Eon announces the elimination of 11,000 jobs

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Last week, the executive board of the Eon energy group confirmed its intention to eliminate up to 11,000 jobs worldwide and implement a drastic austerity program. This means that over 10 percent of jobs at the company are at risk. Germany's biggest power company has 85,000 employees and in 2010 posted an annual turnover of €93 billion, with profits of €5.8 billion.

According to company data, its total workforce of 85,000 is composed of 35,000 employees in Germany, over 16,000 in the UK, 6,500 in Romania, about 5,000 each in Hungary, Sweden and Russia, and another 12,000 in the Czech Republic, Bulgaria, Italy, Poland, Spain and France.

The company justifies its drastic jobs cuts by pointing to falling profits due to Germany's decision to phase out nuclear power. The proposal by the German government to withdraw from nuclear power plants followed the Fukushima disaster earlier this year and cut Eon's profit expectations by several billion euros. The company estimates that the nuclear phase-out and the newly introduced fuel tax cost it €1.9 billion in the first half of 2011.

The company also cited other problems affecting profits, including unfavorable gas contracts with long lease periods, lower proceeds from the sale of electricity, and the company's high level of debt. In November of last year, Eon had already announced that it was planning to sell company shares worth a total of €15 billion by the end of 2013.

Nevertheless, executives still expect to earn billions in profits over the next few years. In the first six months of this year, pre-tax profits fell 45 percent, but still totaled €4.3 billion.

The company's restructuring plans presented by chief executive Johannes Teyssen are aimed at a greater centralization of the company. At least three important locations in Germany are to be sacrificed: Eon Energy in Munich, a power plant in Hanover, and Eon-Ruhrgas in Essen.

Eon Energy in Munich was previously responsible for the Eastern European business of the Group. After the closure of this site with 400 employees its functions will be taken over by the company headquarters in Dusseldorf. Eon currently has a total of 8,000 employees in Bavaria.

Eon was established in Bavaria in a deal brokered by the state government in 2000, involving the merger of the largely publicly owned Veba and Viag groups. Since the foundation of Eon, the state of Bavaria has steadily reduced its share—currently at just 1.44 percent. But the man entrusted with the privatization program which led to the formation of the company—former Bavarian Finance Minister Dr. Georg Freiherr von Waldenfels (CSU)—continues to sit on the board of Eon.

1,800 work at the headquarters of Eon-Ruhrgas in Essen, which is also threatened with closure. They are responsible for organizing the acquisition, storing and distribution of gas supplies and the oversight of the necessary technical equipment.

Eon-Ruhrgas had taken over a new building complex just ten months ago. At that time Eon-Ruhrgas CEO Klaus Schaefer declared the investment in the new headquarters as a "commitment to the energy location of Essen," referring to the long tradition of the Ruhrgas company which began its activities in the Ruhr area in 1926. Now the exploration and gas trade divisions are threatened with cuts.

The same fate confronts the Eon power station in Hanover. Divisions of former subsidiaries are to be transferred to existing or newly created companies at the corporate headquarters in Dusseldorf. The medium-term goal of the Eon Board is to transfer the Group into a European Company (Societas Europaea, SE).

Job cuts are also envisaged at the Dusseldorf headquarters, as Eon chief Teyssen made clear in workplace meetings in Munich, Dusseldorf and Essen last week. The administration must be "streamlined" and the company made "better, faster and cheaper," he told the Ruhr newspaper *WAZ*. "Our business is more important than our administration, and our future is more important than historic locations."

The aim of the corporate restructuring was to save €1.5 billion annually.

In their enforcement of job cuts, Teyssen and the board can rely entirely on the trade unions—Verdi (United Services Union) and IGBCE (Mining, Chemical and Energy union) and their workplace councils. They have all protested loudly about the planned cuts, but only in order to cover for their own role.

It is highly unlikely that they knew nothing of the cutback plans, as they claim. Back in June, Verdi and the IGBCE agreed to a new contract, involving a 19-month term and a miserly wage increase—unlike other profitable energy firms, which offered their workers more. In early June Verdi and the IGBCE argued that the lousy deal was acceptable, “bearing in mind the company’s diminishing returns”.

In addition, ten representatives of the unions and the works councils sit on the 20-member supervisory board—including Erhard Ott from the Verdi executive, who is Deputy Chairman of the Eon Supervisory Board; Sven Bergelin (Verdi national chairman for the energy industry); Hubertus Schmoldt (until 2009 chairman of the IGBCE); and Eon joint works council chairman Hans Prüfer.

The trade unions’ and works councils’ methods to help implement job cuts are well known. Eon chief Teyssen announces that “compulsory redundancies” are not excluded. This announcement then meets with an angry response from Verdi, IGBCE and the works councils, who raise no objection, however, to the rationalization plans as a whole.

The union tactic also has the support of the Social Democratic Party (SPD). SPD Chairman Sigmar Gabriel and the SPD’s Guntram Schneider—North Rhine-Westphalia’s (NRW) state Employment Minister and former head of the local trade union federation (DGB)—spoke to the press after a meeting with trade union and works council representatives.

Gabriel said it would be an “absolute taboo, if a company as big as Eon were to carry out redundancies”. Schneider lamented the “enormous damage to Eon’s image” due to the actions of the executive.

The protest against “compulsory layoffs” is being used to disguise the other forms in which jobs will be cut—via severance payments, termination benefits, and transfer to alternative “employment” companies. At the end of the process, when the jobs are gone, the unions can turn around and use the fact that few workers lost their jobs through “compulsory layoffs” to declare a “success”. This is all part of a long established ritual worked out between the unions and company management.

The same tactics were employed by the trade union bureaucracy to cheat workers at the automaker Opel out of their jobs. The union announced all sorts of concessions to the Opel management in order to prevent redundancies. The result was lower wages and worsening working conditions for all Opel workers. In the end the Opel factories closed anyway, and large sections of the workforce were made unemployed.

This is why demands by Verdi board member Erhard Ott—to extend the current employment protection guarantee to the end of 2012 for the 30,000 employees at Eon Energy to all Eon’s 85,000 employees—are mere window dressing. In the final analysis, the guarantees made by the company and endorsed by the unions are not worth the paper they are written on.

In reality, the trade unions and works councils at Eon have largely agreed to the restructuring plans. This is evident from the policies they have pursued in the past.

In a comment in the August 10 *taz* newspaper Hans Prüfer complains: “We already had a savings package of €1.5 billion two years ago.” The *S¸ddeutsche Zeitung* then cites an unnamed union representative as saying: “The job cuts will come, that is sure, it’s all about how many will go.”

For its part the IGBCE made clear in a statement that it would back job cuts, if they were carried out in an acceptable manner: “Social and energy policy objectives must also be taken into account. If these conditions are met, the IG BCE is ready to participate constructively.”

The trade unions and works councils are already calling upon employees to wait for the results of the next company board meeting to be held in November. In the meantime the unions want to submit their own proposals for “the development of Eon’s business.” This strategy underlines the role of union officials as co-managers who receive handsome salaries for their services.