins research project exploring Employment /Labour Process change in supermarket supply chain in UK
- Supermarket Supremacy and the Retail Supply Chain
- Retailers dominated and monopolised access to the consumer
- Shift in power relations ‘Wal-Mart’ effect forced suppliers to cut costs
- Manufacturers unable to pass price increases on to the consumer
- Retailer in dominant position as the key interpreter as the requirements of consumption (Glucksman 2000, Lichtenstein 2009)



Context: Corresponding Logistics Revolution

- 'Goods moving' – as opposed to goods producing (Jaffe 2010)
- Components of 'logistics revolution' (Harvey et al 2002, Bonacich and Wilson 2008)
- Regional Distribution Centres housing fresh, chilled and ambient products
- Corresponding matrix of retailer own and third party logistic companies – create competition, shape relations, limit dependency
- Compete on the basis of procuring labour services at the lowest cost (Jaffe 2010)
- Labour Implications - Significant prospect of breaking down traditional working patterns and organised labour
- Research evidence of impact on labour - Wright and Lund 2006, Bonacich and Wilson 2008, Harvey et al 2002, Newsome 2010



‘Value in Motion’: Capturing and Preserving

- Traditionally ‘Necessary evil’ link between consumption and production but little possibility to add value (Bonacich and Wilson 2008)
- Distribution within circuit of capital, intervention between Producers and Retailers
- ‘Value in Motion’ critical element – central to the process of realising value generated through the exercise of labour power in production
- Concern - Explore preservation and capture of value in motion within distribution
- How value is fought over in circuit of capital



The Case-Study Organisations

Mirror	Signal	Manoeuvre
Third Party Logistics for Supermarket X	Third Party logistics for Supermarket Y	Third Party logistics for Supermarket Z
Chilled and Ambient Warehouse	Ambient Warehouse	Chilled, Ambient and Frozen Warehouse
700 employees	200 employees	950 employees across two sites
95% Union membership	50% union membership	60 % union membership
Tightly integrated Supermarket X IT systems	Difficulties with scheduling of orders	



Exploring the Linkages: Retailer's search for cost reduction

- Mirror
- Supermarket X owns all infrastructure on site
- 'I think the easiest analogy to say is Mirror is almost like Employment inc for Supermarket X'
- Management fee and monthly budget
- Pressures on labour Costs / Overall warehouse rate
- Variety other KPI – absence, turnover, grievances, disciplinarys
- Perceived ER climate



‘we basically manage their budget, we spend, we don’t save, we don’t have a profit side. Where we are known to be good is that we improve our productivity, we reduce our labour costs, we reduce the amount of unproductive time and we try and do it with as few heads as possible from a management perspective....they want us to be not just achieving budget but beating it and therefore saving their money, so costing them less to do the job. They want us to have a lower cost per case effectively and that’s a big pot so it’s not just about pay rates but about how productive you. We’re on a journey at the moment...when I came here it was very unproductive, poor industrial relations situation but high pay rates so all the things completely in the wrong way. What’s been demanded of us is to get our performance up and try and not give away too high a wage rates’ Senior Manager Mirror



Exploring the Linkages: Retailer's Search for Cost Reduction

- Signal
- Open book contract / Supermarket Y pays for all costs on site
- Supermarket Y sets hourly pick rate
- 'we've actually lost quite a lot of our volume and the more the volume drops, the harder it is to. I mean you're KPIs are going to suffer but any customer will say well we know that but we expect you to take steps to mitigate that, which can be really difficult. It's always easier the more volume you have'
- Other KPIs and fine and penalties



- I mean obviously they're expecting us to come forward with initiatives too, that's one of the reason they choose us as a provider, as a supplier because they believe you know obviously when you're in the tender process we will say you know we have such expertise that we can bring forward proposals to help in cutting your costs and that's one of the attractions of using a logistics company as opposed to for example doing it in house because we have that expertise. But yeah it's obviously are continually coming up with ideas as well



Exploring the Linkages: Retailer's search for cost reduction

Manoeuvre

“the big retailers, particularly the grocery retailers, see their core business as retailing. Distribution and distribution networks, it's a necessary evil if you like 'cause it needs to facilitate what they retail.’

