Deutsche Telekom to slash 32,000 jobs

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Deutsche Telekom (DT), with 245,000 employees the biggest telecommunications company in Europe, announced November 2 that it intends to cut 32,000 of its 170,000-strong workforce in Germany. The total of lost jobs could vary slightly because DT has also declared that a certain number of new jobs could be established in other parts of the enterprise. On the other hand, Telekom management did not contradict speculations that up to 45,000 jobs could be slashed over the next three years.

Recently, other large-scale German companies have also announced substantial cuts in their workforce. Opel autos, DaimlerChrysler, Volkswagen and Siemens plan to cut a total of 38,000 jobs. There are reports that the Alliance insurance/banking group plans to shed between 7,000 and 8,000 jobs, while its subsidiary, the Dresdner bank, wants to decrease its payroll by 2,000 jobs. The handicraft sector in Germany expects that in 2005 about 120,000 jobs will be lost and in 2006 a further 80,000. Hardest hit of all is the German building industry, and the list of closures goes on. Infineon and Samsung are shutting down factories in Munich and Berlin—in each case with the loss of around 800 jobs—and the closure of the aluminum works in Stade affects 420 jobs.

The release of so many future “parasites” and “spongers” (words recently used by former labor minister Wolfgang Clement [SPD] to describe the unemployed) extends across all ranges of economic life and affects employees of companies with low levels of profit—for example: Volkswagen and Daimler with yields on turnover of 1.8 and 1.1 percent, respectively, as well as profitable enterprises like the German Telekom.

Just a few days after announcing the planned reductions in personnel, the Telekom executive committee revealed the company’s economic results for the first three quarters of 2005. Turnover increased by 3.6 percent—in 2004 it totaled €57.9 billion—and net profits rose 11.4 percent to €3.4 billion.

The difference in balance sheets for Volkswagen and DaimlerChrysler lies in the fact that their results reflect pressure from international competition, while the aim of Deutsche Telekom is to anticipate and head off any similar crisis by appropriate measures. DT’s plans to cut labor costs were greeted by the German stock exchange, with DT shares jumping 3 percent in value.

Telekom has an agreement with the trade unions that excludes compulsory redundancies up until 2008. For this reason, it is difficult for the company to dismiss workers no longer required by the subsidiary Vivento, a sort of holding concern for workers who had already lost jobs in other parts of the company. Vivento created its own call center and a technical service center. Both are now to be sold off, which means that German Telekom will be finally and inconspicuously rid of their workers.

In media reports, the 7,000 in Vivento who are due to lose their jobs have been subtracted from the total number of job losses (32,000). Germany’s business newspaper *Handelsblatt* explained in its edition of November 3 that industry experts expect that Telekom “will not receive any money for the two units (of Vivento), but, as was the case recently with Siemens and its cell phone division, will have to pay something to a buyer.

The telecommunications giant has an even bigger problem, however, with workers in its fixed network (T-Com) division. The division is highly profitable—some 60 percent of company profits stem from T-Com—but technological change means that the future for the traditional fixed network section is bleak. A quarter of the workforce (20,000 from a total of 80,000 workers) are due to be axed by 2008. Additionally problematic for the company is the fact that 50 percent of those employed in this division are officials with special job rights, and a further 30 percent cannot be made redundant. As a result, the company is allocating the large sum of €3.3 billion as incentives for “voluntary personnel redundancies.”

In an interview with *Die Welt*, company head Kai Uwe Ricke explained the problem confronting the enterprise. Due to domestic competition, T-Com risks losing 100,000 customers per month. The number of fixed network phone calls is already stagnating, and it is anticipated that by 2014 proceeds from cell phone communication will be twice as high as the current levels for fixed-network connections.

However, the classical fixed-network industry confronts an even greater problem in the form of Internet telephone. The glass-fiber net that Telekom wants to erect in Germany for the sum of €3 billion will enable the transmission of data at a rate about 50 times faster than current DSL connections. At the recent opening of the International Radio Exhibition, Kai Uwe Ricke announced, “Our vision is that the customer over just one connection—our broadband access—will have access to the entire variety of the multimedia world, and the most varied of terminals: today that means telephone, television, PC, video telephone or multimedia-boxes.”

Telephone via the Internet is already possible today by DSL, although with some reductions in quality, but nevertheless unbeatable in terms of price. New technological development means the end of the classical fixed network in the medium term.

One does not have to be a prophet to realise that the figure of 20,000 lost jobs by 2008 is only the start of a long-term major reorganisation.

Five thousand five hundred jobs are also to go in the business customer section of T-System, which currently employs 52,000. T-System is under particular pressure from IT outsourcing and the system integration business, as Kai Uwe Ricke conceded in the interview: “Competitors increasingly outsource processes abroad where they can buy services at a substantially lower price. Our goal therefore must be to achieve cost structures comparable to those of our competitors.”

The background to this development is the increasing pressure on world markets as a whole, and in particular on the telecommunications market. As is the case for other factors of production, the costs of communication are also a factor in deciding where to base production.

The increasing competition, which demands ever-greater rationalisation, has, at least since the 1980s, meant that the costs of communication have become more and more central.

The Thatcher government in Great Britain set the ball rolling in Europe with the privatisation of British Telecom at the beginning of the 1980s, leading to the increasing introduction of competition in state enterprises and radical cuts. In France and Germany, similar deregulation followed, but the better economic situation in core Europe at the time meant these countries were more restrained in the measures they carried out.

Growing pressure bound up with globalisation has led to the liberalisation of the telecommunications market in the remaining European countries along guidelines advocated by the European Union. In Germany, it meant that the former post office was divided into Telekom and the (classical) post office, and partly denationalised through floatation on the stock exchange. On a European level this development has led to formerly closed national markets being opened up for competitors and former state companies being increasingly forced to compete on the free market.

The respective regulation authorities supervise the former state monopolies to ensure that the latter do not use their previous strength to isolate competitors and maintain high prices. Now, this pressure takes ever more direct forms and is aimed against the workforce in a manner previously unknown in Europe. In so doing, the real and ugly face of capitalism is rising increasingly to the surface in Europe’s “welfare states.”

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