

european restructuring monitor *quarterly*

Issue 2 – Summer 2005

The European Restructuring Monitor *quarterly* (ERM *quarterly*) is an information service that analyses data on industrial restructuring in Europe. This issue focuses on information collected from the beginning of April to the end of June 2005, and refers to statistics drawn from the ERM website on 5 July 2005.

The European Restructuring Monitor is a project undertaken by the European Monitoring Centre on Change, implemented by Groupe One. ERM is served by a network of correspondents whose task is to register cases of industrial restructuring, reported in the press in the EU25, Bulgaria and Romania. Basic information about each case and its employment effects is freely accessible through <http://www.emcc.eurofound.eu.int/erm/>.

Overview

Country focus – spotlight on Spain

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Company focus – spotlight on BMW and Tesco

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> Overview

During the second quarter of 2005, from 1 April to 30 June, the European Restructuring Monitor (ERM) recorded 507 cases of company restructuring, across the 27 countries monitored: the former EU15, the 10 new Member States and two acceding countries – Bulgaria and Romania. Job losses totalling 142,162 were announced as a result of 294 of these restructuring cases. This represents a 35.2% reduction in announced job losses, compared to the previous quarter figure of 219,381 job losses, for a significantly lower number of restructuring cases (238) recorded.

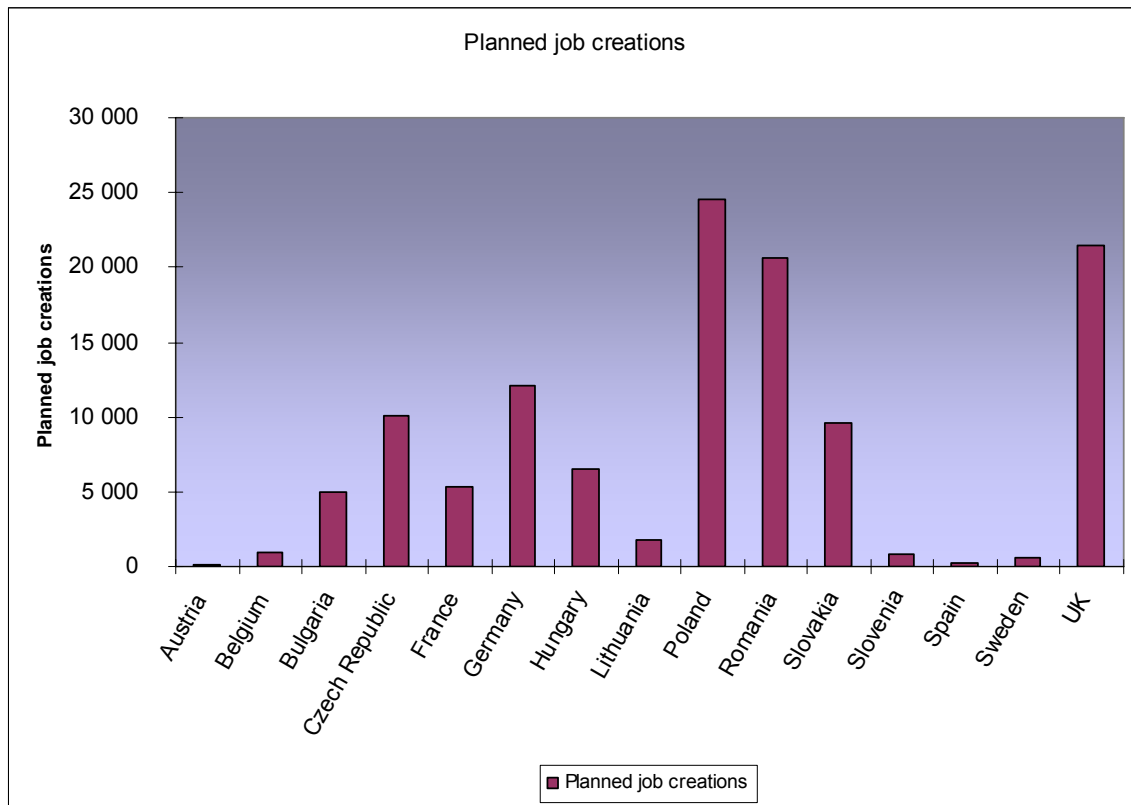
According to press announcements during the second quarter of 2005, 213 of the 507 company restructuring cases resulted in business expansion and foresee the creation of 117,734 new jobs. The overall planned job creation for the second quarter of 2005 stands at 119,946. This indicates a significant increase, compared to previous quarters in 2004 and 2005 – i.e. 39,330 new jobs for the fourth quarter, and 58,707 new jobs for the first quarter of 2005 (+104%).

Table 1: Breakdown of employment effects by type of restructuring in the 2nd quarter

Type of restructuring	Planned job reductions	Planned job creation	Cases
Business expansion	0	117,734	213
Internal restructuring	93,402	792	162
Bankruptcy/Closure	22,582	400	67
Offshoring/Delocalisation	12,141	0	37
Relocation	4,675	500	11
Merger/Acquisition	8,079	420	10
Other	857	100	4
Outsourcing	426	0	3
Total	142,162	119,946	507

Announced job creation

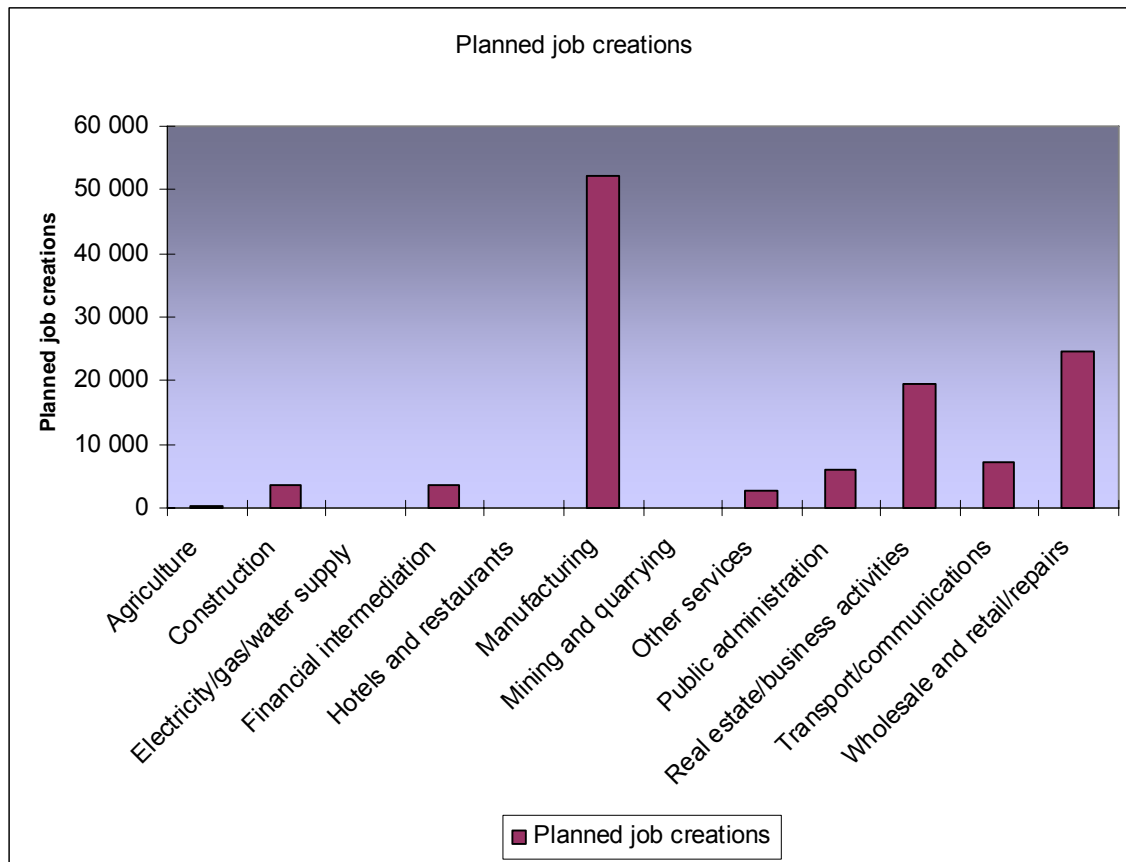
As Figure 1 shows, job creations were once again recorded in 15 countries: a significant number of these new jobs – 117,734 out of 119,946 – are related to expanding business activity in the new Member States or acceding countries, with Poland, Romania and the Czech Republic attracting 24,501, 20,643 and 10,065 jobs respectively. Among the EU15 countries, the United Kingdom (UK) continues to record a high rate of business expansion, with 64 restructuring cases accounting for 21,415 new jobs. Germany recorded a high rate of restructuring activities resulting in business expansion, accounting for 12,096 new jobs compared to the standstill reported in the last *quarterly's* country focus (see [Issue 1, Spring 2005](#)).

