

# Germany's Praktiker chain store declares bankruptcy

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16 July 2013

Last week, home improvement chain Praktiker filed for insolvency. The firm employs some 20,000 workers in Germany and abroad. The insolvency, however, is completely one-sided. The investors are seeking a safe haven for their money, while the workforce will pick up the bill.

The liquidation affects 160 Praktiker branches and 22 Extra Bau+Hobby, but not the 132 branches of the subsidiary Max Bahr or the company's international business. Praktiker operates branches in Poland, Ukraine, Hungary and Turkey, among other countries.

Praktiker, which has been in a crisis for a long time due to its loss-making discount offers and image as a cheap brand, acquired the better-off competitor Max Bahr in 2007. Since then, many profitable Praktiker branches were rebranded as Max Bahr outlets. This enabled the company to dump its less profitable branches through insolvency proceedings.

“The strategy of allowing Praktiker to slide into bankruptcy, but not Max Bahr, is the attempt by investors to save their money”, *Die Welt* reported. “The best Praktiker branches have already been brought under the umbrella of Max Bahr, to make them safe for investors”.

A “top man in the home improvement scene” is quoted as saying: “They're not concerned with saving the whole Praktiker business. I believe all they wanted was to bring over more branches [to Max Bahr]. But that's no longer possible due to falling sales because of the bad weather”.

The *Frankfurter Allgemeine Zeitung* sees the end of Praktiker in a similar fashion: “It looks like some of the large shareholders will use the fact they are creditors to get the only thing that is safe in the business”—the profitable subsidiary Max Bahr. The dupes are the many thousand workers”, the paper writes.

Some 4,500 jobs in the branches affected by liquidation will be lost. Although the branches can remain open during the insolvency proceedings, experts give them little chance.

The expert quoted by *Die Welt* assumes that up to 80 branches will be closed and their staff dismissed. Competing home improvement chains have signalled that they have no interest in taking over Praktiker and at most might take over a handful of the most profitable stores.

“We will certainly not take over the chain”, said Tengemann CEO Karl-Erivan Haub, whose company owns market leader Obi. At most, Obi is “interested in a few of the good locations”. Haub spoke about a necessary market correction that was underway not just in Germany. “There is hardly a country where home improvement firms are not being put up for sale”, he said.

Isabella de Krassny, the Austrian fund manager and big shareholder in Praktiker, regards a rescue of the company as possible, but only under conditions where about 80 loss-making branches are closed and new finances of at least €40 million [\$US 52 million] are found.

As early as 2005 business consultants Ernst & Young referred to the surplus capacity in the German home improvement sector and called for a 30 percent reduction in retail floor space. By 2015, only three out of the 15 home improvement firms would exist, they forecast. So the bankruptcy of Praktiker is only the beginning of a further “correction” of the home improvement sector on the backs of the workforce.

The Verdi trade union is playing a significant role in the attacks on the jobs and wages of workers in this sector.

At the end of October 2012, Verdi negotiated a

“restructuring contract” with Praktiker, which forced the workforce to forgo 5 percent of their income for three years, enabling the company to make savings of €52 million [\$US 68 million] in personnel costs. In return, the workforce would receive “far-reaching security of employment”, the Verdi representative Rüdiger Wolff promised. (See: “German union Verdi agrees wage cuts”)

Now, eight months later, the workforce faces the sack, albeit with a reduced entitlement to unemployment benefits, while the wage cuts have enabled the investors to secure their money. However, that has not prevented Verdi from shedding a few crocodile tears—and from making its own proposals for a further restructuring of the company at the expense of the workers.

It was a bitter pill “that now as a consequence of the insolvency, many people could lose their jobs and with it their professional existence”, said Stefanie Nutzenberger, the Verdi union executive board member responsible for retail.

In the same breath, Nutzenberger calls for a “voluntary liquidation”, rather than a “regular insolvency”. She justified her proposal by saying it was the best way to retain profitable branches. This coincides with the proposal made by the major shareholder Krassny, who also wants to retain the profitable branches and shut down the rest.

Verdi union functionaries categorically reject defending all jobs, let alone a general mobilisation of the workforce. They regard their task as assisting the employers in the restructuring of the home improvement sector as smoothly as possible, supporting them in implementing sackings and wage cuts.

Thanks to the role of Verdi, the retail sector has become a role model for low wages, insecure working conditions and mass sackings. At drug store chain Schlecker some 30,000 sales staff lost their jobs at the beginning of last year, without Verdi lifting a finger. In the summer of 2012, online retailers Neckermann went into liquidation after Verdi agreed to several rounds of job cuts. And at retail chain Karstadt, a new wave of sackings looms, after the investor praised by the union as the company’s “saviour”, Nicolas Berggruen, failed to invest a single cent, but was still rewarded handsomely.

The defence of jobs and social gains is only possible

today in a struggle against the trade unions, which have become the most important tool of the employers. This applies in the retail sector just as it does in the auto industry and all other sectors. To defend workers’ rights and social achievements requires a socialist perspective that places the fundamental right to a job and a liveable income above the profit demands of the capitalists.

We invite all those affected to make contact with the Socialist Equality Party, which is participating in the upcoming general election in Germany on the basis of a socialist programme.



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