The end of Germany’s Neckermann mail order firm

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At the end of last month, the Neckermann mail order company permanently closed the doors of its headquarters on the famous Hanauer Landstrasse commercial stretch in Frankfurt. Apart from a small online business, the firm's subsidiaries in the German state of Saxony-Anhalt, as well as in Belgium, the Netherlands, Austria, and Switzerland, will be closed down. Some 4,000 workers throughout Europe were employed by Neckermann, including about 2,400 in Germany.

Many of those dismissed had spent their entire working lives at Neckermann and have no chance of making a fresh start. In addition to workers from the state of Hesse and former East Germany, these workers include immigrants from eastern Europe, Turkey, Asia and Africa. Most of them have no professional training. Many had worked in the company for decades, some for as long as 30 or 40 years. The average age of the workforce was 49. Those nearing retirement face particularly hard prospects on the labour market.

Until Wednesday, September 26, employees had been repeatedly assured that negotiations were underway with potential new investors. In particular, functionaries of the Verdi trade union promoted the myth of new investors in order to keep the staff calm.

Last week, when workers were confronted with imminent closure, works council head Thomas Schmidt falteringly told the press it was "the hardest and most brutal thing" he had ever experienced. He said Sun Capital, the current owner of Neckermann, had not budged from its position. "German corporate culture always provides for the possibility of compromise; but not so in this case", complained Schmidt (*Frankfurter Rundschau*, September 28, 2012).

"Rarely before" had "an employer so obstinately refused financial help in the form of severance pay to employees facing such catastrophe", complained Verdi secretary Wolfgang Thurner—who also sits on the Neckermann supervisory board—in a commentary for the German *Financial Times* (September 30, 2012). Sun Capital had "simply spurned common sense, the search for a socially acceptable compromise between the parties involved....", he wrote.

Union officials’ claims that a "socially acceptable compromise" was possible only served to disorient the workers. In fact, Verdi had five representatives on the board at Neckermann and therefore bears responsibility for all the plans and decisions.

The history of Neckermann reveals that the so-called “socially acceptable compromises” of "German corporate culture" was never more than a propaganda phrase, repeated by trade unions to justify their subordination to the interests of capital.

When Josef Neckermann established his mail order business in 1948, the year of German currency reform, he was able to continue operating the firms he had acquired through the "Aryanisation" of Jewish stores during the Third Reich. In 1935, Neckermann had taken over the Mercur emporium and a textile department store in Würzburg from Siegmund Ruschkewitz. Other similarly "Aryanised" businesses were later added to the list: the Vetter department store in Würzburg and most importantly the Karl Joel clothing business in Nuremberg and Berlin. Due to the Nuremberg racial laws, the Jewish owners had been forced to "sell" their companies well below their real value.

As a member of the Nazi Party, the SS (Hitler's elite force), and the SA (Hitler's paramilitary army), Neckermann procured orders from the Nazi state's economic and war ministries, thus profiting from the war and the Third Reich's regime of terror. Neckermann delivered blankets and work clothes for forced labourers and winter uniforms for the *Wehrmacht*. Despite all this, he was only classified as a "fellow traveller" of the Nazi regime during the "de-Nazification process".

In the 1950s and 1960s, the slogan "Neckermann makes it possible" became a by-word for the German economic miracle. Along with the Otto and Quelle mail order firms, the Neckermann mail order business delivered everything from clothes, linen, and crockery, to radios, refrigerators, and TV sets, to holiday travel packages, insurance policies, and prefabricated housing. In the mid-1970s, Neckermann employed almost 20,000 people, mailing millions of catalogues to households throughout Europe.

During the postwar period's first major economic crisis in 1976, Neckermann was forced to sell its mail order business to the Karstadt department store chain (later to become KarstadtQuelle/Arcandor). Josef Neckermann retired to devote himself entirely to horse riding, while his two sons emigrated to the United States.

Under the Karstadt ownership, the Neckermann company lost its department stores and became a purely mail order business. In the late 1990s, it launched into Internet trading, which accounted for 80 percent of its sales in 2012. However, Neckermann was never able to catch up on the lead already taken by Amazon and other Internet specialists.

In 2004, Thomas Middelhoff assumed chairmanship of

Neckermann's parent company, KarstadtQuelle. He had previously been CEO at the Bertelsmann media corporation and a member of the AOL and RTL Group supervisory board. Middelhoff is the embodiment of the entrepreneur as financial speculator—i.e., he lost all interest in the productive and trading side of the business, and devoted himself exclusively to the pursuit of short-term profit.

