German union chief faces criminal probe after takeover of telecom giant

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In the spring of 2000, following a long takeover battle, the German telecommunications giant Mannesmann was swallowed up by the British mobile telephone company Vodafone. As part of the deal, millions of deutsche marks in severance payments were dished out to top German executives. The former head of Mannesmann, Klaus Esser, received compensatory payments of DM60 million (US$27 million) for his early retirement.

There was widespread anger over the payments, when at the same time Germany's giant engineering trade union IG Metall was involved in contract negotiations with the company and pushed through a wages deal below the rate of inflation. In a press statement at the time, Klaus Zwickel, the head of IG-Metall, said such a severance payment was "indecently high and incomprehensible to any worker". It was not possible "to publicly defend the payment," he declared.

It is now known that Zwickel attended the meetings where the decisions to distribute cash so liberally were made. In line with the corporatist tradition of German labour relations, trade union representatives have seats in all the leading decision-making bodies of big corporations. Not only did the chairman of IG Metall sit on the board of directors of Mannesmann, he was also one of four members of a special committee established to govern the corporate board's internal affairs. It was this body that decided a total of DM160 million (US$72.5 million) should be paid out to various company directors.

Alongside Zwickel on the committee was another leader of IG-Metall, Jürgen Ladberg, long-time chairman of the joint trade union committee, as well as professor Joachim Funk, the executive council chairman, and Josef Ackermann, a member of the executive of Deutsche Bank.

Since the events of spring 2000 the state attorney's office in Düsseldorf has commenced investigations into 10 individuals, including Zwickel, Ladberg, Funk and Ackermann. The investigation has raised a number of controversial questions, including the possibility of illegal activity. This includes whether Esser dropped his bitter opposition to the hostile takeover by Vodafone in exchange for the payments, whether he and the Mannesmann executive exploited the takeover plan "in a criminal manner" for their personal gain, and whether there was a legal basis for the compensation payments.

Zwickel denies that he had anything to do with any possible deals between Vodafone and Esser. He emphasised that Esser's redundancy payment was raised well after the takeover was decided upon. In his defence, he says, he *abstained* on the vital vote on severance payments.

This immediately raises the question of why Zwickel did not vote to prevent the payments to Esser and other managers. The latter received an additional total of DM31 million (US$14 million); executive chief Funk received DM6 million (US$2.7 million). The *Frankfurter Rundschau* put this same question to a "leading trade unionist", which the newspaper did not identify. Their source answered: "In the close mesh of give and take in an executive, it is advisable to avoid playing the role of the terrier when it is unnecessary." It is often the case that decisions with broad consequences for the workforce depend on a good atmosphere. "One does not want to disturb that when it is unnecessary" (21 August 2001).

This statement expresses the real relations between the trade unions and management: you scratch my back and I'll scratch yours. In such an atmosphere one doesn't want to rock the boat, particularly since trade union bureaucrats have seats on the boards of many other German companies.

This also sheds light on the additional payment of DM60 million (US$27 million) to 18 former executive members, which Zwickel has not denied he voted for. According to *Der Spiegel* magazine, at the meeting in question on March 27, executive chair Funk was absent and Zwickel and another trade union representative, Ladberg, held the majority of votes. It has now been revealed that 3 of the 18 executive members who received these payments were IG Metall bureaucrats. This is undoubtedly what the union officials mean by “give and take”.

Former executive members of Mannesmann were entitled to a life-long pension and a premium based on company profits, even if they had only worked for the company for a short period of time. Following the takeover, Vodafone agreed to continue paying the pensions and sought to resolve the issue of the premium with the one-time payment of DM60 million (US$27 million). The legality of this measure is also questionable and part of the ongoing investigation.

Ordinary trade union members, who were told by Zwickel to exercise restraint with their wage demands, could only dream of receiving such payments. This, however, did not stop former works director and IG-Metall leader Reinhold Schreiner, who sat on the Mannesmann executive between 1992 and 1997, from complaining about the inadequacy of his payoff. According to Schreiner his lump sum payment was excessively taxed and it would have been better if he had been paid in partial instalments, because “I would have enjoyed the planned lower level of taxation”.

The IG Metall trade union has an unfortunate history with its chairmen. In 1993, Zwickel’s predecessor Franz Steinkühler was forced to quit because he was suspected of using knowledge gleaned from company executive meetings for insider trading. Now his successor Zwickel has been caught with his fingers in the till. This only goes to show that the Zwickel affair is not an isolated case but rather more and more the rule in modern labour-management relations.