

Union helps liquidator impose mass layoffs at German drugstore chain

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The bankrupt Schlecker drugstore chain is closing almost half of its approximately 5,500 branches in Germany. At a press conference in Frankfurt am Main last Wednesday, liquidator Arndt Geiwitz said that about 12,000 of the more than 25,000 employees there would lose their jobs, the great majority of those sacked being women.

The 5,200 employees of Schlecker's likewise insolvent subsidiary company, Ihr Platz, will be told what awaits them in the coming days. Schlecker's foreign subsidiaries have so far avoided bankruptcy.

The grim news took Schlecker workers by surprise. Most of them first heard about it on the radio. Others, including the works council, received a fax announcing job cuts and the planned closures of stores only a few minutes before the press conference.

"If these radical measures are not accepted, Schlecker has no chance of survival", declared Geiwitz, a business administration graduate and economic advisor. He said Schlecker recorded a loss of €200 million (US\$265 million) in 2011, as well as a drastic drop in sales amounting to losses of tens of millions in the final months before the bankruptcy. The management under the leadership of Anton Schlecker, the company's founder and sole owner, was said to have addressed many of the problems far too late. Schlecker himself, who was still being taxed on a personal fortune of about €3 billion two years ago, is reported to be broke.

Under the bankruptcy plan, Geiwitz is therefore charged with reviving the drugstore chain's "competitiveness" by closing stores, sacking staff and looking for new investors.

The Verdi service industry union is vigorously aiding him in this regard. Geiwitz, Verdi, the banks, landlords and suppliers are all agreed "that we have created the conditions for Schlecker to be able to continue", said

Geiwitz on an ARD television program Thursday morning.

In December last year, Verdi reached a restructuring agreement with Schlecker. To accomplish this—and contrary to its usual practice—the company opened its books to the trade union. Experts commissioned by Verdi then examined the general state of the Schlecker business, thus gaining an early view of the looming insolvency that was finally registered on January 23. Most employees also learnt about this only from the media.

In face of the announcement of the 12,000 layoffs, Verdi national executive member Stefanie Nutzenberger's recent statement, that the union would "fight for every single one of these people's livelihoods, and that's something the Schlecker women can rely on", is simply a lie.

From the very beginning, Verdi was involved in negotiations with suppliers and creditors, and possibly also in meetings with banks and investors. Verdi saw no necessity in giving advance warning of the insolvency to the works council and certainly not to the employees; nor was the union prepared to inform them about the job destruction now under way.

Secret negotiations are continuing even now behind the backs of the Schlecker workforce. The liquidation administrator made contact with the Verdi union as recently as last Wednesday. The adoption of a redundancy program for employees is to be completed this month, and Schlecker is to be operationally out of the red by the end of the month, according to Geiwitz's interpretation of the bankruptcy process.

Although the Schlecker workers will have to wait until the end of March to know which stores are to be closed and who will be losing their jobs, Geiwitz said on Wednesday that the choices had already been made.

“It was very difficult for us to pick out the branches that will close”, lamented the liquidator. Neither Geiwitz nor Verdi said who was meant by “us”, nor whether Verdi is in possession of a list of the stores closing.

Nukutzenberger, the Verdi executive board member, described as an “important signal” Geiwitz’s statement that—after the layoffs and store closures—there will be a “permanent foundation for the survival of the company”.

The Verdi functionaries are playing for time in order to implement the store closures and redundancies as smoothly as possible. Speaking on ARD’s “Morning Magazine”, Verdi chairman Frank Bsirske also called for the rapid establishment of a transitional company for the thousands of women threatened with unemployment. Bsirske said the bankruptcy will affect “women in the lowest income brackets”, and demanded “government policy initiatives in order to win time”. This time could be used to search for investors.

According to Spiegel Online, an international investment bank is already taking a look at the company. Talks with wealthy private investors are also said to be in progress. The Süddeutsche Zeitung newspaper wrote of unconfirmed reports claiming the McKinsey consulting firm was involved in a “reorganisation process”. This firm, notorious for its demolition and revamping of failed businesses, enjoys the support of Verdi. Spiegel Online quotes one of its union members as saying: “In Schlecker’s case, we welcome McKinsey’s involvement; it’ll put that muddled store back on course”.

While Geiwitz, investors, and possibly McKinsey are planning the restructuring at the expense of the workers, the establishment of a transition company will be used to implement the destruction of jobs, thereby forcing the women into unemployment.

The chances of Schlecker employees finding employment in other companies are quite slim. The Federal Employment Agency does claim there are 25,000 vacancies in the industry nationwide. However, each of these workplaces is open to as many as 12 unemployed people from a total of 300,000 women and men seeking work in this field.

Bernard Franke, Verdi regional section head for trade in Baden-Württemberg (Schlecker’s headquarters there are located in Ehingen), has announced he wants to

begin collective wage negotiations with Geiwitz from this Tuesday. The initial topics are to be the implementation of branch closures and staff reductions, as well as the establishment of transition companies. Negotiations over severance pay were said to have a “downstream priority”.

Apparently, Verdi will not be negotiating job preservation with Geiwitz. On the contrary, Franke confirmed: “We are also prepared to adopt unconventional courses of action”. For example, Verdi would consider offering the workforce an equity stake in the company, something like a cooperative. In return, the well-paid Verdi official offered to cancel the collective wage agreements of the poorly paid Schlecker workers.



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