

Germany: Final stage in dismantling of Karstadt department store chain

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Last Friday, management at German department store Karstadt announced that six stores would be shut down by the middle of 2015. These are to include the traditional department stores in Hamburg-Billstedt and Stuttgart. In addition, the two K-Town stores in Cologne and Göttingen and the so-called bargain centres in Frankfurt/Oder and Paderborn will be closed.

In addition, another 2,000 jobs are to be eliminated at the company's Essen headquarters and in the remaining department stores. Karstadt chief executive Stefan Fanderl announced additional major wage cuts. "We have to talk about savings on Christmas bonuses and holiday pay, and about lengthening the pause in the contract beyond 2015." Karstadt recently abandoned the comprehensive labour agreement covering the retail sector.

The mass lay-offs and the renewed wave of closures is only a further step in the destruction of Karstadt. New Karstadt owner René Benko and his newly appointed chief executive Fanderl referred to the possibility of closing up to 23 department stores in recent weeks.

The *Focus* news magazine provided a list of stores that are losing money and could therefore be threatened with closure. At the top of the list were stores in Düsseldorf, Munich, Frankfurt, along with smaller sites in Siegen, Bottrop and Celle Dessau.

Since 2009, numerous investors have vastly enriched themselves at the expense of the workforce. In pursuit of this goal, 8,000 jobs have already been eliminated and massive wage cuts imposed. Benko and Fanderl intend to continue and intensify this.

Their most important ally in this project is the services trade union Verdi. Board of management member Arno Peukes explicitly excluded the possibility of strikes in comments to the *Münchener*

Merkur, saying, "Now it is about getting the best possible result for our members at the six stores in negotiations with the company."

In a further interview with the *Ruhr Nachrichten*, Peukes explained that it was necessary to discuss further savings by the workforce, stating, "The future and direction of Karstadt should first be discussed, and only then about cuts."

In reality, there is no doubt about the future which Benko, who has been convicted for corruption, sees for Karstadt. When the Austrian property speculator was handed the 130-year-old department store for the symbolic price of one euro, it was already clear that he was not really interested in the department store, but rather the sites of the shops in lucrative inner city locations.

His intentions were already known in principle at the time. The profitable stores were to be transformed into shopping malls and filled with selected retailers. The remaining stores were to be closed. He carried out a similar process with the Tyrol department store in his hometown of Innsbruck.

The multi-millionaire Benko is the majority owner of property managing company Signa. Already in 2012 he secured control of the prize parts of Karstadt, including 28 Karstadt sports stores and three luxury department stores, KDV in Berlin, Alsterhaus in Hamburg and Oberpollinger in Munich. He also obtained part of Karstadt's property. Benko subsequently sold these two parts of the business for a profit to Israeli diamond trader Beny Steinmetz.

The Verdi bureaucrats know full well the future awaiting Karstadt. They were closely involved from the outset in dismantling the firm at the expense of the workforce. Their members on the board of management and permanent works councilors have done everything

to suppress opposition by the workforce to the destruction of the firm. In this they have worked hand-in-hand with the bankruptcy administrators and investors.

Already in 2004 Verdi supported a restructuring plan for Karstadt containing major attacks on wages, jobs and working benefits. When its parent Arcandor declared bankruptcy in 2009 nonetheless, the trade unions worked out the next round of lay-offs and pay cuts with the bankruptcy administrators.

New investor Nicolas Berggruen was hailed as a social reformer by Verdi. Even when he secured the prized parts of the concern for just one euro of his own capital, Verdi reassured the wealthy Berggruen of its support in a further round of cuts to jobs and benefits. A new restructuring plan included job cuts and pay reductions.

The gradual dismantling of the company is now in its final stages, and Verdi has made clear that it will do all it can to back the investors. In the defence of their jobs and wages the workforce not only confronts management, but also the Verdi union.



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