German Karstadt department store plans more layoffs and pay cuts

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12 February 2015

The German department store chain Karstadt is planning to implement up to 1,500 job cuts—15 percent of its workforce—by 2016, together with pay cuts and speedups, according to internal plans recently made public.

Just over half a year ago, Austrian real estate entrepreneur René Benko took over billionaire Nicolas Berggruen's Karstadt group for the price of one euro. Benko's firm, Signa Holding, then appointed Stephan Fanderl to head the company. Fanderl began by announcing the elimination of about 2,000 jobs and closure of six stores in order to make Karstadt profitable again.

Now the company's supervisory board—which includes leading works council members and Ver.di trade union officials—is discussing a proposal stipulating detailed plans for imminent cuts and reorganisation measures.

The merchandise service centres in Dortmund and Bremen are to be closed this year. The service centre in Saarbrücken will meet the same fate in the next few years, and the one in Stuttgart will be relocated to Leonberg.

By 2016, only 8,170 full-time employees will be working in the 83 Karstadt stores, or 1,271 fewer than today. Several hundred jobs may also be eliminated at the chain's administrative branch in Essen. Staff cuts resulting from store closures that have already been announced are not included in these figures.

The greatest bloodletting will involve sales department managers, whose numbers are to be reduced by half. This will allow a whole management level to be eliminated from the stores in order to effect a "greater and broader integration of the branches," as the document puts it.

While hundreds will lose their jobs to reduce business costs, the remaining employees will also have to accept cuts in their Christmas and holiday pay.

The most severe measure, however, will be the division of Karstadt staff into three groups of workers: sales personnel, cashiers and employees in the newly created "product service teams." Up to 1,100 of these workers will have the job of unpacking goods and stocking shelves. This division of labour will soon make it possible for Karstadt to pay these employees at the significantly lower rates prevalent in the logistics industry. Such wage reductions would amount on average to about €300 a month.

Responding to these concerns, Karstadt claimed it did not intend to pay these employees at the same rate as logistics workers. But employees grouped in the new "product service teams" will certainly be getting less money. General works council chairman Hellmut Patzelt has confirmed that this proposal is being discussed among representatives from Karstadt management, Ver.di and the works council.

Management justifies the assault on wages by citing Karstadt's significantly lower "productivity" compared to its main competitors—especially the Kaufhof department stores. Karstadt's "productivity" is allegedly 25 to 30 percent less than that of its competitors. According to the proposal, staff costs are to be cut by €64 million to €308 million per year, amounting to a reduction of 20 percent. In the future, personnel costs for all branches—with the exception of the company's original store in Wismar, opened by Rudolph Karstadt in 1881—will not be permitted to exceed 14.5 percent of sales revenue.

The remaining employees will have to take on additional work. Going forward, one salesperson per floor will thus be considered sufficient for "basic staffing" throughout a store's opening times, and fewer cash registers will be operated. Goods will, in future, be delivered directly to the department stores in line with the "just-in-time" retail model, which in turn will help to reduce storage costs.

Either the new product service team employees will continue to act as sales staff—renamed only for the sake of having their wages cut—or the new system has been deliberately designed to drive the entire company into bankruptcy. This would then clear the way for a break-up of the whole concern. In that case, Benko, a convicted criminal, would be able to concentrate on what really interests him: highly profitable inner-city real estate.

In 2012, Benko had already grabbed for himself the best of Karstadt, including the 28 Karstadt sports stores and three KaDeWe luxury department stores in Berlin, as well as the Alster building in Hamburg and the Oberpolling in Munich, which are also part of Karstadt property. In the meantime, Benko has profitably sold half of these two business divisions to Israeli diamond dealer Beny Steinmetz.

Benko can depend on assistance from Ver.di and the works council leadership, led by Hellmut Patzel, to implement his plans to cannibalise the company and squeeze concessions from the workforce. For more than 10 years, these functionaries have agreed to all the cuts and job dismantling plans put before them. Untold millions have been extorted from the workforce and a vast number of jobs destroyed. Investor Nicolas Berggruen, who picked clean the Karstadt group, was lauded by Ver.di as a social benefactor. His successor, Benko, was also welcomed by Ver.di with open arms.

The regional *Westdeutsche Allgemeine Zeitung* (*WAZ*) newspaper reports that the planned attacks are already underway. The paper claims to have learned "from people participating in the negotiations" that "talks involving management and employee representatives (have) already progressed quite far" behind the backs of the workforce. According to *WAZ*, "Among other things planned are semi-retirement deals, severance packages, a transfer company to retrain Karstadt employees, and programmes for compulsory retirement at age 63."

The gradual dismantling of the long-standing company may be entering its final stage. Ver.di has unequivocally stated that it will continue to stand by Benko and future investors. Karstadt workers, in fighting to defend their jobs and wages, are thus confronted not only by management, but also the Ver.di service industry union.