

Massive cuts at German steelmaker ThyssenKrupp

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ThyssenKrupp is preparing to cut thousands of jobs, lower wages and worsen working conditions. Supervisory Board Chairman Gerhard Cromme, CEO Heinrich Hiesinger, the IG Metall union and works council are working together to this end.

The company reported a loss of five billion euros (US\$6.62 billion) for the previous fiscal year. CEO Heinrich Hiesinger had recently announced a program of cuts to save €2 billion over the next three years.

This was justified by citing the high losses caused by the construction of two new steel plants, in Alabama (USA) and Rio de Janeiro (Brazil).

These projects were planned and initiated between 2005 and 2007. The steel mill in Brazil was to supply steel slabs both to Alabama for further processing and for the automotive industry, as well as to Europe. Originally, the construction of the steel mill in Brazil was to cost nearly two billion euros. Meanwhile, the cost has risen to €8 billion, according to the company. The two plants, which are now to be sold, are supposedly responsible for losses of up to €11 billion.

For the first time in the company's history, ThyssenKrupp is not paying its shareholders a dividend. This underscores the fact that the losses are being used to force through a radical restructuring of the company at the expense of workers in Germany and worldwide.

Public knowledge of ThyssenKrupp's corruption and antitrust affairs has come at just the right time. The organizing of luxury tours for journalists, ThyssenKrupp's involvement in the rail and elevator cartel, and the publication of stories about bribes for contracts in Asia and Eastern Europe led to the sacking of three board members in the last week. ThyssenKrupp's supervisory board, chaired by Gerhard Cromme, agreed the dismissal of board members

Jürgen Claasen (responsible for communication and compliance), Olaf Berlien (technology) and Edwin Eichler (steel).

Hiesinger set aside accusations against Cromme, and made the old management responsible for the losses and affairs. "There has been a guiding understanding that the old boys' network and blind loyalty were often more important than business success," he said.

It would not be the first time that the claim to be fighting corruption and the need for a "new business culture" was used to implement massive cuts at the expense of the workforce.

A prominent example of this is Siemens, where after a corruption scandal in 2007 a similar clear-out of the senior management was carried out. The man responsible for organizing this at the time was Gerhard Cromme, who in 2007 also took on the chair of the Supervisory Board at Siemens in addition to ThyssenKrupp. Just a year later, the new Siemens CEO Peter Löscher initiated an extensive programme of cuts, which led to the loss of more than 17,000 jobs worldwide.

Hiesinger himself worked for Siemens at this time, before taking over as ThyssenKrupp CEO two years later. Now he has announced an end to "the old boy's network and antiquated structures" in the company. "We must and we will change our leadership culture fundamentally in order to be successful again," he said.

Behind Cromme stands the now 99-year-old Berthold Beitz. After World War II, he was charged by Alfred Krupp with restoring the reputation of the Krupp concern. The weapons' maker Krupp was one of the biggest financiers of Hitler, and also one of the biggest war profiteers, as a result of supplying arms to the Third Reich.

“Beitz still has the last word in all important decisions,” writes *Spiegel Online*. The 69-year-old Cromme is to be Beitz’s successor as chair of the Alfred Krupp von Bohlen and Halbach Foundation. The foundation still holds the largest stake in the company, with 25 percent of its shares.

Above all, Cromme and Hiesinger have the support of the IG Metall union and the works council. Bertin Eichler, IG Metall national treasurer and also a board member of BMW, as well as the group works council chair Wilhelm Segerath sit in the Personnel Committee of the ThyssenKrupp Supervisory Board, which dismissed the three executives.

Both supported the dismissal of the previous board members. The severance payments for the three, running to millions of euros, were also approved by this committee. Claasen, who became a board member just over a year ago, will receive a severance payment of €3.2 million, and Berlien and Eichler will each get about €4 million.

It is this “old boys’ network” of Beitz, Cromme, Hiesinger, the union and works council that is now preparing to implement the attacks against the workers. The *Süddeutsche Zeitung* last weekend wrote an insightful article about Gerhard Cromme, under the headline “His friends”. Cromme’s friends include the IG Metall and the works council, who collaborate more closely “than in almost any other company.”

Supervisory Board member Eichler stressed that the firm’s restructuring can only happen “with and not against the workforce”—that is to say, it is only possible with the approval of IG Metall and the works council. Both support the restructuring of the company, “if they are extensively involved and can actively influence decisions”.

The restructuring includes the sale of stainless steel subsidiary Inoxum to the Finnish group Outokumpu, initiated earlier this year. “With a different owner, we have more opportunities for development,” the *Süddeutsche* cited an IGM representative on the board saying.

The workers at the company’s Krefeld stainless steel plant see things differently. Their plant will be shut down by the end of next year due to the sale. The stainless steel plant in Bochum is to close in 2016.

The *Süddeutsche Zeitung* refers to the fluid “boundary between management and the workforce” at

ThyssenKrupp. Works council members are paid well; almost all the various chairs, of which there are dozens, drive a company car. “Workers’ representatives here form a labour aristocracy, which no longer has dirty fingernails.” No management position at ThyssenKrupp is filled without the consent of this labour aristocracy: “We need each other, we help each other, we congratulate each other.”

Next year, the previous works council chair takes over as director of labour at the subsidiary ThyssenKrupp Steel.

No investments are foreseen in the steel sector in the near future. According to statements by Hiesinger, the board position of the previous steel boss Edwin Eichler is also not to be filled. Two weeks ago, citing sources on the supervisory board, *Wirtschaftswoche* reported that Hiesinger was considering all options for the steel subsidiary—from an organizational spin-off to an IPO of German steel mills.

ThyssenKrupp Steel employs about 28,000 people. Since August this year, 2,200 steel workers have been placed on short-time working.

In April, Oliver Burkhard, regional secretary of the IG Metall in North Rhine Westphalia, took over the post of board member with responsibility for personnel at ThyssenKrupp, thereby increasing his income tenfold to almost €2 million per year. After Hiesinger and CFO Guido Kerkhoff, Burkhard ranks third on ThyssenKrupp’s board. Burkhard, who was appointed thanks to IG Metall, will succeed the 59-year IGM functionary Ralph Labonte, who is retiring on health grounds. Burkhard and Schlenz will take on the task of enforcing the massive cuts program against their own members.



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