Germany: Union collaborates in job cuts at steelmaker ThyssenKrupp

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3 April 2009

The ThyssenKrupp supervisory board has agreed to the most radical restructuring of the steelmaker since the merger of Thyssen and Krupp 10 years ago. The so-called workers' delegates—i.e., the functionaries of the IG Metall union and the works council, who are represented on the supervisory board in equal numbers—have agreed to the restructuring.

ThyssenKrupp employs more than 199,000 worldwide in the company's main areas of steel, capital goods and services.

The works council members and union officials are playing a key role in implementing the attacks on the workforce, which will include job and wage cuts and a worsening of working conditions.

The evening before the supervisory board met, the head of the works council, Thomas Schlenz, claimed that the board of directors had signed a declaration of intent excluding any sackings as part of the restructuring process. This claim was deliberately aimed at throwing sand in the eyes of the workforce and masking the role of the works council.

The jointly agreed "key points," established at the behest of the works council, do not constitute a contract but are merely a declaration of intent with no binding force on the board of directors.

According to media reports, the representatives of the employees and employers on the supervisory board agreed that both parties would "assume" there would be "no layoffs as part of the restructuring," A company spokesperson stressed, however, that this did not mean that layoffs could be legally excluded.

Moreover, the statement that the current contract would "continue to apply to all employees" does not exclude the union from agreeing to new contracts that worsen pay and conditions, as they have done at other companies.

Above all, IG Metall was at pains to ensure that the "usual *mitbestimmung* practices" (the equal participation of union representatives in company committees) would continue despite the restructuring, providing well-paid positions for the union on the supervisory board and other bodies.

In detail, the restructuring plans foresee the five groups of the company being combined into two new divisions. The steel group, the most seriously hit by the international economic crisis, is to be combined with the stainless steel and services groups into a new Materials Division. The second of the new divisions is being formed from the old technology, elevators, equipment construction and shipyards groups.

These amalgamations will be at the expense of several hundred jobs in administration, personnel and purchasing. Three board members, including the previous boss of the steel group, Karl-Ulrich Köhler, and Jürgen Fechter, previously responsible for stainless steel, left the company at the end of March.

Reacting to the worst collapse of orders and production cutbacks in steel in recent history, the board of directors hope to save €500 million through this latest restructuring exercise, which comes on top of an existing savings programme of some €1 billion annually. This will lead to the dismantling of thousands of jobs, particularly in steel. But the shipyards are also affected by a substantial decrease and cancellation of orders.

Orders in the steel industry have shrunk worldwide on a scale never before seen in the post-war period. Order books for German steel plants, which in 2007 and in the first half of 2008 were still experiencing a boom (contributing considerably to ThyssenKrupp profits), fell by 48 percent in the last three months of

2008. According to the World Steel Federation, worldwide production of raw steel decreased by 22 percent in February this year.

The world's largest steel producer, Arcelor Mittal, has already cut back production by 40 percent and plans to eradicate some 9,000 jobs internationally. As a result of the collapse in sales, ThyssenKrupp has already implemented short-time working for 30,000 staff and has dismissed nearly 5,000 subcontracted workers. The restructuring now agreed upon and the associated drastic savings programme will lead to the dismantling of thousands of jobs, including among permanent staff.

According to internal company information reported in the *Süddeutsche Zeitung*, at least 3,000 jobs will be cut, but it could be many more should the crisis continue, also leading to plant closures.

Both before and after the supervisory board meeting, ThyssenKrupp company head Ekkehard Schulz would not exclude mass layoffs. He recalled that during the steel crisis of 1991-1995, a decrease of raw steel production by 10 percent at both Thyssen and Krupp, then separate enterprises, cost 35,000 jobs in the steel sector.

The present decrease in steel production is much sharper and more comprehensive. Practically all customers for steel and steel products—the automobile industry, auto parts, mechanical engineering—have been seriously affected by the international economic collapse and the substantial collapse in exports. Steelmaking has fallen in the past three months by around 33 percent compared to the previous year. After the supervisory board meeting, Schulz said this revealed the previously unknown dimension of the current steel crisis.

In addition, there are problems with the construction of a new steel plant in Brazil, whose costs have exploded from the originally planned €1.5 billion to now reach €4.5 billion. This plant is supposed to begin production during the course of this year, supplying steel slabs to Europe and also to the new stainless steel plant under construction in the US in Alabama. The commissioning of the Brazil plant will most likely now be delayed until next year.

The agreement of the works council representatives and union officials on the supervisory board to the assault on jobs means that ThyssenKrupp workers are confronted with a fight on two fronts.