German energy company to shed 10,000 jobs despite huge profits

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Germany's second largest energy group, RWE, recorded a half-year profit of €5 billion but nevertheless plans to shed 10,400 jobs from its total workforce of 72,000 by 2014. RWE chief executive Peter Terium made the announcement on August 14 in the German town of Essen.

The energy company had already decided to wipe out 8,000 jobs last year. Now, despite a profit increase of 9 percent, it has added another 2,400. The job cuts will be concentrated in administrative areas such as accounting, finance and human resources. At the same time the job losses increase the pressure on the entire workforce.

About 3,000 of the jobs are to be removed from RWE's payroll by the selloff of parts of the company. RWE expects these additional sales to rake in additional revenue of around €7 billion by the end of next year.

The Dutchman Peter Terium took up his post as head of RWE only in July this year, replacing Jürgen Grossmann. Terium immediately announced plans for a "cultural change" in the company and "further savings" for the period after 2014.

The savage job cuts are aimed at reducing company expenditure by €1 billion per year. Terium described his program as essential to maintain the competitiveness of RWE. In reality RWE is using the international economic crisis to enforce harsher attacks on its workforce, as is the case with many other companies in Germany and Europe.

A day before RWE announced its latest profit earnings and additional layoffs, the largest German energy company, Eon, announced a tripling of its profits to €3.1 billion in the first half of this year.

Eon also decided last year to cut 11,000 from its 80,000 global workforce. (See: "Eon announces the elimination of 11,000 jobs")

. Both RWE and Eon have argued they have been forced to cut jobs because of the decision by the German government to phase out nuclear energy following the Fukushima disaster. The energy companies claim they suffered heavy losses because they had to immediately shut down a number of old nuclear plants. In return they demanded billions of dollars in compensation from the government. The fact is, however, that none of the German energy companies had made a loss in the recent period.

Eon has increased its profits by 230 percent compared to a year ago by enforcing cuts at the expense of the workforce plus the negotiation of more favourable conditions for its gas supply business. Newly signed contracts with the Russian supplier, Gazprom, resulted in savings of €1.2 billion in the first half of this year.

Although seven nuclear power plants were shut down nationwide, RWE and Eon profits and turnover are nearly at the level prior to the accelerated phasing out of nuclear power. Eon has increased its revenue by 23 percent to more than €65 billion, because its remaining gas and coal power plants are better utilized and are now more profitable. Nevertheless both Eon and RWE are determined to wipe out tens of thousands of jobs.

Eon and RWE do not have to fear any resistance from the German trade unions, including the public service

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union, Verdi, and the construction and chemical union, IG BCE. On the contrary, the management of both companies can rely on the union officials and their affiliated works councils to spearhead the attacks on the workforce.

Representatives of Verdi have expressed their opposition to the loss of a further 2,400 jobs, but restrict themselves to calling for an extension of the company job security agreement which precludes layoffs until late 2012. Verdi is calling for an extension up to 2023.

In fact this "employment security agreement" does not prevent the loss of jobs, but merely prohibits direct layoffs. This enables the company to shed jobs through early retirement, "voluntary" redundancies (with appropriate pressure applied on workers by the human resources department and the works councils), harassment and transfers to other locations. Should workers refuse to transfer, they can then be sacked by the company.

This is the way in which tens of thousands of jobs at different companies have been wiped out in a "socially acceptable" manner in the course of recent years. For the affected workers it makes no difference whether they are teased out of the company by "irresistible offers" or subjected to extortion in order to "voluntarily" quit their jobs. Their jobs are gone and are no longer available to a new generation of workers.

In an interview with the *Handelsblatt* newspaper, RWE's Terium dismissed the call made by the union: "With my best will I cannot guarantee that RWE can do without layoffs for the next eleven years. Such long-term guarantees in times of euro crisis, financial crisis and energy transition are not possible."

Terium also pointed out that the same unions have already agreed to concessions at its competitor Eon: "Such flexibilities have been agreed with our competitor. There, layoffs are possible as a last resort."

In an interview with the regional *WAZ* newspaper, Terium defended his "efficiency enhancement program" explaining: "Flexibility and mobility are the best guarantee for employment. The greater the personal mobility, the greater the job security." This is a thoroughly cynical statement.

In his interview Terium also indicated where he expected the unions to make clear their commitment to the restructuring of the company and associated job cuts.

As part of its efficiency program, RWE intends to combine all coal and gas fired power plants in Germany, the UK and the Netherlands in a transnational production company. It is to be founded as a European Company (SE) based in Germany and employing about 18,000 people.

This company will incorporate RWE Power, where the existing scheme of "co-determination" guarantees well-paid and secure posts to union representatives who sit on the supervisory board. An SE-type company, however, only provides for 12 seats on the supervisory board. According to Terium the RWE management is considering the set up of a larger executive with 20 members to ensure that union officials can retain their lucrative positions.

The company workforce is not the only victim of the thoroughly reckless policies of the energy companies. Although Eon was able to negotiate a lower price for its main gas supplier, there are to be no price cuts for consumers, who will have to pay even higher rates in September.

And although both Eon and RWE are once again making huge profits, both companies are continuing their lawsuit against the government over the issue of energy transition. Eon is demanding €8 billion compensation and RWE €2 billion in damages for the early closure of its aging nuclear power plants.

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