Germany: Salzgitter AG cuts over 1,500 steel jobs

Sven Heymann
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Germany's second largest steel manufacturer, Salzgitter AG, is cutting more than 1,500 jobs throughout the company in response to the crisis in the European steel industry.

Salzgitter AG presently employs over 25,000 workers. The 1,500 agreed job cuts are to be distributed over the entire company. The steel works in Peine in Lower Saxony will be particularly affected, with more than 300 of approximately 1,100 jobs to be eliminated. The steel beams produced in Peine are sold primarily to the construction industry, which has been hard hit by the economic crisis.

Last year, Salzgitter AG suffered a loss of €100 million after taxes. In the first half of 2013 the situation worsened. Between January and July this year, the loss amounted to €315.2 million. The company has had to twice downwardly revise its earnings forecast this year.

In October 2012, the company introduced a restructuring program—"Salzgitter AG 2015." This was supposed to "stabilize competitiveness" and adjust the "structures and processes of the entire group in accordance with the conditions of challenging markets." The firm hopes to save approximately €200 million from the downsizing.

The IG Metall union and the works council are playing a decisive role in offloading the crisis onto the backs of the workers. As the board chairman, Heinz Jörg Fuhrmann, said on Monday, the negotiations at the Peine works have been "extremely challenging." Nevertheless, they have been "conducted constructively and with the goal of reaching a successful conclusion."

He added that the deal now reached reflects "the fundamental agreement of the company board and employees' representatives that the speedy implementation of the 'Salzgitter AG 2015' project is absolutely necessary to stabilize the competitiveness of the Salzgitter Group."

While management is pursuing job cuts and flexible working conditions, the IG Metall is seeking to raise false hopes in the company's "contract for the future." This is designed to provide cover for the role of the union and the works council in developing and implementing the restructuring plan.

In a leaflet from April this year, the IG Metall lamented that more than 1,000 planned job cuts and other attacks on the workforce were "determined without any information, advice or consultation with the works council and IG Metall." The union made clear its eagerness to collaborate with the company, declaring that "No one stands in the way of reasonable changes." Its only demand was that "further plans, decisions and actions take place only with the agreement of the company works council and IG Metall."

The efforts of IG Metall to work out the job cuts together with the board have now succeeded. Both sides have achieved their goals. The "contract for the future" touted by the union mainly consists of the company's cuts program.

A Salzgitter AG press release states that the "contract for the future" defines "the available human resource instruments in relation to possible socially responsible personnel changes." These are sugarcoated code words for severe cuts and concessions.

"Socially responsible" means that measures such as part-time work for older workers and contract terminations or transfers will take priority over compulsory redundancies. This will, it is hoped, facilitate the role of the union in imposing the company's demands on the workers.

IG Metall plays a similar role at other steel companies, which, like Salzgitter AG, are affected by the crisis in Europe and worldwide.

Only this week, the union signed a collective agreement with steelmaker ThyssenKrupp that includes enormous job losses. The deal excludes compulsory redundancies, which is presented as a big step forward. However, from October 2014, the workweek will be reduced from 34 to 31 hours, which effectively amounts to a pay cut of 10 percent. The hours will only be gradually increased again after October 2018.

Moreover, the future of the entire ThyssenKrupp group remains uncertain. The planned sale of the company's loss-making steel plant in Brazil collapsed a few days ago. In contrast, the sale of the plant in Alabama went ahead. But the returns paid by the Brazilian company CSN amount to only €1.5 billion. Some media outlets have spoken of a dumping price. Should it be necessary for ThyssenKrupp to raise further capital, the future of the company as a whole is in jeopardy.

The steel industry is responding to the deep economic crisis and the fall in demand with massive layoffs and other cuts. "Excess capacity" is always cited as the reason for further attacks on workers. The trade unions and works council representatives join in the chorus of the employers. They call for improvements in the competitiveness of "their" companies and seek to impose the associated attacks on the workers.

The crisis in the European and global steel industry is a result of declining demand, particularly in the automotive and construction industries. The reason for this decline is, first and foremost, the cuts and austerity programs imposed by the German government and the European Union on the whole of Europe.

The construction industry in Southern Europe has largely ground to a halt. The auto industry is struggling with the lowest sales figures in nearly 20 years. Many people in Europe can no longer afford a new car.

The EU's cuts and austerity measures spring from deep-rooted class interests. The gaps in public finances have arisen mainly because the EU and its member states have provided €1.6 trillion to ailing banks since the financial crisis began in 2008. The European bourgeoisie is using the financial and economic crisis to enrich themselves even more brazenly, plunging entire states into deep debt and millions of people into unemployment and poverty.

What finds concrete expression in the crisis in the steel industry is the crisis of the capitalist system as a whole. Political, economic and social progress is no longer possible on the basis of capitalism.