Figure 1: Distribution of job creations across the EU during the 2nd quarter

Strong expansion in commerce sector

As Figure 2 illustrates, the manufacturing, and wholesale and retail/repairs sectors continued to expand, as observed in previous quarters. The commerce sector, in particular, is profiting from business activity and investment in the UK, Germany and Poland, attracting 11,700, 5,500 and 1,155 jobs respectively. This confirms a trend observed in the UK during previous quarters (see quarterly, [Issue 1 Spring 2005](#)). More generally, the ERM recorded 17 announcements in the press, involving the creation of 24,455 new jobs in this sector, in the EU and in the two acceding countries, Romania and Bulgaria (for further details see this quarterly's sector focus on commerce). Following internal restructuring at the end of 2004, the supermarket group, Sainsbury, plans to recruit 10,000 shop workers, aged 50 years and over, as part of its drive to offer customers a 'quality, hassle-free festive shopping experience'. The retail giants – British [Tesco](#), American [Polimeni International](#) and French [Carrefour](#) – plan to create 5,000 new jobs in Poland, a country that is emerging as the largest food and drink market in central Europe, with its 40 million population. Following its announcement of 3,200 new jobs, Tesco, the leader in the British retail market, plans to expand its UK floor space by 8% and its non-UK floor space by 20% in 2005–2006. It now represents one of the most dynamic employers in Poland (for details see [company focus](#) in this quarterly). In Romania, [Cora](#) – part of the Louis Delhaize group – intends to create 1,700 new jobs in the third quarter of 2005.

Figure 2: Distribution of job creations across sectors during the 2nd quarter



Expansion in the automotive industry in Germany and Romania

In the motor sector, the trend observed in previous quarters is repeated (see [Issue 4, Winter 2004](#)). In particular, the automotive sector continues to profit from business activity in the new Member States and acceding countries. In Leipzig (Germany), the [BMW](#) Group has opened a new factory, choosing the region of Saxony as the location to build its best-selling 3-series model over a site in the Czech Republic, following a sharply contested selection process. This news has been broadly welcomed in a country that is struggling to regain its strong growth. While the plant currently employs 2,500 workers, management plans to eventually extend this to 5,500 workers within a couple of years (for further details see [company focus](#) in this quarterly). In Romania, [Dacia](#) (Renault), the country's leading car manufacturer, plans to create 3,000 new jobs between 2005 and 2008. Also, [Kia Slovakia](#), part of the Hyundai-Kia group, has decided to increase the level of investment in the new Zilina production plant by €130 million, up to €870 million, announcing the creation of 3,100 new jobs. In the metal and machinery sector, [Ina Schaeffer](#), a German company specialising in the production of ball bearings and components for the automotive industry, plans to create 3,000 new jobs in Brasov (Romania) by autumn 2007, in line with a project that commenced in mid-2003. The French group, [Montupet](#), in partnership with the Cluj County, plans to create 2,150 new jobs within the next three years, by manufacturing components for the car industry.

Distribution of recorded cases and job reductions across countries monitored

Figure 3 below illustrates the distribution of recorded cases and job reductions for the second quarter of 2005, across the EU25 and the two acceding countries, Bulgaria and Romania.

Figure 3: Distribution of recorded restructuring cases and job reductions across the EU during the 2nd quarter

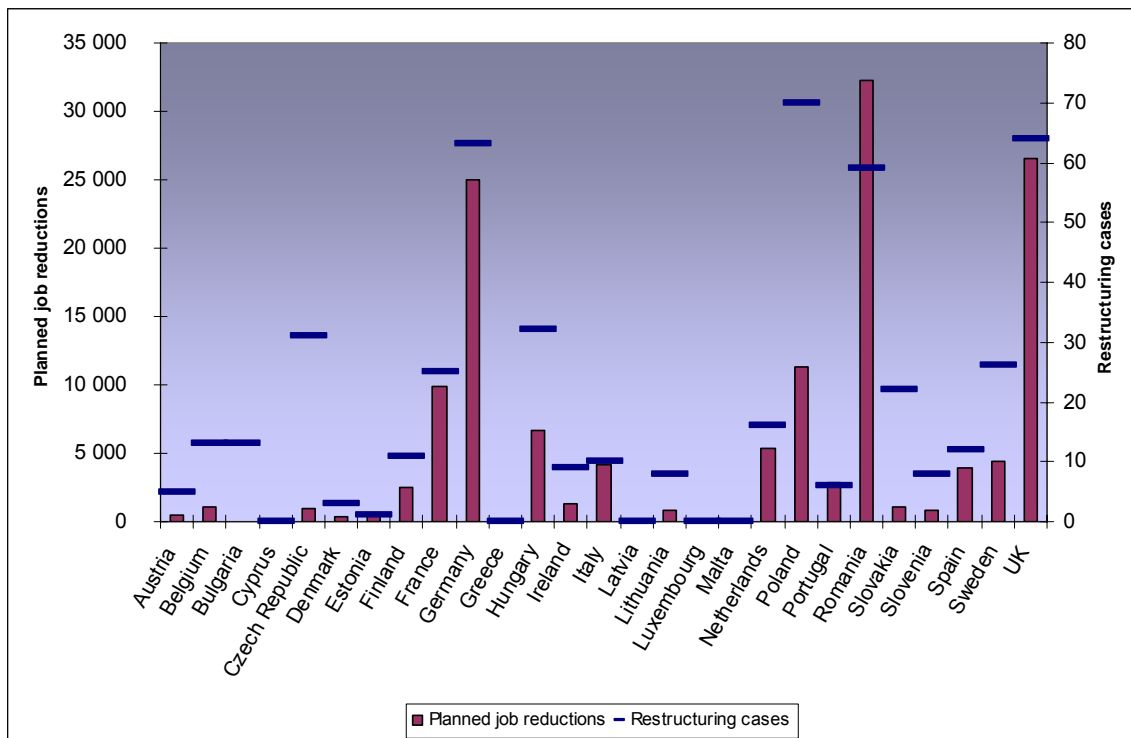


Figure 3 shows that Poland displays the highest number of restructuring cases announced (70), followed by the UK (64), Germany (63), Romania (59) and Hungary (32).¹ This is quite a different picture compared to the one outlined in the previous quarter, in which the UK accounted for 85 restructuring cases and Germany for 45 cases. The overall figure for job losses in the UK is significantly lower in this quarter, amounting to 26,577 job losses compared to 134,795 job losses in the previous quarter. In Poland and Germany, however, the number of job losses increased to 11,238 and 25,056 respectively, while in France, the number decreased to 9,835 compared to the previous quarter which recorded 19,202 job losses. Most of the restructuring cases reported in Poland and the UK accounted for a relatively modest number of job losses, compared to the previous quarter, and were outweighed by the number of announced job creations.

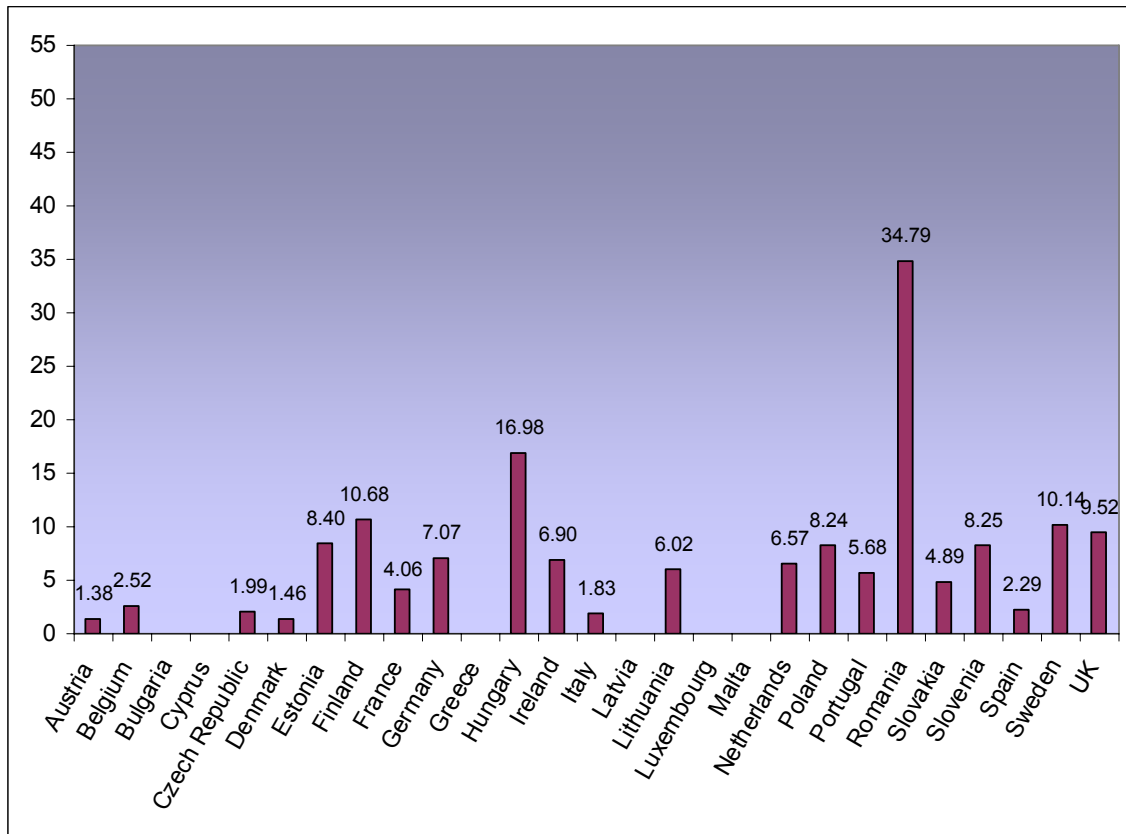
Spain, however, displays a net job loss of 3,702 (see this *quarterly's* [country focus](#) on Spain). Restructuring cases in this country centre around low technology and labour intensive activities. Electrical and textile sectors have been affected the most by

¹ Romania and Hungary are reported for the first time in this *quarterly*.

restructuring. Meanwhile, no restructuring cases were recorded for Cyprus, Greece, Latvia, Luxembourg and Malta during the second quarter of 2005. However, as these economies are characterised by a high percentage of small- and medium-sized enterprises (SMEs), restructuring activities are not necessarily picked up by the ERM, given the methodology used for data collection.