Together with Roland Berger and Florian Lahnstein, the son of former Social Democratic Party (SDP) minister Manfred Lahnstein, Middelhoff today heads BLM Partners, a London private equity firm. BLM's board also includes Manfred Lahnstein and Wolfgang Clement, another former SPD politician.

As head of Arcandor in 2007/2008, Middelhoff sealed Neckermann's fate by literally making a present of the mail order business to the US financial investor Sun Capital. As much as 51 percent of Neckermann went to the private Florida equity company for the symbolic price of one euro. The only hope of recompense rested on a successful future stock market flotation that was supposed to compensate Arcandor. "Within 12 to 18 months, Neckermann will be earning money", Arcandor mail order boss Marc Sommer is said to have promised at the time (*Süddeutsche Zeitung*, December 12, 2007).

Sun Capital, the new majority owner, is a classic "predator" outfit, specialising in the acquisition of distressed companies, plundering their assets and demanding exorbitant fees for doing so. The employees bear the full cost of the demolition.

Sun Capital is owned by the multimillionaire and stock market speculator Marc Leder. At his Florida villa in Boca Raton in May this year, Leder organised the gala dinner where Mitt Romney, the presidential candidate for the Republican Party, expressed his contemptuous remarks about the bottom 47 percent of US citizens (see "Romney's words", *WSWS*, September 19, 2012).

According to press reports, Sun Capital allows its acquired firms four years to return to profitability. Following the acquisition of Neckermann, about 800 employees were immediately laid off. At the time, the workforce protested the dismissals under a banner proclaiming: "The price of Neckermann's future must not be paid with our poverty".

A contributor to the WSWS recently reported: "In 2008, several hundred people were laid off here. Back then, I was tremendously disappointed with the union, because it simply swallowed the whole thing".

Two years later, in 2010, Arcandor was itself bankrupt. Sun Capital took over the remaining 49 percent of Neckermann and announced its intention of returning the company to profitability by 2012 or closing it down. The Neckermann workforce, which numbered 5,000 employees at end of 2007, was more than halved.

In late April 2012, Neckermann announced the closure of its central warehouse and logistics department in Frankfurt by the end of 2012, the cessation of its trade in textiles, and an end to the publication of the well-known Neckermann catalogue. As many as 1,380 jobs were to be destroyed by the end of this year.

Neckermann finally registered for insolvency at the Frankfurt district court in July 2012. This meant that three months remained, from July to September, in which the Federal Employment Agency was to assume responsibility for wages and salaries in line with the insolvency regulations.

During these months, the Verdi trade union successively called for the establishment of a transfer company, the granting of a social tariff contract, a social support plan with severance pay, with half severance pay, with almost no severance pay but with a choice of social assistance options, etc. The union agreed to a 75 percent reduction of the relevant compensation amounts. Verdi argued that the settlement money could have been financed from the ongoing operation of the business, and therefore would not cost Sun Capital a cent.

Verdi made one concession after another, submitting proposals of its own that would have cost nearly as many jobs as those of the owner. All this was designed merely to keep the workers waiting. The union officials were openly hostile to calls for combative industrial action. “We don’t want to destroy the company by going on strike”, said Verdi secretary Thurner.

To the end, the union maintained the illusion that a new investor would be found in the course of the insolvency proceedings. In the meantime, those proceedings led to the workers' loss of all contractual claims, including severance pay and the period of notice.

It has been clear for a week that not 1,380 employees, but virtually the entire workforce will lose their jobs. A hundred employees at the Hanauer Landstrasse site are now involved in clean-up work, while those already dismissed are lining up at the labour exchange.

The reason for the closure is not only the greed of financial speculators who have ruthlessly destroyed thousands of jobs by wrecking a modern home delivery business with Internet ordering, an extensive product line, numerous reliable suppliers, high-bay storage facilities and a well-established distribution system. The demise of Neckermann is also due to the policies of a trade union that has systematically prevented the workers from taking up the fight to defend their jobs.

While banks and investment firms such as Sun Capital are making record profits, working people are paying for them with their livelihoods, their jobs and wages. The end of Neckermann has once again shown that the Verdi trade union is firmly on the side of the corporations and banks in what it describes as a "class war waged from above".