Germany: The bitter end of the Schlecker drugstore chain

Ernst Wolff
4 June 2012

On Friday, the creditors' committee dealing with the insolvency of the Schlecker drugstore chain decided to close the company down. 11,200 employees had already lost their jobs by the end of March; now the stage is set for the dismissal of a further 14,000 later this month or in early July. A meeting of creditors will be held in Ulm tomorrow to formally approve the decision already taken.

Schlecker's demise was finally concluded following a dramatic four-month tug of war that caused the workforce enormous psychological stress. The Verdi trade union has played a shameful role in the whole affair.

Verdi never had a plan or even the intention to defend all the jobs. Instead, the union set about making the company palatable for a financial investor by closing numerous branches and reducing the employee's pay. To this end, Verdi supported the insolvency administration and creditors for months, entering into secret agreements with them and withholding information from the workforce.

The bankruptcy process had hardly got underway when Verdi began negotiating behind closed doors with the multibillion-euro financial creditors, Markant Finanz and Euler-Hermes. Although not required by law, Verdi resolved to maintain confidentiality of all discussions, leaving workers in the dark about negotiations that were vitally important for them.

Verdi behaved much more generously towards the other side. In contrast to the Schlecker employees, observer status in the creditors' committee was readily granted to the Rothschild investment banking company.

When almost half of the 6,000 Schlecker stores were closed in March, Verdi and its affiliated works council representatives selected who had to go and who could keep their jobs. Members of the works councils received preferential treatment in this respect due their entitlement to employment protection. This caused much bad blood and subjected many employees to unbearable stress and nervous tension—and for no good reason, as is now evident, since the whole workforce has been dismissed.

Those worrying over their jobs can only take as a mockery the comments of Verdi's Achim Neumann to the *Der Handel* business magazine: "Better to end in catastrophe, than catastrophe without end".

After the first wave of layoffs, Verdi concentrated its efforts on trying to deter the sacked employees from taking legal action against unfair dismissal. The union expected the shop workers—some of whom had worked for Schlecker for decades—to willingly sacrifice their entitlement to a settlement so that financial sharks might remain interested in the drugstore chain.

Verdi originally wanted to establish a transfer company for this purpose. As far as the employees were concerned, such a company would have been nothing more than a stopping station on the way to unemployment. On entering a transfer company, however, they would have automatically surrendered their right to pursue any claims against Schlecker.

The plan ultimately collapsed in the face of opposition from the Free Democratic Party (FDP), whose radical free market ideology categorically rejects any kind of government support.

In recent weeks, Verdi was involved in secret negotiations that Arndt Gleiwitz, the official liquidator, and the creditors' committee conducted with potential investors. In the end, only two investors were participating in the talks: the Cerberus hedge fund and Nicolas Berggruen, the US billionaire and owner of the Karstadt chain of department stores. (See, "Germany: Drugstore chain Schlecker threatened with destruction

”)

Last Wednesday, Verdi made an offer, obligating Schlecker employees to accept for a period of three years a 10.5 percent reduction in wages and no holiday pay. Under pressure from the union, some 75 percent of the membership had already voted in agreement to such a step.

But liquidator Gleiwitz declared on Friday that the bids from Cerberus and Berggruen were “simply unacceptable to the creditors’ committee”. Neither Gleiwitz nor Verdi were willing to say anything about the specific content of the offers or the terms proposed by the creditors’ committee.

Now Verdi is trying to raise final hopes in the federal government and Chancellor Angela Merkel (Christian Democratic Union). As soon as Schlecker’s closure had been announced, about 150 Verdi functionaries and Schlecker works council members—who had served in parallel with the creditors’ committee in Berlin—assembled in front of the chancellery to demand in chorus: “Merkel, stop gawking, and do something for the Schlecker women”.

Merkel referred them to the employment office and the supposedly favourable situation on the labour market. She said, “We will certainly do everything possible via the federal employment agency and especially, of course, the regional labour exchanges to ensure that the former employees have the chance to find work again quickly”. She claimed there were plenty of opportunities at the moment.

The response of Federal Economics Minister Philipp Rösler (FDP) was less diplomatic. “A general rule of the social market economy holds that it is not the role of the state to save businesses”, he declared, adding: “This would distort competition and cost many jobs elsewhere”.

While Verdi was doing everything to keep the workforce in check and prevent the development of any struggle against the destruction of 25,000 jobs, the union never really raised the issue of the Schlecker family’s fortune, which still amounted to €3.8 billion in 2008.

Company patriarch Anton Schlecker claims he “used up” the assets to cover the company’s losses. It is well known that he transferred at least some of it to his children. Verdi never seriously tried to uncover the whereabouts of the €3.2 billion that remained after the firm’s three annual losses amounting to €600 million.

In March, *Manager Magazin* reported that the Schlecker family drew a monthly income of €70,000 from interest on their known assets. That further unknown assets probably exist is evidenced from reports in the *Gewinn* business magazine and the online *property magazine* last Wednesday. According to these, Anton Schlecker’s children, Lars and Meike, paid the bargain price of €2.5 million for the drugstore chain’s 24,000 square metre logistics centre in Pöchlarn, Austria. As chief director, Anton Schlecker had signed the purchase agreement officially dated February 29, although the company had already filed for bankruptcy by then.

The logistics centre is not the only prize already plucked from the bankruptcy estate. The same happened with the subsidiaries IhrPlatz Ltd (490 branches, about 4,000 employees) and Schlecker XL (342 branches, about 1100 employees). The profitable Schlecker-Sparte in Czechoslovakia has already gone to the PK Solvent investor, and 139 equally lucrative French stores were sold to the SystPme U investor last week. Although this piecemeal sale of the best parts of the organisation significantly undermined the fight for the remaining jobs, Verdi made no protest.

To prevent all the super-rich creditors from cashing in while the sacked workers finish up without a cent, the staff must organise to have Verdi’s negotiating mandate revoked at tomorrow’s creditors’ meeting. Before anything at all is doled out to the creditors, all outstanding wages must be paid and every dismissed employee must receive a severance compensation of at least €25,000.

To discuss these demands and how to proceed, the *World Socialist Web Site* has cooperated with the German Socialist Equality Party (PSG) to set up an Internet discussion portal where Schlecker workers can exchange ideas and organise their defence, unencumbered by the treacherous control of the Verdi trade union.