In order to establish a more meaningful comparison between the 27 countries monitored, the respective size of the 27 economies needs to be taken into account. Figure 4 presents the distribution of job losses per 10,000 people employed, illustrating the relative impact of those reductions nationally.

Figure 4: Announced job reductions due to restructuring, per 10,000 people employed, during the 2nd quarter



Job losses in Romania

With 34.79 announced job losses recorded for every 10,000 workers employed, the Romanian economy will clearly have to deal with the most significant employment effects of announced restructuring activities. This is related to high job losses in the national defence public sector. At the end of May, the [Ministry of National Defence](#) announced the cutting of around 10,000 jobs by 2007. Conditions imposed due to Romania's accession to the North Atlantic Treaty Organisation (NATO) is the main reason given to explain the strong internal restructuring underway. The country's Ministry of Education has also planned a notable reduction of teachers' working hours and of teaching posts in the Bucharest area. Some 181 teaching staff have already been dismissed, with the possibility of a further 1,500 teaching posts being cut in 2007.

Nevertheless, [the Romanian Police Restructuring Programme](#) does include a provision for the hiring of 5,400 new staff members in the Romanian borders by 2009.

Very high job losses have also been reported in Romania's mining and quarrying sector. Furthermore, at the end of June, [CEC](#) – one of the oldest banks in Romania – announced a plan that may result in the dismissal of 1,500 employees at the Romanian Savings Bank, by the end of 2005.

Job losses in the public sector are also planned in France, where the government's budget for 2006 foresees the cutting of 5,000 jobs within the Ministries of Finance and Education.

Job losses in smaller EU economies

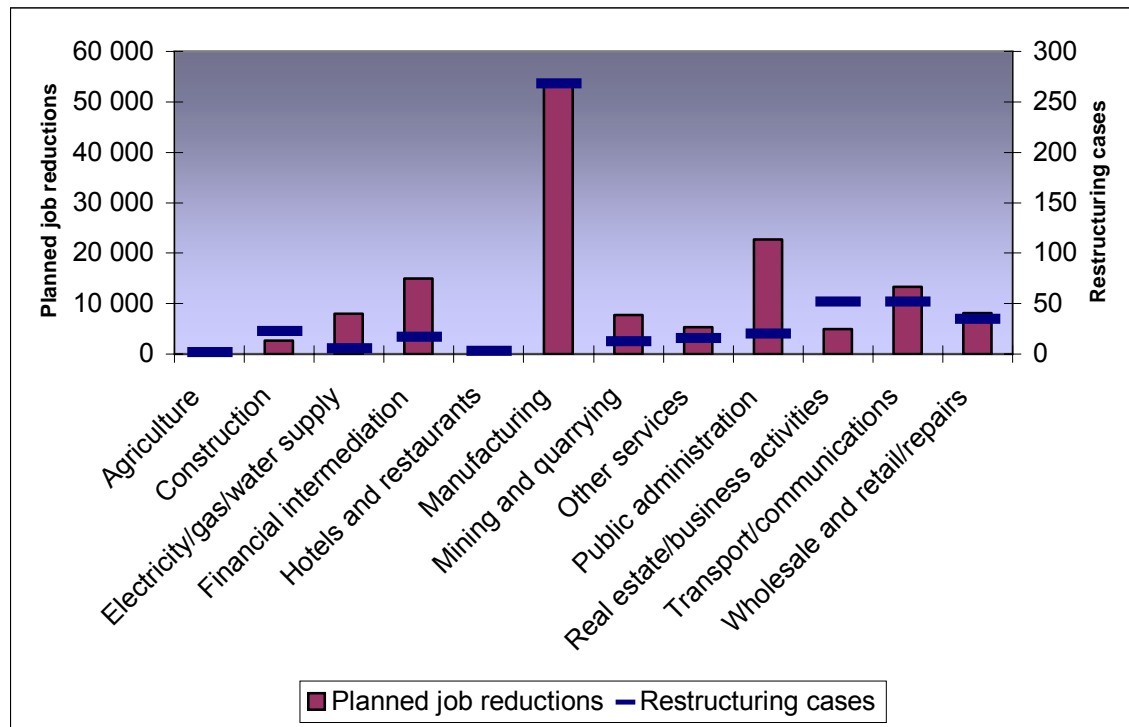
Compared to previous quarters, Finland, a country with a relatively small labour force, shows a significant increase in restructuring activities (+149% since the last quarter), with 10.68 job losses per 10,000 jobs. The largest single case reported in Finland is that of [Perlos](#) – a supplier of mechanical and electronic modules for the telecommunications, healthcare and automotive industry – which in April announced 600 direct dismissals. Sweden has also experienced a significant increase, with 10.14 job losses announced per 10,000 jobs.

In Hungary, the high rate of announced job losses has been attributed to one major case in the post and telecommunications sector. [Matav](#), a partially state-owned telecommunications company, is planning a high number of dismissals to increase its efficiency. The job reduction plan announced in April could affect 2,600 employees in total.

Distribution of recorded cases and job reductions across sectors

Figure 5 below illustrates the sectoral distribution, along with related employment effects, of the 294 restructuring cases involving job losses, recorded by the ERM during the second quarter of 2005 (1 April to 30 June 2005). During this quarter, the manufacturing sector records the highest number of job losses (268 cases accounting for 53,304 job losses in total), mainly attributable to restructuring in the electrical and metal sector (see above).

Figure 5: Distribution of recorded cases and job reductions across sectors during the 2nd quarter



The figures also reflect the fact that a significant number of restructuring cases were announced in the public sector (20 cases accounting for 22,664 jobs losses in total), and in the financial intermediation sector (17 cases accounting for 14,950 losses in total).

Restructuring in manufacturing

In particular, the electrical and motor sectors have been affected by restructuring activities. The largest single case in the electrical sector concerns the British Telecom (BT) equipment manufacturer, [Marconi](#). Some 2,000 research and development jobs are threatened at the company's plants in Coventry, Liverpool and Nottingham. Union leaders said they feared up to 3,000 employees could eventually lose their jobs. According to management, the loss of business from BT, which is Marconi's largest customer and accounts for about 27% of its revenue, is the main reason for the internal restructuring.

In addition, in May, ST Microelectronics announced a plan to reduce its worldwide workforce by 6%. Approximately 3,000 out of 50,000 employees, mainly in [France](#) and in [Italy](#), are expected to be affected.

Also in France, [Schneider Electric](#), the manufacturer of equipment for electrical distribution, has forecasted a restructuring programme which could result in the loss of 1,043 jobs due to the closure of three sites over 2006 and 2007.

In the metal and machinery sector, [Grohe](#), a German producer of bathroom fittings announced in May that it was to reduce its staff by 1,500 people. [Linde Kaeltetechnik](#), a manufacturer of cooling systems, which was sold to the American Carrier Corporation in early 2004, plans to cut its 2,500 strong workforce by half. Production is to be shifted to France and to the Czech Republic.

The textiles and leather sector – part of the manufacturing sector – has also been affected by restructuring activities. In April, [Akrom Akal](#) in Romania announced losses of 650 jobs. While Akrom Akal's director declared that he had great faith in Romania's skilled, highly productive workforce, he highlighted that current prices have become too prohibitive. On a more positive note, [Clujana](#) in Romania intends to hire 70 workers in the upper sewing and cutting sections. Over the coming months, the number of employees is expected to rise to 200–300, depending on existing orders. The three foreign textile companies, [UCO textiles](#), [Eybl](#), and [Plătănuș](#), are also to expand in Romania with the creation of 200, 300 and 500 new jobs respectively.

Figure 6 below provides a more realistic comparison between sectors, as it takes the sector size into account. It outlines the sectoral breakdown of announced job losses, per 10,000 people, employed in each sector in the 27 countries monitored.

