German trade union approves 1,400 layoffs at Karstadt department store

Dietmar Henning
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The job and wage cuts at German department store Karstadt are proceeding without interruption with the full support of the United Services Union (Verdi) and the joint works council.

At the end of last week, Verdi and the works council agreed to lay off 1,400 employees. Dismissal notices are supposed to be sent out as early as March. “The employers want to push this through as fast as possible,” explained Verdi chief negotiator Arno Peukes.

Hellmut Patzelt, the chair of the joint works council, called the agreement a compromise with which he was “very satisfied.” “We have reached our goal—the establishment of a transfer company and the prevention of downgrading. Obviously we have also arranged for severance pay,” he explained.

The corporate leadership was more direct. It spoke of a “breakthrough” for the company which leaves restructuring efforts entirely on schedule.

In fact, the company has now nearly reached its target. In October of last year, Karstadt CEO Stephan Fanderl announced that he would slash 2,750 of the then 17,000 jobs within the company. The works council and Verdi dutifully expressed their indignation over these “massive cuts.” Since then, approximately 1,000 employees have been forced out of jobs into early retirement or part-time work. With the now-stipulated 1,400 layoffs, Fanderl is just 350 jobs short of his initial target.

For the 1,400 employees who will now be terminated, the well-paid Verdi and works council functionaries have arranged a meager settlement amounting to one half of monthly wages for each year of employment. A salesperson who worked full time for 20 years at Karstadt, will receive approximately €20,000, from which they must pay taxes.

Additionally, laid off workers will have the possibility between June 2015 and February 2016 to enter a transfer company, where they will receive roughly 80 percent of their last net wage. For most, this only means that their trip to the unemployment office will be delayed for a few months, where they will then receive even less support.

The company has also split up personnel into cashiers, sales associates and stock clerks. This means the latter category will now earn €300 less than sales clerks.

For theses workers, Karstadt is relying on voluntary redundancies and turnover within the workforce rather than on dismissals with the option for reemployment under new terms and downgrading. That is the only concession that the company has made. In practice, it means that older workers will be pressured until they “voluntarily” agree to downgrading and wages for new hires will be considerably lower.

This week, Verdi and the company put forward further drastic cuts during negotiations. As early as 2013, they quit the contract bargaining protections for retail workers, which meant that employees were forced to relinquish contractually agreed pay raises worth €50 million.

Fanderl wants to extend this “contract pause.” He further demands that employees now give up part of their vacation and Christmas pay and that the workweek be lengthened from the current 37.5 hours to 40 hours.

“We will not accept that,” said a Verdi spokesperson. But the trade union and works council functionaries have said that before every other cut. The signatures of Verdi and the joint works council can be found at the bottom of every contract agreement, which have deprived the Karstadt workforce of millions of euros over the last ten years.

The latest job cuts will not be the end to the wave of layoffs. Last year, Verdi and the works council already accepted the closure of six locations with a combined 350 employees. In a letter from October, Fanderl announced "painful decisions" and threatened the closure of 20 of his 83 stores, or their sale in the event that they still generated losses. In November, the joint works council wrote in a leaflet that the corporate leadership will place all of the Karstadt stores on trial, and placed an exclamation mark next to the word "all."

In January, financial director Miguel Müllenbach confirmed in a memo: "There is no doubt about it, drastic personnel changes in our stores and especially in the Service Center in Essen are unavoidable." There are currently about 1,700 workers employed in the Karstadt headquarters in Essen, referred to internally as the "Service Center." Ninety percent of staff at the online portal Karstadt.de are also expected to lose their jobs.

At the beginning of this month, the Supervisory Board—including heads of the works council and Verdi functionaries—discussed a 32-page Future Concept marked "strictly confidential." It described in detail the now impending cutbacks and restructuring measures. It was there that the process was evidently set into motion.

In order to quiet the growing resentment among workers, Verdi and the works council collected signatures for a petition from customers and conducted a postcard campaign on behalf of employees. For the beginning of March, a one-day strike is planned in order to placate staff without harming the company. With the restructuring agreements already in place, the union is now largely irrelevant.

Fanderl, appointed by Karstadt owner René Benko, can now carry out the planned job cuts. In the end, only fragments of the long-established company will remain, leaving behind the only thing that interests real estate speculator Benko: Karstadt real estate. In 2012 Benko, who was convicted that year of what a Vienna judge described as a "model of corruption," had already grabbed the choice cuts, including the 28 Karstadt sporting goods stores and the three luxury shopping centers in Berlin, Hamburg and Munich. All this was made possible by the joint works council and Verdi representatives.