Germany: ThyssenKrupp returns to profitability and steps up its cuts program

Elisabeth Zimmermann
26 November 2014

Last week, Heinrich Hiesinger, the CEO of the German steel company ThyssenKrupp, announced the company had made a net profit of 210 million euros in fiscal year 2013/14. Adjusted earnings before interest and taxes (Ebit) doubled to 1.3 billion euros compared to the previous year.

Shareholders will receive a dividend of 11 cents per share. The main beneficiaries are the Krupp Foundation, which holds 23 percent of the shares of ThyssenKrupp, and the financial investor Cevian, the holder of more than 15 percent of the shares. Early next year, the head of Cevian in Germany, Jens Tischendorf, is due to join the ThyssenKrupp supervisory board.

The profit was extracted from the group's 160,000 employees worldwide, including 60,000 in Germany. 6,000 jobs were eliminated in the group, over 3,000 in administration and around 2,000 in the European steel sector. In addition, the company's austerity measures included plant transfers to cheaper wage locations, wage cuts and deteriorated working conditions for the remaining employees.

The "Redevelopment Partnership" struck by the ThyssenKrupp executive with the engineering union IG Metall and its works council has been so effective that it exceeded the original target of reducing costs in the previous fiscal year by 850 million euros, actually topping one billion euros.

Beginning October 1, steel workers are compelled to work reduced hours (from 34 to 31 hours per week) for the next four years. The deal was negotiated by the works council and IG Metall with company management. This is equivalent to a 10 percent pay cut and is coupled with increased workloads and stress due to the reduced workforce in the company's shift system.

The section of workers hit hardest is those at the AST steel plant in Terni, Italy. In mid-July, the ThyssenKrupp CEO announced the slashing of 550 positions out of a total of 2,600 jobs at the factory. The stainless steel plant, Acciai Speciali Terni S.p.A., is the largest employer in the city of Umbria.

Last year AST, along with the stainless steel company Innoxum (formerly Nirosta), was sold by ThyssenKrupp to its Finnish competitor Outokumpu. The sale was reversed, however, following conditions imposed by the EU Commission and the financial problems of Outokumpu itself. The recently announced job cuts are aimed at making the company, which currently generates losses, profitable again so that it can be finally sold off.

Workers have undertaken a number of strikes and actions to protest the job losses. At the end of October, 600 ThyssenKrupp steel workers protested in Rome against the decision to eliminate the 550 jobs in Terni. The workers were attacked by the police as they proceeded from the German Embassy to the Italian Economics Ministry. At least four workers and two union officials were injured.

Hiesinger, whose contract as CEO of ThyssenKrupp was extended to 2020, declared his intention to step up the company's rationalisation measures. By the end of September 2015, the company plans additional savings of 2.5 billion euros, 200 million euros more than previously announced.

Company earnings before interest and taxes are expected to rise by 1.5 billion euros in the current fiscal year and to top 2 billion euros soon thereafter. For the workers at ThyssenKrupp, this means harsher and more frequent attacks on their jobs, working conditions and social benefits.

ThyssenKrupp is using the international economic crisis—particularly the economic crisis in France and

Italy, as well as the decline in economic growth in China, whose auto industry is a major consumer of steel—to drastically intensify exploitation of its workforce.

The increase in productivity is part of the preparation to shed entire branches of production and to reorganize the global group. CEO Hiesinger has also replied evasively to media speculation that ThyssenKrupp contemplated shedding its steel interests altogether, given the current crisis in the steel industry.

In an interview with the *Süddeutsche Zeitung*, Hiesinger said: “There is excess capacity in Europe. But no one can say today whether the situation will be different in five or ten years’ time. Should there be a consolidation, we would actively participate as one of Europe’s largest steel companies.”

These comments should be seen as a threat to all European steel workers. Every company merger is accompanied by the destruction of thousands of jobs and further attacks on wages and social conditions. It makes clear the necessity for workers to unite across Europe and internationally against the attacks of the corporations and their accomplices in the trade unions.

While attacks on workers at ThyssenKrupp are to be increased, the ThyssenKrupp executive has increased the remuneration of its members by a whopping 69 percent in the past year. CEO Hiesinger received five million euros for fiscal year 2012/13. Personnel Director Oliver Burkhard, who transferred from his post with IG Metall into the ThyssenKrupp executive, received an annual income of 1.6 million euros, including royalties and bonuses, in 2013.

At the end of October, the *Süddeutsche Zeitung* ran an article with the headline: “Hidden salaries”, describing the pension provisions for the executives of large corporations. Regarding Hiesinger, the article notes: “But Hiesinger has in fact earned much more. The company CEO cost the ailing steel and technology group ThyssenKrupp no less than the princely sum of 13.8 million euros the year before last. ... Hiesinger’s pension costs alone for the fiscal year 2012/13 totaled 8.9 million euros.”

For all other ThyssenKrupp board members—including IG Metall works director Burkhard—the Supervisory Board approved retirement benefits “which were fifty percent higher than their annual salaries.” (SZ)

The deputy chairman of ThyssenKrupp’s Supervisory Board, Bertin Eichler, who approved this decision, is the chief treasurer for IG Metall, and received a total remuneration of 159,500 euros from ThyssenKrupp, according to the company’s annual report for 2011/12. This sum is, of course, in addition to his generous salary as an IG Metall bureaucrat.