Figure 6: Announced job reductions due to restructuring across sectors (per 10,000 people employed) during the 2nd quarter

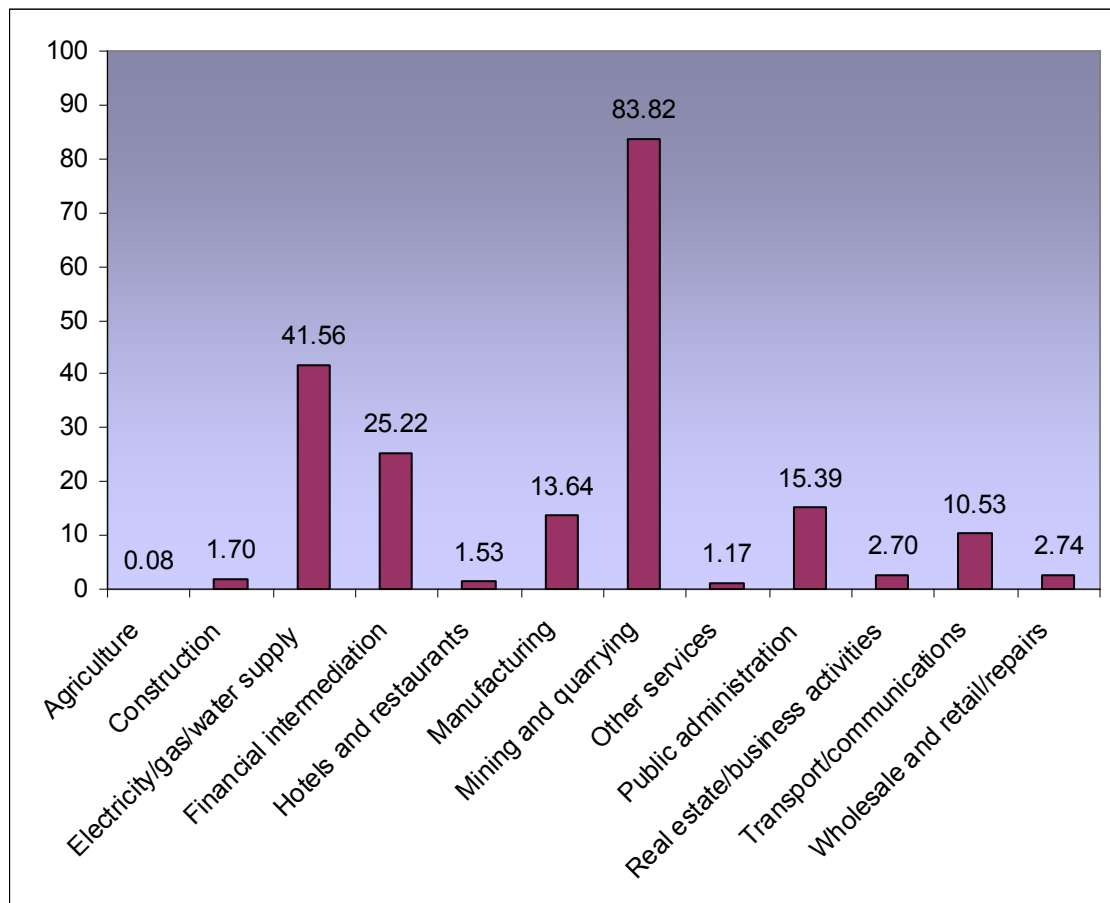


Figure 6 illustrates a sharp contrast in relation to previous quarters, in terms of sectors showing a high redundancy activity. In the public administration and transport/communications sectors, the level of job losses per 10,000 people employed decreased significantly. By contrast, the three sectors – mining and quarrying, electricity, and financial intermediation – have not followed this trend and were strongly affected during the past quarter.

Job losses in mining and quarrying

As the mining and quarrying, financial intermediation, electricity, transport and communications sectors continue to undergo restructuring, effects on the employment have rapidly increased in these sectors compared to the first quarter of 2005. In the mining and quarrying sector, job reductions are mainly attributable to 11 restructuring activities within Romanian extractive industries. According to government plans, the total number of miners that are to be made redundant in Romania in 2005 ranges between 7,000 and 7,500 workers. The state-owned company, [Remin](#), which produces precious and non-ferrous metals in north-west Romania, will cut about a quarter of its workforce in 2005, resulting in the loss of 1,500 jobs. Since subsidies for mining of non-ferrous metals will be phased out by 1 January 2007, the company is under pressure to restructure and increase its competitiveness. Romania has to bring its programme of subsidies and state aid in line with EU rules, in preparation for accession.

Also in Romania, the [CNCAF Minvest](#) in Deva has plans to make 1,250 miners – more than one quarter of its current workforce – redundant in 2005. Furthermore, [SNC Ploiesti](#) plans to cut 1,757 jobs in its largest downsizing so far. In addition, [Mittal Steel Galati](#), one of the largest iron and steel plants in Romania, announced new strategy plans in June, to reduce the number of jobs by 1,887 this year and by 8,536 by 2010. However, in January 2005, the Romanian government secured a €120 million loan from the World Bank, half of which is to be used for the socio-economic regeneration programme. According to World Bank experts, the programme should create between 30,000 and 40,000 new jobs for the redundant miners by [2010](#).

> Country focus

This section explores the economic and labour context of company restructuring in Spain – one of the countries moderately affected by restructuring activities in the second quarter of 2005, with 2.3 job reductions announced per 10,000 people employed.

>> *Spotlight on Spain*

According to the Instituto Nacional de Estadística (Spanish Statistical Institute, INE), Spain has experienced a 2.7% increase in its GDP in 2004, the average GDP increase in the period 2000–2004 amounting to 2.55%. The inflation rate in Spain has experienced an average annual variation of 3.1%, compared to the EU average of about 1.9%. INE data also reveals that the flow of direct investment, in terms of GDP, has decreased in Spain from 8.2% to 3% in 2002.

In relation to Spain's high inflation rate, the indicators available for the first quarter of 2005 point to a sustained growth in private consumption, already observed at the end of 2004, but with a risk of a slowdown in real disposable income following the significant growth of 2004. This can be explained partly due to a smaller contribution from government net transfers to households, linked to the impact of the fiscal reform introduced in 2003. Nevertheless, employment growth is expected to remain the main driver for disposable income. Although the positive impact of wealth on consumption may decline in the future, the effects associated with its notable increase in the latest period are still large (Economic Bulletin, Banco de España, April 2005). Spain's high rate

of inflation is expected to continue due to an increase in private consumption with a positive effect on GDP.

High rate of unemployment

In 2004, employment increased in Spain by 3.9%, compared with a 1.9% increase in 2003, when the EU15 only benefited from a 0.2% growth. Also in 2004, women's employment grew by 5.9%, while men's employment increased by 2.6%. Sectors that benefited from increased growth included the construction sector (+7.2%) and the services sector (+4.7%). The industry sector remained steady (+0.3%), however, the agriculture sector experienced a decline in growth (-0.2%). Despite the increase in job creations in recent years, Spain has one of the highest unemployment rates in Europe.

In comparison to the EU25 average (9%), Spain has the third highest unemployment rate (11%). Only Poland and Slovakia exceed Spain's unemployment figures, with a rate of 18.7% and 18% respectively. Moreover, Spain's part-time jobs rate is one of the lowest in the EU25 at 7.6%. Although employment in agriculture, construction and market-oriented services (commerce, restaurants and catering) is high compared to other Member States, the number of jobs in industry or social care services is relatively low. This indicates that employment in Spain is still oriented towards labour intensive and low technology sectors, rather than capital intensive sectors. In addition, welfare state services are poorly developed in Spain in comparison to other EU countries.

Another factor, which has influenced the unemployment rate somewhat, has been the inclusion of immigrants in new statistical data. On 30 March 2005, the Spanish government published a revised version of the Spanish Labour Force Survey (Encuesta de Población Activa, EPA). According to the new data, the population aged over 16, recorded in 2004 quarter 4, increased by 1,564,000 people, as a result of the sizeable upward revision of the foreign population (1,515,900). At the end of 2004, the proportion of foreign people relative to the population aged over 16 stood at 7.6% (compared to a previous estimate of 3.5%). This increase in the base population has naturally entailed substantial revisions of the main labour market aggregates. The latest labour force figures record an additional 1,116,999 people, some 964,700 of which are employed and 152,200 of which are unemployed (out of a total number of 2.2 million unemployed). The sectoral composition of employment has also been affected by the revision, owing to the concentration of immigrant employment in specific sectors (mainly construction and services).

Weakness of foreign trade

In 2004, the percentage of imports grew more rapidly than the percentage of exports. At €146,452 billion, exports increased by 6.3% in 2003. In comparison, imports reached €207,125 billion, representing a growth of 12.5% in one year. The net balance between imports and exports was therefore negative (-€60,673 billion). The strength of the euro, in addition to the restrictive monetary policy of the European Central Bank (ECB), are likely to have increased this negative outturn.