- Open book contract / Supermarket Y pays for all costs on site
- Stringently monitored set of KPIs – competition between in-house and third party logistics companies
- “we try and add value and we do their own way of working, coming up with some solutions and ideas and suggestions but essentially we follow their codes and the way they operate their sites. They're quite determined that that's what they would like us to do and they're quite resolute in the way they do things”
- Pressure on labour costs – renegotiate all terms and conditions



Mirror: Closing Indeterminacy and the Performance of Labour

- Introduction of measurable performance targets
- Negotiated / Consulted
- Incentivised
- Union concerns over attempts to de-collectivise effort
- Prevailing monitoring via scanners in chill warehouse
- Limited opportunity at job rotation
- ‘At the end of the day all they see is figures, if they can’t get figures out the guys that rotate, which they won’t do anyway, its common sense that you know the guys don’t do the job very often, won’t push the same amount of stuff than they guys doing it regular you know and it’s the same with all the jobs you know.



- ‘that’s what they want to bring in here is a bonus right, now I’m a first aider right and you collapse out on that shop floor with a heart attack right I say it takes me an hour to revive you, see for that hour I’ve no bonus because I’m unproductive. I’ve just saved your life but that’s unproductive, there’s not a case come through that door, now that’s how it could all end up. We’ll not accept the bonus, if it was a pooled bonus fine, two million cases as the start of the week to the end of that week at minute, if they come in and go out the door you’ll get your bonus, a pooled bonus.....Because I need the cleaners to keep the floor clean, if I’ve got a puddle of milk I’m skating all over the place, I can’t get into the back of the motors so I need the cleaners to clean the floor for me to get into the motor to get the boxes out for them to pick’.



Signal: Closing Indeterminacy and the Performance of Labour

- Deliver the hourly pick rate
- Low-trust, high discipline regime
- ‘Quality of work’ letters if not achieve daily rate
- 70 % of warehouse subject to disciplinary action
- Intensification of effort
- Difficulties in achieving rate
- Contradiction between speed and accuracy
- Health and safety implications



'But I would say there's not one single person in that depot that picks the correct way every single time. You get back injuries, arm injuries, neck injuries, shoulder injuries, its mostly like strains or sprains or something like that.... But the pickers I would say definitely there's in relation to hitting targets there's a health and safety issue. I definitely think management is aware of that. I would say it's because the focus of the business is the pick rate. Definitely, it comes from the customer, I mean they set out our KPI.....I would like to have time with the person that makes up these figures, to come round with me and I would show them how you're supposed to pick stuff. And then what I would do is I'd take them round and I'd show them how they do pick stuff and they would see the difference. And you'd say look, a shift last eight hours, I could go round eight hours and I could pick every single thing correctly, make sure that its 100 per cent and I'm not doing myself any harm by picking and I would have a set target. I would show them the difference and it would be quite frightening.' Picker Signal



Manoeuvre: Closing Indeterminacy and the Performance of Labour

- ‘It’s got really strict now. I think it kicked in big time then because before they were showing a slight amount of discretion with some of the warnings but now everything’s just an automatic’
- Tight performance management
- Low trust regime - frequent disciplinaries
- Invasion of porosity –remove of breaks
- “We’re sitting at a collective grievance going to look into regarding comfort breaks”
- Union attempts to defence of terms and conditions – absence and company sick pay.



“ Last May, the company served notice on the company’s sick pay entitlement and said they were going to change it because of the levels of sickness. That resulted in the unions saying, ‘Well, we’re going to consult for industrial action,’ That was getting forced by supermarket Z because they pay for absence. So at the final hour it was decided, ‘hold on let’s step back from the brink here and let’s see if we can come up with a way of trying to reduce absence’. So a joint working party was set up and we came up with a number of ideas and proposals, including changing the absence management procedure completely”. Manoeuvre HR manager



Closing Comments

- Explore notion of 'Value in motion' battle over capturing and preserving value
- Monopoly retailers craft relations with Logistics organisations to cut costs and preserve value within circuit of capital
- Concurrently 3PL – capture/ secure value
- Impact on labour – closing indeterminacy, performance management, role of agency - unions mediate excesses
- Complex articulation between production, distribution and consumption.