California's Supermarket Strike: National Grocers Trash any Trace of Corporate Social Responsibility.

Three national grocers chose to join Wal-Mart's famous Darwinian robber baron business culture and contribute to make it the standard in U.S. supermarkets. But consumers wield the power to stop them and force them to be good corporate citizens

Álvaro J. de Regil[i]

On February 29th, after nearly five months, the strike in California between supermarket workers represented by the United Fruit and Commercial Workers (UFCW) and three major grocery store chains finally ended. Initially launched against Vons and Pavilion's Stores, owned by Safeway, Inc., the strike expanded the next day when Ralph's, owned by Kroger, Co. the largest supermarket chain in the U.S., and Albertson's locked out their employees and joined Safeway. About 59,000 workers and 852 stores from the three chains were involved in the strike.

Despite the heavy toll that workers and grocers suffered, the three chains ended up achieving their goal, which was to significantly undermine the labour endowments of their workers both short and long-term. In a new three-year contract, the UFCW was able to protect the current wages of their workers, but all new hires will earn substantially less than California's $13 an hour average wage as well as the $17.90 an hour that senior workers currently earn, and will enjoy substantially less benefits than current workers. The grocers were able to impose the two-tier system that they wanted in the first place, which will ensure that no future workers can earn a living wage. Additionally, current workers will not enjoy any wage increases in the new contract, and the grocers contribution to their health plan will cap at $4.60 an hour, regardless of how much more health insurance providers manage to raise their fees in the third year. Furthermore, the grocers plan to put new hires in a different healthcare pool where the grocers' contribution cap will be about $1.35 an hour, a dramatic difference with that of current workers and a clear discriminatory practice against new future workers. By the same token, the new contract immediately opens the window for discrimination against current workers as well. In a business ethos dominated by a culture of using labour endowments as the first recourse to boost profits, store managers have bonus plans tied to saving money. Thus, they will be very tempted to choose new workers for overtime work because that will clearly be the cheaper way to go. The two-tier scheme puts new workers against veterans.

The argument used by the grocers for their new plan was that they needed to slim their labour costs so that they could be prepared to compete with Wal-Mart. Thus, the benchmark that they are using for all future hires is Wal-Mart's wage standards. According to a report commissioned by two Los Angeles city councilmen, Wal-Mart pays equivalent workers $8 an hour less than unionised workers. Therefore, it is clear that grocers succeeded in imposing their will to adopt Wal-Mart's robber baron cultural standard by forcing workers to endure a strike far longer than any previous strike endured by the UFCW. The only points scored by workers were the protection of their current labour endowments. That is, current workers will not earn less and will not pay for part of their healthcare coverage for at least two years, and the grocers gave up as well their demands to significantly cut the veterans' overall healthcare and pension coverage.

The grocers' stand cost them, with the support of consumers, $1.5 billion in lost sales and more than $350 million in profits. But they all say that the benefits in their new contract are clearly worth its cost. To be sure, they were clearly in a position to endure a far longer conflict, judging by the fact that Safeway rewarded, in the middle of the strike, 11 top executives with stock grants and options worth millions. On the other hand, thousands of families suffered dramatically to the point that many workers were forced to look for another job after months of living on a dwindling UFCW's strike fund, equivalent to a small fraction of their salary. Fortunately, the grocers' strategy is still a risky bet into the future.

The apparent victory of the greedy grocers notwithstanding, the end of the story is far from being written. For, with the support of all consumers, civil society can teach a real long-lasting lesson to these grocers about not behaving socially responsibly, and concurrently sending a clear message to all other corporate players in the supermarket industry. First of all, the savings that the three grocers can expect per year will take several years to recover the losses from the strike. Even if we use as an example an extremely unlikely scenario where grocers are able to immediately replace 20% of their work force (11,800 workers) with second-tier new hires, their savings will be around $118 million a year –assuming savings of $6 an hour per new hire and all new hires working 32 hours per week. This would force them to wait a minimum of three years to recover the more than $350 million in lost profits. Since immediately replacing, through early retirement offers and other schemes, 20% of their work force is absolutely impossible, the recovery of their losses will take substantially more than three years. But it will take even more years because part of their losses is not yet accounted for since they belong to their current fiscal quarter. Moreover, the grocers expect to incur extra operating costs during several months due to the need to execute heavy promotions and advertising programs in their attempt to recover their customer base.