Data available for the first two months of 2005 indicate that the deceleration in goods exported intensified, with a decline of 1.5% in real terms. This result is consistent with the slowdown in activity in the euro zone – Spain's main export market. It is also related to a reduced price competitiveness in the euro zone and, to a greater extent, in the global market. In relation to the increased buoyancy of imports, this was linked to a surge in final demand, which resulted in an increase in foreign purchases of equipment and, to a lesser extent, in consumer goods.

Possible causes of restructuring in Spain

The general secretary of Unión General de Trabajadores (UGT) – one of Spain's most important trade unions – highlighted a few months ago: 'the lack of prevision by the public administration, and also the lack of an industrial policy, capable of generating a model of development based on human resources, infrastructure and R&D'.

Moreover, the European Commission's report to the Spring European Council confirmed that Spain's level of productivity is below the EU average, adding that 'the contribution of information and communication technologies to productivity growth is very low'. To address this issue, the Spanish government launched the 'España.es 2004–2005 Programme' – a package of measures designed to promote and develop Spain's information society, and also to promote internet access for citizens and SMEs.

With only 1% of its GDP spent on R&D (half the EU average), Spain lags behind even many of the smaller new Member States such as Slovenia, Hungary or the Czech Republic. Although R&D expenditure exceeded 1% for the first time in 2002 (at 1.03% of GDP), it still remained below the EU25 average of approximately 1.93% (España en la Europa de los 25, INE, Ref: 12).

To remedy this situation, the importance of implementing a framework encouraging increased R&D activities has been highlighted, in addition to greater private investment in human capital development, notably through education and training.

Competing in low wage/low skill sectors, Spain is faced with the threat of companies relocating to developing countries, enabling them to reduce their labour costs by up to 10% and product prices by up to 30%. Moreover, delocalisation of large companies often encourages their suppliers and auxiliary companies to follow suit.

Reported restructuring cases

In the second quarter of 2005, from 1 April to 30 June, the ERM recorded 12 cases of company restructuring in Spain. Job losses totalling 3,902 were announced as a result of these restructuring cases and, as Table 2 shows, only one case led to the creation of 200 new jobs. This therefore represents a net job loss of 3,702 jobs.

Table 2: Breakdown of employment effects by type of restructuring in the 2nd quarter

Type of restructuring	Planned job reductions	Planned job reductions %	Planned job creation	Planned job creation %	Cases	Cases %
Internal restructuring	2,673	68.5%	200	100%	9	75%
Offshoring/ Delocalisation	749	19.2%	0	0%	2	16.67%
Bankruptcy/ Closure	480	12.3%	0	0%	1	8.33%
Other	0	0%	0	0%	0	0%
Business expansion	0	0%	0	0%	0	0%
Relocation	0	0%	0	0%	0	0%
Outsourcing	0	0%	0	0%	0	0%

Merger/ Acquisition	0	0%	0	0%	0	0%
Total	3,902		200		12	

Looking at the various figures for job losses, internal restructuring resulted in the highest number of job losses (2,673), followed by offshoring/delocalisation (749) and bankruptcy/closure (480).

The electrical, as well as textiles and leather sectors were among the worst affected by restructuring; the largest case of job losses reported in Spain took place in the electrical sector (see Table 3). This confirms a trend of job loss, in particular, in low technology and labour intensive activities. The automotive industry has also experienced reduced competitiveness and, following its liberalisation, the transport sector has also been strongly affected.

Table 3: Breakdown of employment effects by Nace sectors in Spain in the 2nd quarter

Sector	Planned job reductions	Planned job reductions %	Planned job creation	Planned job creation %	Cases	Cases %
Electrical	1,550	39.72%	0	0%	4	33.33%
Textiles and leather	472	12.1%	0	0%	4	33.33%
Motor	480	12.3%	0	0%	2	16.67%
Transport and storage	1,000	25.63%	200	100%	1	8.33%
Information technology	400	10.25%	0	0%	1	8.33%
Total	3,902		200		12	

The strength of the euro, along with Spanish labour costs resulting in a reduction in the price competitiveness of exports, and the liberalisation of the textiles sector, are the reasons attributed to the restructuring of [Creaciones Ducal](#) (120 redundancies), [Dusen](#) (53 redundancies), [Rodrigo Sancho](#) (120 redundancies) and [Géneros de Punto Ferrys](#) (150 redundancies). In the case of Géneros de Punto Ferrys, on 20 April 2005, the company revealed a job reduction plan allowing for 500 redundancies, the equivalent of 50% of its labour force; however, on 16 June 2005, the company decided to reduce the number of redundancies to 209, or to 20% of its labour force. The company had promised to discard its job reduction plan if it received public aid from the regional financing institute, Instituto Valenciano de Finanzas (IVF). Creaciones Ducal, based in Alzira (Castellón, Valencia), announced that it was considering the reorganisation of 80% of its workforce, or 120 of its 150 employees, due to poor market conditions. In the case of Rodrigo Sancho, the company is considering a job reduction plan affecting up to 64% of its labour force, or 90 to 120 of its 150 employees. Lastly, Dusen has announced 53 redundancies at one of its two plants in Castellón (Valencia), in the centre that produces knitted goods and which represents 13% of its labour force.

Spain's electrical sector, which focuses on labour intensive activities using low-skilled workers, has also been significantly affected, as seen in the cases of Electrolux, Celestica and Robert Bosch.

On 21 April 2005, [The Electrolux Group](#), which has over 72,000 employees around the world, announced that it was considering the closure of its production centre in

Fuenmayor (La Rioja, Spain), in a move that would result in 540 redundancies, 86 of which are temporary worker posts. Despite a 50% profit increase (€93 million), recorded in the first quarter of 2005, the group is considering relocating its activities to Hungary, where it already owns a production centre that can integrate the activities of the Spanish plant. The group is also considering the closure of the Parabiago plant (Italy) with 100 employees, and a reduction in activities at its plants in Mariestad (Sweden) and in Florence (Italy), which would lead to 300 and 250 redundancies respectively. Strong reactions against the closure of the Spanish Fuenmayor plant have been expressed by regional authorities, as well as labour representatives.

[Celestica](#), a Canadian firm specialising in the manufacturing of electrical appliances, issued a restructuring plan in January 2005, which included a provision to cut 15% of its workforce (5,500 employees). This has led to its announcement that it is to close the Spanish-based plant in Cerdanyola del Vallés (Telesincro), a plant which recorded €4 million losses in 2004. Leading to 480 redundancies – 150 of which are temporary contracts – the move follows a decision to relocate activities to the Czech Republic. The job reduction plan will include measures such as voluntary dismissals with compensation, labour relocation, and compensation for the temporary employees. These measures could also affect Celestica's other Spanish-based plant in La Pobla de Vallbona (Valencia), particularly since the plant lost a contract with one of its major customers, [IBM](#).

The [Robert Bosch Group](#), which has a total of 14 production centres in Spain, announced a job reduction plan which will affect centres in Buelna (Cantabria) with 200 employees, in Pamplona with 164 employees, and in Lliçà d'Amunt (Barcelona) with 580 employees. The three centres specialise in the manufacturing of electrical appliances for motor vehicles. Although the company has registered a 7.8% sales increase during 2004, it aims to launch a restructuring plan that will improve the centres' productivity. No job reduction plan has yet been presented to the regional authorities by the [Robert Bosch Group](#), although it has indicated that the plants in Catalonia and Pamplona are likely to suffer the greatest employment losses. The company has stressed that the job reduction measures will not be traumatic even though a total of 340 people are expected to lose their jobs.

Two restructuring cases in the automotive sector illustrate the difficulties that the Spanish car industry is currently experiencing. In the case of [Renault](#), on 12 April 2005, the company decided to discard the third shift in its Valladolid plant (Castilla y León), due to a lack of demand in its product line. This resulted in 200 redundancies (4.76% of its workforce), although management indicated that the measures would only affect temporary workers. Similarly, [Gearbox](#), a company owned by the car manufacturer, Seat (a subsidiary of the Volkswagen consortium), and which produces components for motor vehicles, has decided to reduce 300 out of a total of 1,200 jobs.

The case of [Renfe](#) – a railway company providing passenger and freight transport – illustrates the effects of liberalisation of the transport sector. The company is to launch a strategic plan up until 2009, which will result in a €5.5 million investment and which includes a negotiated job reduction provision for 1,000 redundancies. The measure will affect the company's freight transport division (500 redundancies) and maintenance division (500 redundancies), both of which are considered unprofitable by the company. The job reduction plan considers incentive dismissals, as well as early retirement measures. Accordingly, the company plans to hire 200 new specialised employees in order to cover the job losses. Renfe's strategic plan aims to increase its revenue by 79% and the number of passengers by 19.3%, by 2009.

The [IBM](#) case illustrates the fast-changing nature of the information technology sector. By 30 June 2005 at the latest, some 400 employees at its plant in Spain will be made redundant, while a further 400 are expected to leave the company by the end of 2005. In 2004, IBM's centre in Spain recorded registered losses of €1.9 million, largely attributed to the decrease in sales of its subsidiary, IBM Global Investors, by 99.9% with losses of €36.79 million.

