UK retail giant Tesco announces thousands of job losses

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Thousands of jobs are threatened at major supermarket chain Tesco, the largest retailer in Britain. This follows the decision of new CEO David Lewis to embark on a £500 million cost-cutting drive and store-closure plan, in an effort to confront the decline in profits and marketshare since 2011.

Tesco is Britain's biggest private-sector employer, with over 310,000 staff across its 3,300 stores. Forty-three stores are projected to be closed as well as its Welwyn Garden City head office in Cheshunt, Herfordshire, resulting in the loss of some 10,000 jobs. A recent 49-store expansion programme has also been abandoned.

A large percentage of job losses are expected to be management positions. Lewis, who is being drafted in from the Unilever conglomerate where he earned the name "Drastic Dave" by cutting jobs and doing away with products, is said to be looking to remove an entire layer of management from Tesco stores.

Clive Black, an analyst at Shore Capital, told the *Financial Times*, "Labour is the biggest operating cost and if Tesco is serious about being a simplified business then you would expect further job reductions."

Since the 2008 financial crash, all of the UK's big four supermarket chains (Tesco, Asda, Sainsbury's and Morrisons) have faced increased competition from the low-cost supermarket chains Aldi and Lidl. Competition from premier grocers Waitrose and Marks & Spencer has increased. The John Lewis-owned Waitrose expanded its marketshare by 6.6 percent.

The German-owned Aldi and Lidl increased their marketshare by 50 percent in that time period, gaining almost 10 percent of the total market, an all-time UK high. Aldi's and Lidl's sales were up by 22.3 percent and 18.3 percent respectively in the last quarter of 2014. Research group Kantar Worldpanel revealed that more than half of British households visited one of the two retailers over the Christmas trading period.

The four major UK supermarket chains are responding with a price war combined with an assault on the jobs of their labour force.

Asda, the UK's second-largest supermarket retailer, is reducing its labour force by 1,360 and Sainsbury, the third largest, is cutting 500 jobs at its offices as part of its new chief executive Mike Coupe's "fightback plan". Morrisons, the fourth largest retailer, pushed through a programme of management elimination last year with the loss of 2,600 jobs.

But the woes of Tesco—the third-largest retailer in the world measured by profits, after Wal-Mart and Carrefour—in recent years are in proportion to its global status.

Tesco lost £17.6 billion in its market value in the five years up to 2014. In 2013, its marketshare fell below 30 percent consistently for the first time in eight years. In October last year, it was revealed that Tesco had lost 50 percent of its market value in a year. For the first six months of 2014 pre-tax profits fell by a staggering 92 percent to £112 million while UK trading profit was down 55.9 percent to £499 million.

Eight senior executive positions have also recently been suspended relating to a fraud scandal that has engulfed the supermarket chain over the last four months. (Outgoing CEO Philip Clark was entitled to a final salary, share schemes and bonuses worth £9.6 million.) An investigation is ongoing by the Serious Fraud Squad into accounting anomalies showing over £250 million of overstated profits in 2014.

The government's Groceries Code Adjudicator is carrying out an investigation into the possibility that Tesco broke laws in its dealings with its suppliers.

In January 2013, the British media reported that

horsemeat had been found in some meat products sold by Tesco, along with other retailers, particularly beef burgers. Tesco was forced to withdraw 26 of its products in response, while more than 10 million burgers and other beef products were withdrawn across the affected chains.

As part of Tesco's aggressive drive for market domination it made deals with willing local authorities to build stores incorporating housing and commercial development programmes. Protests against these deals mushroomed in the mid-1990s, often citing dubious relations between the private retailer and development strategy of local authorities. These practices were expanded to its overseas operations. The 49 abandoned projects, some in the process of development, have not been costed in the amount of job losses and effects on local authorities.

Tesco expected its expansion of stores in overseas markets would overcome the limitations of its market collapse in Britain but they have proven a disaster. Tesco expanded into Europe in 1996 going on to open stores in China in 2004, the US in 2006, and with operations in 13 different countries.

In April 2013, Tesco announced that it was pulling out of the US market (Fresh & Easy Stores), at a reported cost of £1.2 billion, failing to offload its stores. Tesco's entry into China was a loss-making failure. In 2014 it struck up a joint enterprise of an 80 percent state-owned and 20 percent Tesco-owned company under the name of Chinese Resources Enterprise.

Tesco also failed in Japan and its enterprises in Europe are seeing dramatic declines in profit margins. Kantar Worldpanel's report noted that, over Christmas, for the first time it recorded a decline in UK grocery sales by overall value since it began collecting data in 1994.

Tesco and its major global competitors have all been affected by the decline in living standards worldwide through the impact of austerity since the 2008 financial collapse.

Of Tesco's 217,000 full-time employees, those that work on the shop floor are paid on average around the minimum wage of £6.50. The remaining 100,000 part-time workers are estimated to save Tesco around 14 percent per employer, or around a £100 million over the year.

These savings are made at the expense of government national insurance receipts which would normally go to state pensions and welfare payments. Tesco avoids paying these contributions by employing workers on a minimum four-hour contract. Although a worker can ask for an increase in hours these are held below the level of earnings of £150 a week after which amount the employer is liable to pay national insurance contributions. It estimated that varied government wage top-up schemes cost the UK taxpayers £90 billion a year.

The result of Tesco not paying employment contributions threatens to leave employees with a limited state pension or no pension at all, guaranteeing a retirement of severe poverty.

Employees at Tesco that maintain a pension will be switched from its defined benefit scheme to a career average plan. Tesco's defined pension scheme was one of the largest in the UK's private sector, encompassing all its employees. Today these schemes are regarded as a thing of the past.

In 2004, defined benefit plans were contributed to by 20 percent of FTSE 100 employers (100 largest employers in UK); today there are none.

The global economic crisis has resulting in a relentless assault by Tesco, Wal-Mart and the other major retail corporations on their workforces, as they seek to retain marketshare and profits in a cutthroat market.

Last year Wal-Mart, the world's largest retailer and the largest employer in the US, announced in a blog post that it would eliminate health care benefits for 30,000 part-time workers and increase health care costs for all employees.

On November 23, protests were held at Wal-Mart stores around the country opposing management abuse, irregular working hours and the poverty wages the giant retailer pays its 1.4 million workers.