In this way, all the current losses and additional costs place their expected breakeven point farther away in the future. To be sure, their strategy has always been a long-term strategy to boost profits and become more competitive before institutional investors and, secondarily, before consumers. However, the strategy bears a significant weakness in assuming that they will enjoy the same market share and possibly more through lower prices. That may easily not be the case if we, as members of civil society, flex our consumer muscle and take our business to those grocers that behave socially responsibly and pursue a sustainable business that includes as a top priority the sustainability of a dignified quality of life for their workers.

Supporting socially responsible corporations is extremely important for the sustainability of our economy and we as consumers have a responsibility in contributing to our sustainability for both moral as well as self-interest reasons. Our consumer power is the key element in order to protect our communities and make corporations good corporate citizens. The grocers have shown no qualm in crippling the quality of life of their employees and no sense of a corporation's social responsibilities, for their strategic thinking is ingrained on a culture where financial markets are upheld as the masters of the universe. Their sole interest is to boost profits in order to deliver the shareholder valued demanded by Wall Street's institutional investors as in Wal-Mart. Thus, if we allow them to establish Wal-Mart's business model in their industry, they will be lowering the quality of life of millions of workers and their families and taking them increasingly closer to wages no longer of a living-wage standard. In this way, if millions of workers in their industry suffer a reduction of their labour endowments, a reduction of aggregate demand will be experienced in our communities, and this will in turn set in motion further reductions in the expansion of aggregate demand on a national scale. Yet, a continuous expansion of aggregate demand is fundamental for the continuous growth of a market economy. When consumers have less disposable income to spend, aggregate demand shrinks, sales decrease, no new jobs are created and many workers get laid off. Thus, we enter a vicious cycle of decreasing demand and recession. Therefore, we cannot support corporations that do not care about the sustainability of the system where they generate their profit.

The three grocers rejected an excellent opportunity to do the right thing for their business and for society by sustaining the labour endowments' structure in their previous contract. They could have increased their business by enjoying the loyalty of consumers with the additional advantage of the formal endorsement of consumer organizations, unions and civil society that would have portrayed them as good corporate citizens. But, since they chose not to, we must not return to their stores. It is not too much to ask, especially when we have a vested interest in sustaining the welfare of our communities.

Many of us have already developed new shopping habits and are enjoying the new stores where we have been shopping since last October. The news talks about new specialty stores and discounters having many new shoppers who are truly enjoying their new relationship with them and predict that many shoppers will not return to the three grocers. They use as evidence the remarkable ease with which many shoppers managed the strike by turning to specialty stores, natural food outlets, ethnic markets, high-end emporiums and even farmers' markets. Therefore, even if in many cases driving longer distances is less convenient, it is far more beneficial for us to support grocers that care for the communities where they make their business every day. In many instances, the alternatives are as price competitive or more as Ralph's, Von's and Albertson's. But, even if we save less at the beginning, on the long run we will make all grocers more price competitive by teaching them to compete for more market share –which will increase their economies of scale– by behaving socially responsibly, instead of offering low prices by profiting over people, which impairs the sustainability of our communities.

Profiting over people is a very despicable behaviour that, unfortunately, many modern robber barons of the likes of Wal-Mart have made a core strategic element of their business. Now Kroger, Safeway and Albertson's have become new members of the robber barons club. Therefore, as members of our community it is our responsibility to stop them from profiting over us. And our consumption wields all the power to stop them.

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[i] Alvaro J. de Regil is Executive Director of The Jus Semper Global Alliance