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> Sector focus

This quarter the spotlight is on the retail trade, a sector which has recorded a significant number of new jobs (24,455), announced during the second quarter of 2005. This section also provides details of the most important cases in the sector (35 in total), as reported in the press and recorded by the ERM.

>> Spotlight on the retail trade

This sector focus covers the retail sector (NACE Rev1.1:52). An extremely important sector for the EU, it accounts for 9% of the EU's total workforce. The retail sector is also of major importance for EU employment policy target groups, such as women, and young and poorly qualified workers. Some 60% of the retail workforce is made up of women. This sector is increasingly facing economic pressures related to the growing internationalisation of the market and the emergence of new consumer demands and needs. Economic pressures are caused by a combination of factors: greater competition from international retailers; the development of new competitive strategies; changing consumer tastes and preferences; and increasing demand for improvements in the quality and range of services. As a result, the sector has seen a considerable movement towards concentration, strong diversification and increased pressure for the restructuring, deregulation and reduction of employment.

The retail sector is highly heterogeneous, with considerable differences between retailers, depending on the competitive strategies of firms and the sub-sectors within which they operate. Two main activities could be highlighted as dominating EU retail trade. The first activity relates to retail sales in non-specialised stores, including large-scale distribution outlets. The second activity relates to retail sales of new goods in specialised stores. The latter includes retailing of various categories of non-food goods, such as textiles, furniture and household goods. In 2000, these two main activities accounted for 80% of EU15 retail trade turnover.

In numerical terms, small firms dominate the retail trade. However, over the past 20 years, the trend has been towards greater consolidation and rationalisation, involving the growth of large companies, with smaller firms being forced to implement survival strategies, such as price/cost-cutting and narrowing of their product range. As a result, the average size of enterprises, in terms of the number of people employed, has grown in most countries where data are available.

The structure and functioning of the sector also varies greatly between countries, and depends on the living standards, consumption and purchasing habits of the population, as well as on legal regulations dealing with competition, the size of firms, shop opening hours, consumer protection etc. In general, northern European countries tend to have a lower number of retail businesses, due to better-developed, large-scale distribution and a more intensive concentration process over time. Moreover, since the mid-1990s, a rapid process of structural change has been underway in central and eastern European countries, with large-scale entry of large multinational retailers.

Retail is a labour intensive sector, with a high proportion of women in the workforce. In 2002, some 16 million people were employed in retail in the EU25, 60% of which were women compared with 43% of women employed in the economy as a whole. The proportion of overall employment that relates to retail is similar in both the old EU15 and the new Member States, although the proportion of women in retail is far higher in the latter countries. In the five-year period, 1997–2002, the proportion of retail in overall employment decreased slightly. A similar trend was observed in the former EU15 (from 9.3% to 9.1%) and in the new Member States (from 9% to 8.8%). However, the reasons for both these decreases are different: in the EU15, the number of people employed in retail increased by more than 5%, while in the new Member States it dropped by almost 2%.

The development of the 'wage earner rate' (the share of wage earners in total employment) is a good indicator of the structural change taking place in this sector. In the EU15, this rate has risen significantly (from 70% to 75%), due both to a sharp increase in the number of wage earners and an equally sharp decrease in self-employment. In the new Member States, however, the change has been less significant (from 75% to 76%), among other reasons, because the wage earner rate in this sector was already higher. In both groups of countries, however, the retail sector continues to demonstrate a relatively high level of self-employment, since the wage earner rate for the whole economy is approximately 85%.

In the EU25, approximately 12 million people work as wage earners in the retail sector, the equivalent of almost 8% of all wage earners. However, this percentage varies considerably among the Member States, ranging from 10% in the UK to only 5% in Sweden. This is another sign of differences in the degree to which structural changes have affected countries. The proportion of women among retail wage earners is also quite varied, ranging from 81% in Latvia to 53% in Malta. In the Czech Republic, Slovakia, Austria, Germany, Finland and Luxembourg, this figure stands at over 70%, whereas it is less than 60% in Greece, Denmark and Italy.

For the second quarter of 2005, the ERM database reported 35 restructuring announcements in the retail sector, signalling the loss of 8,115 jobs and the potential creation of 24,455 jobs in the sector. This impressive figure of a net job creation of 16,340 jobs is attributed to the fact that the vast majority of companies are undertaking a business expansion (16 out of 31). Only six of them claim to face bankruptcy, another seven are undertaking internal restructuring, and two face a merger. Most of the

restructuring cases occurred in the UK (14) and countries in east and central Europe (12); only eight further cases were recorded in the remainder of the old EU15 (Germany, Sweden, France and Finland). These figures reveal strong differences in management strategies between the new Member States and the UK and the western European countries.

Cases of restructuring

In the EU25, a study of restructuring cases in these last three months shows that the most extensive restructuring took place in the UK. In total, some 14 cases have been observed in this time period in the UK, leading to 6,223 planned job reductions and 11,700 potential planned job creations. Several structural reasons have been attributed to this. Firstly, UK companies appear to be willing to retain business within the country, even if it means having to cut down on costs. For example, the British roadside recovery organisation, the [Automobile Association \(AA\)](#), announced that 280 jobs would be cut through the closure of one of its offices and the transfer of work from another office. As a result, the Maidstone office in Kent, which employed 154 staff answering emergency breakdown calls, has been closed. Administrative work will also be transferred from Basingstoke in Hampshire to Cheadle in Cheshire, leading to around 129 job losses. The AA explained that it wanted to retain its roadside and insurance call centre operations in Britain rather than switching operations overseas, even though it could save £50 million by offshoring. Although a study had found that 'significant savings' could have been made if the call centre's operations were moved offshore, the AA believes that it can improve customer service and the efficiency of its operations by remaining in the UK. Around £10 million will now be invested in the AA's insurance call centres in Newcastle and Cardiff.

In Slovenia, a number of recent constitutional court rulings, which prohibit the majority of Sunday trading operations in the country, have also had an important impact on restructuring within the trading sector. For example, the [ERA](#) retail chain, mainly present in the north-east of the country, faces a 20% loss of turnover as a result of this court ruling. The company has therefore had to cut approximately 150 jobs. A similar situation has occurred in Germany where the pharmacy chain, [Rossmann](#), foresees losses of about 1,000 jobs as a result of the prohibition of Sunday trading in the majority of retail outlets. With five restructuring cases recorded, leading to 970 planned job reductions and a potential 1,155 planned job creations, Germany is second after the UK to experience the most extensive restructuring in the EU, in the last three months.

[Mercator](#), the largest retail chain in Slovenia, has also felt the impact of this court ruling. It predicts that 500 jobs will be lost as the company adjusts to these latest legal provisions. Sunday had become a major retail day for local merchants since the 1990s. As a result of these recent changes, Slovenia has embarked on the most extensive restructuring process among the 10 new EU Member States. With three restructuring cases, Slovenia has plans for 600 reductions and only 200 job creations.

A third example of restructuring in the sector relates to badly organised expansion strategies in the face of strong competition. In the UK, the [Co-op](#) group is to cut 600 jobs – nearly one in five posts – at its head office in Manchester, as a result of strong competition from Tesco. In May 2005, the Co-op, which runs 3,000 food and pharmacy stores as well as a bank, reported that operating profits were down from £327 million to £244 million in 2004. Moreover, the significant downturn in the economy seems to have resulted in serious financial losses, which in turn have necessitated restructuring

processes. For example, the [Dickins and Jones](#) outlet in Regent Street, London has announced that it is to close, resulting in the loss of 500 jobs. The House of Fraser company, which owns the store, said that it had to cut costs as a result of a steep downturn in consumer spending.

Despite increasing competition, it is interesting to note, however, that many companies have developed aggressive and ambitious expansion strategies aimed at the new EU countries. This is particularly the case for many of the companies monitored in the last three months. The American company, [Polimeni International](#), for example, will invest €55 million in a new commercial centre in Poznan, Poland. Due for completion by 2007, it is expected that the centre will employ about 1,000 workers. As a result of such positive expansion strategies, Poland is set to benefit from a potential 5,500 planned job creations. Although Bulgaria's restructuring efforts are relatively minor, one example is worth noting, i.e. [Kaufland](#)'s construction of a new hypermarket in Vratsa, Bulgaria. Some BGN 6 million will be invested in the new hypermarket, where approximately 100 people are expected to be employed. This represents a genuine opportunity for the Vratsa region, where the official unemployment rate stood at 19.58% in April 2005. The Polish subsidiary of German wholesaler, [Selgros](#), is also to open a new supermarket in Karolin, Warsaw, where some 400 people are expected to be employed.

