German union facilitates mass layoffs at Schlecker drugstore chain

Michael Regens
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On March 24, the German drugstore chain Schlecker closed nearly half of its 5,400 branches in Germany and laid off 11,200 workers. Most of those affected by the closure of the 2,200 stores are women over the age of 50, many of whom have worked for decades at Schlecker and have no other job qualifications.

The redundant workers are being offered the possibility of relocation to a transfer company for six months before they finally apply for unemployment benefits. In the next few months, a further 840 job losses are expected to be shed in the company supply service and 650 at the Schlecker subsidiary IhrPlatz.

For its part, the Schlecker family, which has raked in billions over the years, is not prepared to contribute a cent. In the course of the past few months Schlecker management has cooperated closely with the Verdi trade union to ensure that the entire burden of the company's restructuring be carried by the workforce and the public purse.

The family had already begun closing some less profitable stores in 2008 and 2009. A total of 2,000 branches fell victim to the cutbacks. The dismissed employees were partially redeployed as casual workers for rock-bottom wages at other stores.

When this practice became public and further damaged the already tarnished image of the group the family decided in mid-2010 to pursue its restructuring policy by other means. For the first time since 1975, the company management commenced working closely together with the company works councils and the Verdi public services union. At the same time the owner of the chain, Anton Schlecker, passed over management control to his two children, Lars, 39, and Meike, 37, in order to "modernize" its management structure. During this period, another 1,000 more stores were closed in collaboration with Verdi.

In June 2011 the new management declared that the company had been losing money for the past three years and that it was therefore necessary to close more stores. In addition, the new Schlecker leadership announced that they would introduce a new framework for managers in collaboration with the trade union—a first in the 36-year history of the company. In return Verdi was assured of more rights inside the company.

Verdi praised the company to the heavens, although Schlecker's reputation for treating its workers badly is well known. In the November 2010 edition of the *Manager Magazin*, the Verdi union secretary, Achim Neumann, lavished praise on Schlecker, which he called a role model for other companies. When it came to fulfilling contract agreements, Schlecker was "a pioneer in the industry." This verdict was then publicly underlined by Frank Bsirske, the Verdi national secretary, at the union's national conference in September 2011.

Given the close cooperation between the union and company management it is entirely possible that Verdi was informed and involved at an early stage about its plans to declare bankruptcy. Employees of the company, however, only learned of the bankruptcy via media reports on January 20. There is very good reason to believe that the Schlecker family is not insolvent but rather chose the course of bankruptcy in order to enforce a radical restructuring of the company involving mass layoffs and wage reductions.

The Schleckers are one of Germany's richest families. On January 21, 2009, *Manager Magazin* reported that Schlecker had increased its sales in the previous year: "Total revenue rose by 6.6 percent to €7.42 billion [US$9.88 billion] ... Schlecker finds itself in a good position, even for the current fiscal year."

A company spokesman confirmed that Anton Schlecker had switched ownership of the family's wealth to his wife Christa prior to the announcement of bankruptcy. The

November 2011 edition of *Manager Magazin* reported the total wealth of the Schlecker family at €1.95 billion. Lars and Meike Schlecker are also owners of a logistics company, which has an annual turnover of €37 million and profits of €900,000 for the pair.

While Anton Schlecker, who is solely liable for the company as a "registered trader", has transferred at least a portion of his assets to his family, it has been reported that his children are themselves creditors of their father. This means that a proportion of the funds recouped by the mass layoffs and restructuring will flow directly back into the family. Which creditors will benefit and the extent of their reimbursement will be decided by the insolvency plan.

In order to retain control over the company, the family organised a so-called "planned bankruptcy" rather than a regular bankruptcy. This allows the company to remain in the control of its existing management (i.e., Lars and Meike Schlecker). The administrator of the insolvency (liquidator) has only advisory powers and does not enjoy the full authority of an owner.

It is also very important for the Schlecker family that a planned bankruptcy enables them to draw up their own insolvency plan, which can bypass a number of specific legal provisions. These may include rules for the distribution of assets among the creditors or severance pay for dismissed employees. It is conceivable, for example, that the plan will favour certain creditors, while others will end up empty handed.

On this basis, the Schlecker offspring plan to continue the restructuring of the company. Liquidator Arndt Geiwitz has already signalled his approval for such plans: "I am open and positively inclined to the family solution," he said.

At the end of the bankruptcy it is entirely possible that the main creditors—Lars and Meike Schlecker—will continue to head the concern following the decimation of its workforce by Geiwitz and its opening up to fresh investors. Verdi, which according to a press release supports the "healthy restructuring" of the company, will be closely involved in the operation based on its new powers in the new management structure.

To enable this to take place it is important for management that the initial mass layoffs are provided with legal cover. Geiwitz had repeatedly emphasized that his plan can only work when a transfer company is formed for sacked staff. He told the *Stuttgarter Zeitung* that a transfer company should provide a potential investor the assurance "that he or she does not confront the many thousands of redundancy claims that Verdi has predicted."

As soon as workers accept their transition into a transfer company they automatically give up any right to severance payments or claims against their dismissal. From the standpoint of the company the transfer company is essentially a means to ensure that severance payments are paid out of the public purse. For workers it represents nothing less than a brief detour on the route to long-term unemployment.

Verdi has played the main role in arguing in favour of a transfer company. The union has not lifted a finger to defend jobs. It has refused to raise the necessity for the Schlecker company to open its books. Instead of seeking to relentlessly expose what assets have been hidden away or passed on to the wife and children, the union presents the mass layoffs as some sort of natural phenomenon about which nothing can be done. The current layoffs will bear the signatures of both the works councils and the main Verdi negotiator, Bernard Franke.

When 2,200 stores closed last Saturday it was Verdi functionary Jörg Lauenroth-Mago who appealed to the sacked workers to take up the offer of a transfer company. He told *Spiegel Online* on March 24: "By the end of the month, employees must decide between a transfer company or unemployment."

There are strong indications that the Schlecker bankruptcy is a fix-up, similar to the operation carried out at the Manroland printing press manufacturer a few months ago. In that case the IG Metall trade union was informed at an early stage about the planned bankruptcy but agreed to keep silent, allowing the workers to be confronted with a fait accompli. The result was the loss of thousands of jobs and increased profitability for the company. In the case of both Manroland and Schlecker the liquidator is the same: accountants Schneider Geiwitz & Partners.