Germany’s Commerzbank to cut up to 6,000 jobs

Konrad Kreft
2 February 2013

Commerzbank, Germany’s second largest bank, will achieve its billion-dollar “income and growth objectives” on the backs of its workforce. Up to 6,000 employees of the bank worldwide will lose their jobs by 2016. According to analysts, since “the cuts were expected [to be] quicker,” the bank’s stock market value fell by 2 percent when this was announced.

The planned jobs cuts include 4,600 in Germany. According to *Die Zeit*, the “adjustment of the personnel structure” announced by personnel director Ulrich Sieber, also includes the “outsourcing” of 600 full-time posts to domestic “low-cost sites”. Only the online Comdirect Bank and the Polish subsidiary BRE Bank are excluded from the job cuts. According to the *Süddeutsche Zeitung*, a new “salary structure” is also planned, meaning staff salaries being reduced by several hundred euros.

Most of the cuts will fall in the retail banking sector, whose last results fell by almost 40 percent, bringing the bank losses. However, there are to be no layoffs in its corporate sector (SME Bank).

In November 2012, Commerzbank chief executive Martin Blessing announced the job cuts, but mentioned no figures. The details are to be clarified with the works council, starting in February.

The union Verdi has described the plans of Commerzbank as a “horror catalogue” and a “frontal attack”. However, it can be assumed that the union has been aware of the plans for some time. Verdi and the works council members are closely involved in the decisions of the bank thanks to their well-paid positions on the supervisory board.

Following the acquisition of Dresdner Bank in 2009, some 9,000 jobs were to be cut, of which almost 8,000 have already gone. Commerzbank currently employs 60,000 people worldwide, including 37,000 in Germany.

The German government owns a 25 percent stake in Commerzbank as a result of a 2008 bailout amounting to €18.2 billion (US$24.8 billion).

Just four years later, as *Handelsblatt* reported, CEO Blessing’s salary had risen by 160 percent, to €1.3 million. Previously, the government had limited board members’ salaries to €500,000 per annum as a result of the rescue measures. As *Handelsblatt* also reported, at the time the salary increased only a fraction of the rescue money had been repaid.

Job cuts are also being planned at other German banks over the next several months.

HypoVereinsbank, a subisdiary of Unicredit, intends to cut 600 jobs in its retail sector in 2013 and 400 in the corporate sector. Forty-five branches are to be closed.

The Allianz Group has announced the closure of Allianz Bank in July. It was founded in 2009, after Allianz sold Dresdner Bank to Commerzbank. The bank is dismissing some 450 employees. The Allianz Insurance group wants to ditch its banking division entirely, retaining only the Oldenburgische Landesbank.

Further jobs are also expected to go at Deutsche Bank, which in September 2012 cut several thousand jobs. The *Frankfurter Allgemeine Zeitung* considers it certain that the bankers “Jain and Fitschen must cut far more jobs than the previously announced 2,000 posts”.

A recent survey by accounting firm Ernst & Young found that 42 percent of all banks plan redundancies in their administration. According to this survey, 45 percent of banks plan to cut jobs in Europe. Dutch and British banks are planning the most extensive layoffs.

This cut in jobs is similar in size to the wave of layoffs triggered by the collapse of US investment bank Lehman Brothers in 2009. *Bloomberg News* has put the number at almost 16,000 jobs worldwide, which will continue to accelerate, as a “radical restructuring” is imminent.

Swiss bank UBS has announced the elimination of 10,000 jobs, the second-largest British bank Barclays wants to get rid of 2,000 employees. In the United States, Morgan Stanley and American Express have announced 1,700 and 5,400 planned redundancies respectively.

Claus-Peter Wagner of Ernst & Young gave the reason for declining profits as “rising risk provisions”, “increased regulation”, “more stringent requirements on liquidity and collateral” and “historically low interest rates”. “The banks face lean years ahead,” he told *Marketing Exchange*. The layoffs mean the banks can lower costs and decrease risks.

The banks that were rescued with public funds during the financial crisis are under pressure from regulators, who are demanding that they shrink their workforces rapidly. In Germany, this affects Commerzbank, DZ Bank and Bayerische Landesbank, among others. The EU banking supervisory body Eba, which oversees 39 major European banks, has asked the banks to submit restructuring plans by the end of 2013.

The staff cuts in the retail sector are also being justified with the introduction of various technical innovations. Christoph Kaserer, professor of financial markets at the Technical University of Munich, told the *Süddeutsche Zeitung*, “Many customers are turning to the Internet, so it is quite clear that branches and personnel must be reduced.”