[Hofer](#), a subsidiary of the German-owned Aldi Sued, plans to set up a central distribution storehouse near Lukovica, central Slovenia, in order to supply its 80 to 90 future stores across the country. It is expected that by 2007, some 200 jobs will be created as a result. Further aggressive expansion strategies can be observed in Romania where, in the last two years, [MOL](#) acquired the Romanian petrol station business of the multinational, Shell, in two stages. In summer 2003, MOL took over 23 petrol stations from Shell; this was followed by full acquisition of the Shell subsidiary in Romania in November 2004. MOL and Shell Romanian staff will be reduced to 130–140 people from the current 240 workforce. After the merger, MOL will have a network of over 133 stations and will rank among the top four players in the Romanian market in terms of network size. Over the next five years, MOL is planning to expand its Romanian retail network to 190–200 petrol stations by investing £70 million, which will see it occupying 15% of the Romanian market.

In April 2005, the French supermarket chain, [Carrefour](#), invested PLN 90 million in a new shopping centre in Chorzów, Poland, where approximately 800 people will be employed. Also in Poland, the French [Decathlon](#) chain will open a new sports outlet in Wrocław, estimated to be worth PLN 3.5 million, which should result in the creation of 40 jobs. In the coming months, the company also has plans to open another sports outlet in Kraków, which will employ 60 people. Just one and a half years since the opening of its first hypermarket in Romania, [Cora](#) announced it will open additional stores in the country. The second Cora store will be opened in the third quarter of 2005, totalling €40 million in investment and resulting in the creation of about 1,000 new jobs. Another 700 employees will be hired in 2006, following an investment of €25 million in a third store in Cluj. [Tesco](#), leader of the British retail market in recent years, has now become the largest retail company in Poland. The company plans to open 20 new supermarkets and corner shops in Poland. It also plans to further develop its network of petrol stations (see company focus below).

A number of cases can also be observed within western Europe. Dixons, a British group specialising in electrical domestic appliances, announced on 28 April 2005 the opening of 100 computer superstores in large French cities and in Ile de France, in a move that

will result in about 3,200 new jobs. The stores will be called [PC City](#) and come under the same concept as PC World in the UK. The objective is to challenge Fnac and Darty in their own market and the first store will open in September 2005. [Apoteket](#), the chain of chemists, is also planning new investments in Kalmar in Sweden, where 160 people are currently employed by the company. Apoteket plans to develop its customer service, to make investments in the field of IT in collaboration with WM-data and to relocate some project activities, currently based in Stockholm. At least 150 jobs will be created as a result of the current expansion plan.

[John Lewis](#) has announced plans for a new £40 million department store, designed to be the centrepiece of the £500 million regeneration taking place in Leeds city centre. The development will, it is claimed, generate up to 900 jobs and is due to start in 2007. In Germany, the traditional Berlin-based food retailer, [Reichelt](#), which was bought by the Edeka Group in 2002, wants to expand its operations in Berlin, opening some 25 to 30 markets in the coming years. About 1,000 jobs are expected to be created in the process.

Although the aforementioned cases in both eastern and western Europe aim to create more jobs than are lost, unsuccessful retail experiences still remain across Europe. For example, the drugstore chain, [Ihr Platz](#), which was number five on the German market, has recently declared insolvency. In this case, management foresees the closure of around 70 to 90 unprofitable stores, which will result in the loss of about 10% of Ihr Platz's total staff.

Following a £200 million takeover by the House of Fraser group earlier in 2005, the Edinburgh-based [Jenners](#) department store has indicated that over 100 jobs are likely to be lost. A spokesman for House of Fraser said that the move was the result of greater integration of its businesses. Staff at [Phoenix Venture Motors'](#) eleven dealerships are likely to lose their jobs following the collapse of [MG Rover](#). On 18 April, three of the dealerships were closed, resulting in the loss of 86 jobs. The remaining eight dealerships employ nearly 400 other staff and are at risk of closure too. The UK retail group, Littlewoods, also announced the loss of 3,200 jobs, as part of plans to shut the majority of its [Index](#) catalogue-based shops. The closure of the 126 stores and the sale of the remaining 33 shops, however, will help save 800 jobs. More than 300 shopworkers lost their jobs, while 16 out of 40 staff at the Blackpool headquarters have also been made redundant, following the collapse of the [Eisenegger](#) discount clothing chain. The lay-offs followed a decision by the administrator to close 38 of the 67 shops run by the Blackpool-based company, Basebuy. Basebuy generates more than £55 million in annual sales, but has been badly hit by the slowdown in consumer spending and is also paying the price for opening outlets in areas where rents are very high.

In Finland, [Kesko Food](#) aims to improve its operational efficiency in order to increase the competitiveness of K-food stores. As a result, it initiated a cooperation procedure with personnel on 12 April 2005. Kesko Food will reorganise its operations in marketing, logistics and in the purchasing of home and speciality goods. The cooperation procedure related to the organisational transformation will concern Kesko Food and K-Plus on a large scale. As part of this procedure, an estimated 160 jobs will need to be cut. During the procedure, opportunities for training or reassignments of as many persons as possible will be examined. Pension solutions will also be assessed. On 25 May 2005, the company announced that it is to make 153 employees redundant as a result of the cooperation negotiations. Altogether, 73 employees will be made directly redundant and 80 jobs will be cut through early retirement arrangements. In Northern Ireland, more than 100 workers at a [Marks & Spencer](#) buying facility in Londonderry are also to lose their

jobs by December 2005. An M&S spokeswoman said the operation was no longer viable, as all garments would be bought through a central department in London in the future.

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> Company focus

This section presents data concerning the cases of two companies: BMW and Tesco. Both companies have announced business expansion plans, which they predict will result in the creation of new jobs.

>> Spotlight on BMW

The BMW Group is the only high-volume vehicle producer, worldwide, which exclusively pursues a premium strategy with its brands – BMW, Mini and Rolls-Royce. In addition to the manufacturing of cars, the BMW Group also produces motorbikes under its BMW brand. Originally, BMW started off as a producer of aircraft engines in 1917. In its joint venture with Rolls Royce, BMW still has a stake in the production of aircraft engines. Today, the BMW Group runs car factories in Munich, Regensburg, Dingolfing, Landshut (Germany), in Spartanburg (USA, South Carolina), in Rosslyn (South Africa) and produces motorbikes at its factory in Berlin. The Mini is produced at its factory in Oxford (UK), and the Rolls Royce in Crewe (UK).

In 2004, the group reached new records when sales of BMW cars rose by 10.3% to 1.02 million units, and the company introduced four new models onto the market. In 2003, the BMW Group extended its product portfolio with Rolls Royce into the super-luxury segment. Sales of the BMW Group's small car, the Mini, reached 184,357 units. In 2004, the BMW Group's total sales were up 9.4 % and reached 1.2 million units. Motorbike sales, however, fell somewhat to 92,000 units.

Overall, the BMW Group's turnover reached €44.34 billion in 2004 (€41.53 billion in 2003). Post-tax profits rose to €2.22 billion in 2004 (€1.94 billion in 2003). On 1 March 2005, BMW started producing its new 3-series cars at its factory in Leipzig (Germany). This latest investment is part of the BMW Group's plan to raise output to 1.4 million units by 2008.

BMW's new plant in Leipzig

In 2001, after an international tendering process, in which 250 competitor-regions throughout Europe took part, the BMW management opted for the city of Leipzig as the location for its new factory. BMW invested €1.3 billion in the new factory, €360 million of which was paid as subsidies.

The availability of qualified personnel in the area around Leipzig – an old industrial centre – was one of the major reasons why Leipzig was chosen as a location. Good

access to motorways and Leipzig's proximity to BMW's Bavarian factories, as well as the booming middle and eastern European markets, also played an important role. Favourable conditions in Saxony have in the past helped to attract other German car producers also: Porsche (Leipzig) and Volkswagen (Zwickau, Chemnitz, Dresden). Not least because of its strong automotive industry, Saxony is considered the industrial powerhouse of eastern Germany.

Another significant reason for this choice of location was the high degree of flexibility required for efficient operation of the plant. According to Horst Panke, Chairman of the Board of Management of BMW AG: 'Together with the representatives of our associates, we have developed the BMW "formula for work". Using innovative working time concepts, we are able to achieve maximum flexibility and, accordingly, full capacity at the plant, thus at least in part setting off the higher cost of production in Germany'. By applying BMW's 'formula for work' and the collective wage agreement in the region, production times at the plant can be varied from 60 to 140 hours a week. 'This concept shows that intelligent planning and goodwill on the part of all parties involved still allows successful business operations in Germany, even today', Panke added.

BMW workers in Leipzig are paid according to trade union IG Metall's model contract for Saxony. This guarantees the same monthly salaries as in west Germany, with three extra hours per week and without bonuses. In terms of labour costs, this has meant that the Saxony factory is 25% cheaper to run than BMW's Bavarian factories. Moreover, IG Metall and BMW have agreed on flexible work schedules that allow conveyor belts to run between 60 and 140 hours per week, thus helping to lower costs further. According to BMW, under this arrangement, a paint-spray line is 30% cheaper to run than usual.

