German Telekom plans to axe 55,000 jobs in three years

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There have been numerous reports in the past two weeks concerning the proposed downsizing of German Telekom, with the size of the announced job cuts growing at a staggering rate.

At the end of August, Telekom's chairman Helmut Sihler was still speaking of 22,000 jobs that would have to be eliminated within three years. By October 2, the number had risen to 29,000, of which 7,000 were to go this year and 17,000 next.

By October 8, the number had grown to 46,000 and a day later it reached 55,000, its highest point for the time being. This means that more than one in five of the company's 256,216 employees worldwide will be affected. Up to 40,000 jobs are to be axed in Germany alone. Around 11,000 positions are to be cut at Telekom's foreign holdings in Hungary, Slovakia and Croatia.

Most sharply affected is Telekom's T-Com network, where one in three workers are to be dismissed. An additional 3,500 places are to be destroyed at T-Systems, the company's technical service department, and another 1,000 at T-Mobile, the cellular phone division. Job losses in these last two divisions are particularly grievous because it was hoped they would be able to accommodate some of the displaced T-Com workers.

To justify the destruction of so many jobs, Telekom is claiming that it is necessary to reduce the company's 64.2 billion-euro mountain of debt by at least 50 billion euros by the end of 2003. However, as always in such cases, debts are being invoked principally to conceal the real state of affairs. The question remains as to who is responsible for such an enormous debt and who will finally have to pay for it.

The stock market boom of the last decade, particularly in the technology sector, led to massive investment at the end of the 1990s. Banks were prepared to tolerate the virtually limitless indebtedness by telecommunications corporations. In relation to technology and licences alone, telecom firms, including German Telekom, have spent some 200 billion euros in Europe, without any certainty of ever being able to recoup such a gigantic sum.

By taking over the cellular phone service provider Voicestream, Telekom also attempted to break into the US market. This cost the firm 39 billion euros. Given these expenditures, it is hardly surprising that Telekom´s total debt has risen to 64 billion.

This year's stock market crash, particularly in the technology sector, not only dampened hopes of massive profits; it also caused a panicked scramble to contain the damage. The axing of jobs at German Telekom is only one example of this fallout. But it is one in which the full consequences of the unappeased lust for profits on the part of company's major shareholders—the biggest of whom is the German government with a share of 43 percent—is being forced onto Telekom's employees.

This same process is unfolding throughout the telecommunications industry, both in Germany and internationally.

The French firm, France Télécom (FT), is also saddled with a huge debt of 70 billion euros. Just as Ron Sommer, the previous head of Telekom, had to resign his post in Germany to make way for the "radical moderniser" Sihler, so in France, Michel Bon, the long-standing chairman of FT, was replaced by "moderniser" Thierry Breton, who intends to reduce the debt by 15 billion euros in the coming year. A massive destruction of jobs is also on the agenda in France.

In Germany, Telekom's difficulties increased owing to the widespread collapse of the IT (information technology) industry. For the first time in a decade, employment in the industry has dropped. Bitkom, the telecommunications association, estimates that only 791,000 of the 819,000 employees now working in the IT industry will still have jobs at the end of this year.

Thousands of jobs throughout Germany will be shed in the telephone sector of the Siemens company—2,300 in Munich alone in the coming weeks. The computer giant, IBM, will lay off 1,500 workers in Mainz next year and Hewlett-Packard will be cutting around 1,100 jobs in Germany.

Productivity of labour in the field of communications technology has increased dramatically in recent decades. This growth in productivity has been accomplished by shifting ever-greater amounts of work onto ever-fewer workers. With the development of rationalisation programmes, the workload has become more and more unbearable.

Two aspects of Telekom's plans are noteworthy. The first is the sheer size of the planned job cuts. Although the transformation of German Telekom from a public enterprise into a private company led to the destruction of 100,000 jobs in recent years—a catastrophe comparable to those suffered by other former public companies like German Post and German Railways—the elimination of over 50,000 positions in only three years is an unprecedented move. Traditional schemes aimed at cushioning dismissals through buyouts or by relocating workers to other divisions within a firm are becoming less and less tenable. In line with existing wage agreements and civil service contracts, special protection against dismissal should apply to most of those affected. Consequently, Telekom is moving in a new direction.

This leads to the second aspect. At Telekom, the recommendations of the Hartz Commission on the treatment of "released" workers will come into effect for the first time, even before they have found expression in governmental legislation. This application of the commission's recommendations will serve as a kind of test run for the new German government's labour market policies. Workers who are unwilling to leave the company voluntarily or in line with an early retirement scheme or some other agreement will be lent out or passed on to other employers through a Personal Service Agency (PSA), especially created for this purpose. Anyone who on two occasions rejects such a job—no matter whether the wages or lower or the work unsuitable—can be immediately dismissed from Telekom.