# Germany: Thyssen Krupp launches further attacks on workforce

**Elisabeth Zimmermann**
**16 December 2013**

On November 30, Thyssen Krupp chief executive Heinrich Hiesinger announced additional restructuring measures at the press conference on the company's performance. The 150,000 employees who work for the concern globally will pay the price to make Thyssen Krupp profitable once again.

The current savings programmes have cut the company's losses from €5 billion last year to €1.5 billion in 2013. However, sales figures in the recently concluded business year dropped by 12 percent.

"When a company that has been in deep crisis for years is being restructured, it takes years to put the company back on a stable basis," Hiesinger said.

In other words, in addition to the cost-cutting measures introduced, which have cost 5,000 jobs, further jobs will be destroyed, wages cut and speed-up imposed on the workers. In the language of management, this is referred to as "increased efficiency."

Due to the worst international economic crisis since the 1930s, the European and global steel industry is suffering declining demand, above all in the auto and construction industry. This has been intensified in Europe by the spending cuts and savings programmes forced on the whole continent by the German government and the European Union.

Thyssen Krupp has responded by selling off unprofitable parts of the business, with limited success. Their new steel factory in Alabama in the US was sold for a big loss to a consortium of companies from ArcelorMittal, the world's largest steel producer, and Japanese firm Nipon Steel. The sale of its new plant in Brazil failed entirely.

Its former stainless steel subsidiary, Inoxum, was sold by Thyssen Krupp to its Finnish competitor Outukumpu. It must now take a part of Inoxum back. Partly as a result of the requirements of the EU commission, and the financial problems at Outukumpu, the loss-making plant in Terni, Italy, will be returned to Thyssen Krupp, as well as the company VDM, which specialises in high grade materials. Outukumpu had previously announced that it would close the former Thyssen Krupp stainless steel plant in Bochum.

The sustained lack of profit has reduced Thyssen Krupp's capital quota so far that it decided to inject new funds. The financial markets were dissatisfied. After the press conference, Thyssen Krupp shares fell by over 8 percent the following Monday as the capital injection took place.

As a result of the capital injection, the portion of the company controlled by the Krupp institute, which possesses minority shareholder rights, fell from 25 percent to 23 percent. The Swedish hedge fund Cevian's share has risen from 6.1 to almost 11 percent. Cevian supposedly bought over half of the available shares and will therefore have a stronger role in company policy in the future.

On September 26, the daily *Süddeutsche Zeitung* commented on the intervention of the hedge fund at Thyssen Krupp and quoted Cevian's Germany chief Jens Thischendorf, who said, "Within a time frame of five to seven years, we see significant potential to increase the value of the company." The value of the company on the stock market will rise if profits are increased at the expense of the workforce.

The Swedish hedge fund is already well known in Germany. With a shareholding of 17 percent, it is involved in the construction company Bilfinger Berger, which has also unveiled a massive programme of job cuts.

For a short time, Cevian also controlled 10 percent of construction vehicle and crane producer Demag Cranes.

The investment fund organised massive job cuts, before selling its shares for double their value to the US firm Terex, which took over Demag Cranes.

The increase of Cevian's share of the company to over 10 percent has provoked growing fears among Thyssen Krupp workers that the company could be dismantled into several separate parts. Shareholders are hoping for higher profits and dividends by divesting or brutally restructuring unprofitable parts of the business, such as the steel business.

A recent statement by Hiesinger shows how serious these considerations are. According to Focus, the Thyssen Krupp chief came to the conclusion at a meeting of 320 leading international investors in Essen that steel operations in Europe cannot be sold. The company earns money through the production of steel, and a sale would be a loss-making venture, he said. In the current difficult economic environment and with a huge pensions burden on the subsidiary, it would not be possible to get a decent price for the sale of the European steel operations, he stated.

Thyssen Krupp has only been able to implement the attacks on jobs and social achievements to date without any difficulties thanks to the full support of the IG Metall trade union and works councils. As the company's results were presented at the press conference, financial chief Guido Kerkhof noted that the executive's "targets for increased efficiency," within the framework of the ongoing €600 million savings programme, had been surpassed by 20 percent.

The chairman of the central works council at Thyssen Krupp Steel, Günter Back, sought to cover up the complicity of the works council and IG Metall by claiming at a press conference in Duisburg in early November that the company's leadership had also made their contribution. The five-person executive had been reduced by one, and five of 28 directors' positions had been cut.

Such moves are purely cosmetic. Thilo Lutz, who only took up his post on the executive a year ago, had left "by mutual agreement," reportedly with a payoff of €1 million. And while workers are paying for the concern's crisis with the threat of job cuts, speed-up and lower pensions and wages, the incomes of the company executive rose sharply last year.

Hiesinger's annual salary increased from €3.85 million to €4.9 million, and that of finance chief Kerkhof from €1.9 million to €2.5 million. Oliver Burkhard, who moved from IG Metall into the company's human resources executive, received a wage of €1.6 million. These obscenely high salaries were agreed to by the trade union representatives on the company's board.

IG Metall and the works council have not only supported every attack on the workforce; they are the real initiators of the cuts. In September, IG Metall and the works council agreed to the reduction of the workweek from 34 to 31 hours from October 2014 in order to save Thyssen Krupp's steel operations. This will lead to wage cuts of more than 10 percent for those workers affected. Working hours will only be gradually increased from October 2018 if profits allow.

Works council chair Günter Back attempted to justify this drastic wage cut to the workforce. He pointed out that Thyssen Krupp's steel business had only achieved profits of €100 million annually over the last two years. To satisfy the financial markets and shareholders, a profit of €500 million was necessary, he stated.

Back declared, "We (!) are not in a position to plug this hole." Since the parent company had no money to spare because of its losses, it was necessary for the trade unions and works council to generate the savings through their own measures. Seldom has the role of the works councillor as a co-manager to control the workforce been clearer.