While the plant currently employs 2,500 workers, this is set to reach 5,500 within a couple of years. In choosing its workers for the plant, BMW has aimed at achieving a balanced age structure. A significant proportion of the jobs have gone to people over 40 years of age. BMW has learned from past experience at the plant in Regensburg, where 20 years ago, the company exclusively hired workers around the age of 20 years. Because these workers would grow older together and retire around the same time, this posed a problem for continuity of the Regensburg factory. To date, some 1,500 of BMW's Leipzig workers have received training at its Bavarian plants, in order to ensure a smooth start at its new factory.

BMW and its latest investment in Saxony are symptomatic of the German car industry and of the direction it is heading in. While the sector is growing, there is a strong pressure to produce less expensively and more flexibly.

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>> *Spotlight on Tesco*

Tesco was founded in 1924 by Sir Jack Cohen, who used his army service gratuity from the First World War to start selling groceries in London's east end markets in 1919. The brand name of Tesco first appeared on packets of tea in the 1920s, and was based on the initials of T.E. Stockwell, a partner in the firm of tea suppliers, and the first two letters of Cohen. The first store opened in 1929 in Burnt Oak, Edgware. Self-service stores came to Britain after the Second World War, and Jack Cohen opened the first Tesco self-service store in St Albans in 1948. In 1956, the first Tesco self-service supermarket was opened in a converted cinema in Maldon. By the early 1960s, Tesco had become a familiar name. In addition to groceries, the stores sold fresh food, clothing and household goods. Soon, Tesco stores were located in the high streets of many towns. Apart from opening its own stores, Tesco also bought existing chains of stores. In 1960, for example, it took over a chain of 212 stores in north England and added another 144 stores in 1964 and 1965. In 1968, the Victor Value chain became part of the company. Tesco introduced the concept of a 'superstore' in 1967, when it opened a 90,000 square feet store in Westbury, Wiltshire. At that time, the superstore was a new concept in retailing – a very large unit on the outskirts of a town, designed to provide ease of access to customers coming by car or public transport.

Tesco's growth over the last two to three decades has involved a transformation of its strategy and image. Its initial success was based on the 'pile it high, sell it cheap' approach of the founder, Jack Cohen. The disadvantage of this approach, however, was that the stores had a poor image among middle class customers. In the late 1970s, Tesco's brand image was so negative that consultants advised the company to change the name of its stores. Although it did not change its name, by early 2005, Tesco was the largest retailer in the UK, with a 29% share of the grocery market. Key reasons for this success include, among others, diversification through international operations. In 1994, Tesco began to expand internationally and, by February 2005, its international operations accounted for just over 20% of sales, or approximately \$13 billion. In general, it has focused mainly on developing markets that have weak retailers, for example, in central Europe and in the Far East. The medium-term aim is to have half of its group sales outside the UK. In February 2005, Tesco operated 1,779 stores in the UK (2.23 million m²) and 586 outside the UK (2.54 million m²). Tesco plans to expand its UK floor space by 8% and its non-UK floor space by 20% in 2005/06.

Tesco and job creations in Poland

In 2003, Newsweek Polska rated Tesco employer of the year in the retail trade category. Specifically, the magazine evaluated the company for remuneration contentment, advancement possibility, employment stability, work atmosphere and potential for skills utilisation at work. A key factor in Tesco's success as an employer centres around the concept of using local management to run the business. In Poland, for example, the company hires Poles almost exclusively. In February 2005, Tesco signed a long-term cooperation agreement with the independent and self-governing trade union, Solidarność, which was a continuation of the first three year agreement signed in 2002. This agreement regulates the issue of conflict resolution and organisation of the union in new hypermarkets. In 2005, Tesco Polska was awarded the Hermes statuette, for being 'the best retail network in Poland'. The award was granted by Poradnik Handlowca magazine.

Apart from having a reputation as a good employer, Tesco prides itself on being one of the most dynamic employers in Poland. In autumn 2004, 3,000 out of 3,870 new jobs in Poland, monitored by ERM, were to be created by Tesco. With a population of 40 million, Poland represents the largest food and drink market in central Europe, and is therefore an important target for Tesco. The decision to enter the Polish market in 1995 also complied with the company's overall strategy of diversification through international operations. Tesco's presence in Poland began with its purchasing of shares in the SAVIA supermarket chain. Three years later, it opened its first Tesco hypermarket in Wrocław (Dolnośląskie). In 2002, Tesco bought a chain of 13 HIT hypermarkets in Poland. This deal also included the purchasing of two stores that were being constructed, as well as development sites. In 2004, Tesco launched nine outlets in Poland, increasing the number of its stores to 47 and aggregate sales to PLN 4.6 billion (€1.1 billion), 10% higher than the previous year. By the end of 2004, the retailer employed 19,200 employees. In 2005, [Tesco](#) plans to open 20 new outlets, including 10 to 14 hypermarkets and six supermarkets of around 1,000 m².

Tesco opened its first mini hypermarket in 2004, an outlet of a much smaller size than its traditional UK hypermarkets. Currently, there are three Tesco mini hypermarkets in Poland: in Łukowo (Mazowieckie), Opole (Opolskie) and Krapkowice (Opolskie). Last year's investment plans cost the company around PLN 500 million. Apart from building retail outlets, Tesco has also invested in distribution centres in Poland. The first centre was opened in January 2004 near Warsaw. The second centre, a fresh food distribution centre, was opened in spring 2005. Tesco also plans to open two new distribution centres, one at the end of 2005 and one at the beginning of 2006. The retailer is also building its own network of petrol stations. It already has four stations, all of which were opened in 2004. In 2005, it hopes to increase this number to eight or even 13 stations.

In Poland, Tesco is already benefiting from growing demand, as well as the large pool of young, dynamic workers. With 35% of its population under the age of 35, the country has one of the largest working populations. Labour costs are also relatively low, even though the workforce is highly skilled and educated. Recently, the company launched its 'buy Polish' product campaigns, which have been very well received by both customers and local producers. According to Cushman & Wakefield Healey & Baker (C&W/H&B), Poland has more shopping centre space coming onto the market than any other country in Europe, at 1.6 million square metres in 2005/2006. As Piotr Kaszynski, Head of Retail Department, at C&W/H&B Poland, declared: 'Poland is experiencing a shopping centre boom across the country. The new developments are not only being built in the main cities, such as Warsaw, Krakow, Poznań, Łódź and Wrocław, but also in medium-sized towns'.

Tesco's growing presence in Poland has forced other retailers to take a closer look at their central Europe operations. Evidently, the Poles like hypermarkets, particularly in terms of their competitive prices and more extensive product range. Foreign chains such as Tesco have also become popular by offering additional services, such as self-service, promotions, parking and even free transportation to and from the stores. Clearly, Tesco's position in the Polish market should be observed closely, not only by other retailers, but also by suppliers, who may be forced to adjust their prices to compete with their other central European counterparts.

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> Note on methodology

The European Restructuring Monitor is a tool that records industrial restructuring cases, as reported in the press. All announcements involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more, are taken into account. The cases are identified through a review of daily papers and the financial press in the EU25 and Bulgaria and Romania.

ERM enables the compilation of statistics, based on the information available in the database on each restructuring case. A comparison between countries and sectors is possible, by identifying those with the highest number of restructuring cases and examining the associated employment effects. In order to provide a more meaningful comparison of trends, statistical data are weighted, to take into account the size of the active labour force in the countries covered, and the number of people employed in the sectors covered by the ERM. Only those fact sheets in the ERM database, which refer to a specific country, are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring activities are not considered, in order to avoid double counting.

The statistics provided in the present edition of the ERM quarterly may differ slightly from the statistics available on the ERM website. This is due to the fact that data on the website are updated whenever new information becomes available, in particular, regarding numbers of planned job reductions. Once the ERM quarterly has been uploaded, the information is not updated and hence does not reflect those adjustments.

The reference data for employment in EU Member States and industrial sectors is taken from Eurostat². Since Eurostat does not provide data for all 26 sectors covered by the ERM, sectors had to be regrouped to match the sectors listed by Eurostat. The reference for sectoral data is employment figures for the sector, across all 18 EU Member States covered by the ERM.

Eurostat sectors	EMCC sectors
Agriculture	Agriculture and fishing
Mining and quarrying	Extractive industries
Manufacturing	Glass and cement; Electrical; Chemical; Food; Beverage and tobacco; Textiles and leather; Motor; Pulp and paper; Metal and machinery
Electricity/gas/water supply	Energy
Construction	Construction and woodworking

² European Commission, *European social statistics – Labour force survey results 2002*, Luxembourg, Office for official Publications of the European Communities, 2003.

Wholesale and retail/repairs	Commerce
Hotels and restaurants	Hotel, restaurant and catering
Transport and communications	Post and telecommunications; Transport and storage
Financial intermediation	Financial services
Real estate/business activities.	Information technology; Consultancy business services
Public administration	Public sector; Education
Other services	Publishing and media; Maintenance and cleaning; Health and social work; Hair and beauty care; Performing arts

If you would like more information on the European Restructuring Monitor, you can visit the website at www.erm.emcc.eurofound.eu.int or send a request to the e-mail address erm@eurofound.eu.int.

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