Social Democrats, union leaders agree to wage cuts, longer work hours for construction workers

German government steps in to rescue Holzmann building company

Ulrich Rippert
27 November 1999

"Literally at the last minute" German Chancellor Gerhard Schroeder saved the shattered building company Philipp Holzmann AG, the press agencies reported November 25. On Monday the creditor banks had announced the failure of negotiations regarding a restructuring deal, and initiated insolvency proceedings against the second largest German building contractor. More than 60,000 jobs were threatened by the bankruptcy.

At a final crisis meeting on Wednesday evening, Social Democratic Party leader Schroeder submitted a plan offering the support of the federal government, including a loan of 150 million German marks and guarantees worth over 100 million more. Under these conditions a new restructuring plan was agreed, which foresees the retention of all major sectors of the enterprise and "the greatest part of jobs".

There was much rejoicing among several thousand employees who had assembled in front of the firm's head office when Schroeder stepped up to the microphone late on Wednesday evening and addressed the crowd, saying, "We have done it!" For several minutes cries of "Gerhard! Gerhard!" resounded in Frankfurt's financial district.

Holzmann boss Heinrich Binder thanked the chancellor and the banks. "Today is a great day for us and we owe this above all to the mediation of our federal chancellor," he declared. With tears in his eyes, Juergen Mahnke, the chairman of the *Betriebsrat* (the joint union-management works council), said, "Today is Christmas for us."

Some hours earlier, when the outcome of the crisis negotiations were still undecided, Albert Koegler, the Hesse regional chairman of IG Bau, the building trade union, said, "Today will decide who has the power in this country—the banks or the politicians!"

What nonsense! Of course, it is to be welcomed that Holzmann employees both abroad and at home, just as those in many ancillary industries, will not be out on the street at Christmas, and that most of them, at least provisionally, will keep their jobs. But the fact that the federal government has provided 250 million marks security for the banks' restructuring plan does not diminish the unbridled power of the banks—quite the opposite.

In the face of the prevailing euphoria, those workers who keep a clear head and soberly evaluate the facts will see that the "Holzmann victory " was bought at a high price. It initiates a downward spiral of wages and social security benefits, for which workers outside, as well as inside, the building industry will pay dearly.

Without consulting the employees, the *Betriebsrat* and the union agreed to a cut in real wages of six percent. Moreover, the work week was extended from 39 to 43 hours without any compensation. That means four hours unpaid additional work each week.

The *Betriebsrat* has also given its blessings to 3,000 dismissals. This begins a new phase of job cuts, which will not be buffered by generous redundancy schemes as in the past. The *Betriebsrat* puts a total figure of 245 million marks on lost wages to be endured by the work force, not including job losses.

The claim of the *Betriebsrat* that lower wages and unpaid hours will be strictly limited to 18 months is a sedative. On Berlin's building sites competition from firms paying cheap wages led a year-and-a-half ago to the contract wage being cut by six percent. Then too the union said this was just a temporary measure, strictly limited to twelve months. Without any great debate, however, one year later this supposedly temporary measure was extended to March 31, 2000, and a further extension will follow next spring. Holzmann employees on Berlin building sites will now suffer a further six percent loss of income, instead of returning to contract wages.

But this is not all. The wage concessions agreed at Holzmann's will serve as a hammer to beat down the entire contract wage system. If economic problems mean that wages can be drastically lowered in one enterprise, why not in others? In view of the over-capacity in the building industry, many companies would have no difficulty proving they were in a

© World Socialist Web Site

"state of economic distress". Several of Holzmann's competitors have already branded the wage cut a form of unfair competition, and are demanding equal treatment.

In the past, Holzmann was not squeamish when it came to cutting wages on its building sites. The management cooperated closely with sub-contractors and made great use of their cheap wage operations. Now it is using its employees' fear of the loss of their jobs to blackmail them. It relies on close collaboration with the *Betriebsrat* and the union, who call the reduction of social security benefits, wages and industrial safety standards “unavoidable” and "necessary for the defence of jobs". Already the number of industrial accidents on building sites has risen drastically, in many cases with fatal consequences.

The newly agreed concessions in wages and hours are the culmination of a protracted crisis of the company, rooted in vast changes in the structure of the construction industry and the general economic environment, combined with the corporatist policies of the unions and the Social Democratic Party. Philipp Holzmann AG was founded 150 years ago and grew wealthy on large construction projects both in Germany and abroad. Since the beginning of the Second World War, it has enjoyed a very close relationship with Deutsche Bank.

In the "golden" 1970s and 80s, its operations constantly expanded into other countries, such as the US. With the development of globalisation, the competition also grew, and in several countries—for example, France and Thailand—Holzmann suffered substantial losses. Nevertheless, in 1996 more than half of the firm's 48,400 employees worked for foreign affiliates.

However increasing international competition not only led to rising costs, but also drastically changed the company's mode of operation. So-called "project management" emerged on an ever-larger scale, and this also increased the risks. In the 60s and 70s, Holzmann built turnkey homes and business premises, but at that time building, planning and design were still procured by the client.

Beginning in the 1980s, building contractors increasingly took over the entire management of projects, from the purchase of the land, building design and financing, right up to administration and maintenance. Since increasing competition meant that financial calculations were very tight, the smallest difficulties could lead to enormous losses.

As a result of sinking real estate prices, Holzmann lost billions in its large-scale Cologne Arena and City Carré Magdeburg projects.

Building companies reacted to the changed situation by trying to attain a dominant position in the market. Three years ago, industry leader Hochtief sought a merger with Holzmann AG, in order to form the largest European building concern. This not only contradicted the rules of the Federal Cartel Office at the time, but as well the management of Holzmann and Deutsche Bank had other plans. When the losses rose ever higher, however, a reorientation began.

Der Spiegel magazine recently drew attention to the fact that Deutsche Bank apparently knew “for a long time about the looming failure of the building company" and had prepared systematically for it. One year ago the bank still held 25 percent of Holzmann's shares and bankruptcy would have badly hit their entire loan business.

Heinrich Binder, appointed as Holzmann chairman two-and-a-half years ago by Deutsche Bank, painted a rosy picture right up to the last moment and said the reorganisation was "finally successful." Meanwhile, Deutsche Bank sold 10 percent of its Holzmann shares to the Belgian company Gevaert Holding NV.

At the same time Deutsche Bank was developing relations with the former competitor and market leader Hochtief, which had also sold its Holzmann shares to Gevaert Holding NV. Now Hochtief could take over the most lucrative contracts from Holzmann AG and develop its dominant market position, without having to take over Holzmann's burdens, particularly the responsibility for Holzmann's employees and associated redundancy costs.

In the aftermath of Wednesday's deal, the contradictions in the demagogic speeches of the trade union officials become ever more obvious. While they claim the "Holzmann rescue" as a "victory over the banks", the banks do not give the least impression that they have been defeated. They welcome the government's quarter of a billion mark financial injection and endorsement. Moreover, they point out that they have demanded an adjustment of wages in line with the earnings of the operations for some time.

Before the rejoicing over the jobs rescue dies away, many workers will realise that things are not the same as they were before, and that the restructuring of the operation is being carried out primarily at their expense.

For Schroeder, the possibility of acting as the "Holzmann saviour" came at a very opportune moment. After devastating defeats at the polls last summer and expected disputes at the upcoming Social Democratic Party Congress, he will now seek to present himself as the workers' champion. But—like all deceptions—this public relations campaign will soon falter as the bitter truth emerges.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site