Germany: Neckermann bankruptcy threatens 2,400 jobs

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The mail order company Neckermann filed for bankruptcy at the Frankfurt district court last month, threatening 2,400 jobs in Germany.

In late April, Neckermann announced that by the end of 2012 it would be closing its main warehouse and logistics centre in Frankfurt, ceasing proprietary trading in textiles completely and abolishing the Neckermann catalogue. Only a small online catalogue company would be retained. (See: "Germany: Mass layoffs at the Neckerman mail order company")

In response, in May 1,700 Neckermann workers went on strike and demonstrated in the centre of Frankfurt against the planned attacks. But the union Verdi made sure that anger over the mass layoffs did not lead to a fight in defence of all jobs.

Verdi proposed a special "restructuring plan" with far-reaching concessions, and negotiated a so-called "social plan". The union's proposals included the elimination of 1,380 jobs with reduced severance pay and the establishment of a transfer company. They also outlined the criteria to be used to draw up the dismissal list.

However, management allowed the negotiations on the social plan to fail because the owners, the private equity firm Sun Capital in Florida, turned off the money supply at the last minute.

Neckermann, which had previously belonged to the Arcandor group (Karstadt, Quelle) was bought for a song at the end of 2007 by Sun Capital, which said it would return the ailing company to profitability within four years. Since then, one in two jobs has been eliminated. This has occurred with the consent of the union, which has five members on the company's Supervisory Board.

In the last three months, Verdi offered ever greater concessions in an attempt to restart talks with Sun Capital. Most recently, the union agreed to reduce severance pay levels to a quarter what was stipulated in the 2005 bargaining agreement, which is still in operation. According to Verdi, this could be financed from ongoing operations, thereby eliminating any cost to Sun Capital.

The financial investor concluded one thing from this: no resistance at all was to be expected from the union. Thus encouraged, Sun Capital went on the offensive last Wednesday. Whereas only a month ago the investor claimed that it still wanted to continue running Neckermann's online business, Sun Capital has now ceased financing the operation, forcing the mail order company into bankruptcy.

Two insolvency lawyers, who began their work on Friday, have had to immediately negotiate a bank loan so the salaries of the 2,400 Neckermann employees can be paid for July, August and September, since the Federal Employment Agency will only make insolvency payments retrospectively. The bankruptcy means employees will lose any chance of getting their severance pay, even at the reduced level proposed by Verdi.

Company CEO Henning Koopmann says he knows of investors who are interested in Neckermann or parts of it. However, workers are rightly sceptical. Many employees have spent their entire working life at the outfit, with some having put in forty or more years. Others joined the company after the fall of the Berlin Wall in 1989, commuting from Thuringia by bus every day for hours, and then later moving to Frankfurt. They have all experienced a steady decline in their pay and conditions in recent years, implemented with the help of the Verdi trade union.

"The owners are remorselessly pushing this through," a female staff member told the *World Socialist Web*

Site. “We are probably only the first to experience this open brutality.” Another said: “This is all just for profits. That’s how it is everywhere: at Schlecker, Opel or Neckermann”.

The situation facing Neckermann employees is indeed comparable with that at other retailers. The largest layoffs in the retail industry so far have been as a result of the Schlecker drug store chain bankruptcy, in which 25,000 people lost their jobs.

At Metro AG, the Düsseldorf-based cash-and-carry group, around 900 jobs will go worldwide by 2015. Department store chain Karstadt plans to cut 2,000 jobs by 2014. At the Praktiker chain, personnel costs are being reduced by €17.3 million annually by 2014 through job cuts, abolishing Christmas bonuses and other benefits, as well as cutting pensions. Verdi accepted the cuts at Praktiker, supposedly in return for a guarantee of employment. But as always, there is a special clause for “emergency economic situations”.

As at Neckermann, Karstadt, Metro and Schlecker, the union is working closely with the owners and management of Praktiker, and is offering them workers’ jobs and wages on a silver platter. Verdi refuses to unite workers throughout the retail sector to defend all threatened positions. “We do not want to break the company through strike action”, Wolfgang Thurner, Verdi's Frankfurt regional secretary told the Neckermann employees.

But it is not the workers and their jobs, wages or benefits that are responsible for the crisis in the retail sector. Rather, the drastic austerity measures being imposed by European governments are driving Europe’s population into poverty. This policy is responsible for a slump in demand.

The layoffs and wage cuts announced already are therefore just the tip of the iceberg. While the banks and investment companies such as Sun Capital are again enjoying record profits, working people are paying with their livelihoods. Verdi has proved conclusively on which side it stands.