German energy firm RWE to cut 6,700 jobs

Elisabeth Zimmermann
21 November 2013

Last Thursday, at RWE's third quarter conference call, CEO Peter Terium announced the elimination of 6,700 jobs by 2016, of which 4,700 will be in Germany. These job cuts are on top of the 6,200 jobs lost over the past two years.

With this plan, one in ten of the 67,400 jobs at the company, Germany's second-largest energy firm, will be slashed. At the beginning of 2011, RWE still employed almost 74,000 workers.

The latest round of job cuts affect 2,300 jobs at the power plant division, over 2,000 in administrative services, and 250 at RWE Energie, a subsidiary responsible for renewable energy. A further 1,400 jobs will be cut through the long-planned sale of the oil producing subsidiary Dea AG.

Further savings are planned through the outsourcing of some administrative services to Krakow, Poland, where the company already employs around 100 workers. According to a report in the *Rheinische Post*, RWE is considering increasing the number of outsourced jobs to 700. Representatives of the works council and trade unions have already agreed to this figure.

RWE management has not ruled out the possibility of further layoffs once the job cuts are implemented. An agreement with the trade unions preventing layoffs due to operational requirements expires in 2014, and is not being renewed.

Uwe Tigges, RWE's chief of human resources, has already threatened up to 55,000 further job cuts after 2016. The company is also demanding changes to pay and wage structures, with management calling for wages to be frozen in the upcoming talks on a collective pay agreement, amounting to a pay cut as productivity demands increase.

The company's management has justified its attacks on jobs and working conditions by pointing to the decline of profits in coal and gas energy, due to the German government's subsidies for renewable energy.

Operational profits from conventional energy production dropped by two thirds in the first nine months of the year to €841 million. The firm said that this was attributable to the fall in the price of electricity as a result of the surplus of power plants in Europe and government subsidies for solar and wind power.

The firm has already decided to shut down several power plants in Germany and the Netherlands. The closure of additional facilities is to be considered in the coming months.

Terium said at the presentation of the quarterly figures, "We are passing through a vale of tears. Our traditional business model is breaking apart under our feet. We are directing all of our efforts to overcoming this crisis through drastic cost savings."

RWE produces more than half of its energy from coal power plants. Since these facilities are to act as a reserve in case solar and wind power is not able to produce sufficient energy, RWE and Eon, Germany's largest energy provider, are demanding state subsidies from the federal government. Eon has also recently announced 11,000 job cuts.

This is despite the fact that RWE is on track to make a profit of nearly €8 billion this year. Included within this is €1 billion to be paid back from Russian firm Gazprom for over-charged gas prices from previous years. RWE's revenues have risen by 4 percent to €39.9 billion, and the company has increased its gas sales by 16 percent, mainly due to the long winter.

RWE defended the intensification of the cost savings by pointing to projections showing that its profits are slated to fall next year. According to company estimates, in 2014, the profit before tax, interest payments and write-downs should be between €7.6 and €8.1 billion, and net profit will decline from €2.4 billion this year to €1.5 billion.

Thus, RWE is attempting to defend and increase its lucrative profits by offloading the consequences of the global economic crisis and the turn to renewable energy adopted after the Fukushima catastrophe, onto the workforce. The same process is taking place at other firms like Eon, Opel, Siemens and Thyssen Krupp, who have all made massive job cuts.

RWE's job cutting has the full support of the trade unions Verdi and IG BCE, both of which are represented on company boards. As in previous cases, their representatives feigned surprise and anger. But this served merely to cover up their own responsibility in the destruction of jobs.

As the daily *Kölner Stadt-Anzeiger* reported on 15 November, "Works councillors and trade unionists have not been particularly surprised by the job cuts which have now been announced: the planned savings at RWE were known for months and were being faced up to, said Peter Lafos, who is responsible for the energy sector in North-Rhein Westphalia at Verdi."

The newspaper noted that Manfred Holz, works council chairman at RWE's Neurath power plant and deputy chairman of the central works council at RWE Power, said the works council was implementing the planned cuts by forcing workers to leave "voluntarily."

Holz said "the announced job cuts can be achieved entirely through social partnership," the *Kölner Stadt-Anzeiger* reported. Holz bragged that the unions have already agreed to buy-out agreements for up to 800 workers. The works council "will examine who can be got rid of and make them an offer in the course of the coming months so that they voluntarily leave their job," the newspaper added.

While thousands of workers fear for their jobs and futures at RWE, the main concern of the works council and trade union representatives is to involve themselves in the decisions of company management and to avoid losing their well-paid jobs on the works councils and boards of directors.

An additional consequence of the drop in profit was RWE's announcement that it would halve the dividend on shares from €2 to €1 per share. This measure will hit some municipalities especially hard, who invested in RWE stock over recent years. The city administration in Essen, which owns 18.6 million RWE shares, had already planned its budget on the basis of a return of €2 per share.

Essen will also be severely impacted by the layoffs at RWE's central administrative operations, as well as at other subsidiaries. The headquarters of Thyssen Krupp, which is also located in Essen, and a number of other companies such as Evonic and the construction firm Hochtief have also announced massive job cuts.