Germany: Layoffs at gourmet chain Karstadt/Perfetto

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The layoffs and wage cuts at the German department store group Karstadt continue. The most recent piece of bad news concerns employees at the gourmet chain Perfetto, whose 43 branches are co-managed by Karstadt and the retailer Rewe.

According to a letter management sent to employees on July 15, quoted by *Handelsblatt*, "the previous business model with a heavy focus on the luxury chain [has] failed. Perfetto ran a "constant deficit" and was in need of major restructuring. For this reason, "Perfetto was not able to avoid personnel cuts."

The exact number of job cuts has not been announced, but it is estimated that between 300 and 500 of the approximately 2,200 employees will be laid off. Ten years ago, Karstadt still had 3,700 gourmet food employees in 60 branches. The remaining employees will be subject to a so-called "wage freeze," a policy that had already been implemented for employees of the other department stores. Employees will have to do without wage increases, Christmas bonuses and holiday pay.

A year ago, the previously convicted Austrian real estate speculator René Benko bought the Karstadt corporation for a symbolic sum of €1. In June 2015, however, he and his real estate holding company Signa were not able to acquire the department store chain Galeria Kaufhof and merge it with the Karstadt Group.

Since then, the billionaire has made it clear that he is not interested in restructuring the department stores but only in exploiting the workforce and further capitalizing on the attractive commercial space and real estate.

In August 2014, Benko took over 83 Karstadt branches. Since then, he closed the store in Stuttgart and announced that five additional stores will be shut down by 2016. An additional 15 branches and six sports outlets are threatened with closure as well.

In spring 2015, Benko sold the majority shares of three Karstadt-owned luxury department stores (KaDeWe in Berlin, Oberpollinger in Munich and the Alsterhaus in Hamburg) to Thai investors.

Two weeks ago, he sold the "Sevens" shopping centre in Düsseldorf to the international real estate company CBRE Global. The piece of high-end real estate had belonged to him since 2010. Stores like Saturn, Christ, Douglas and others are located there, and Benko had raised the rent by 72 percent over a period of five years.

Further efforts were supposedly required in order to help the Karstadt department stores stay on their feet. Sales expert Gerrit Heinemann of Niederrhein University calculated that investment of €1 billion was needed in the sales department alone, and an additional €1 billion would have to be spent on the expansion of e-commerce. He wrote, "The new orientation of Karstadt would require so much capital that it might even surpass what Benko can manage."

Since then, the department stores have been heavily "restructured" through personnel cuts and store closings, indicating that they are being made an object of speculation and investment for new investors. Of a total of 17,000 jobs, 2,500 will be cut.

Under its previous owner, Nicolas Berggruen, Karstadt had already abandoned the union-agreed retail wage contract, so that sales staff earn on average at least €120 less each month than the contract amount. Karstadt head Stephan Fanderl now recommends the demotion of a part of the staff to shelf stackers, which will result in their being paid even less.

Benko and Fanderl would not be able to carry out these attacks if they could not rely 100 percent on the works council and the Verdi union. Once again, Verdi is playing a central role in layoffs and cuts. Even if they are the worst asset strippers, Verdi praises every new owner as a “rescuer” and offers its support. This pattern has been repeated for decades.

In 2005, the union and works council welcomed Thomas Middelhoff, who now sits in prison for breach of trust, as the “white knight” at KarstadtQuelle AG, and supported his “restructuring plan,” i.e., his programme of deep cuts. Middelhoff took Karstadt into bankruptcy in 2009.

His successor, Nicolas Berggruen, acquired the Karstadt business in 2010, for a symbolic €1. While Karstadt suffered losses every year, Berggruen collected €7.5 million annually for the Karstadt name rights alone, which he purchased for a single payment of €5 million.

In August 2014, René Benko stepped onto the scene. As soon as he took over Karstadt for €1, he announced store closings and layoffs. The Austrian *Standard* newspaper called him an “adventurer and phony”. *Wirtschaftswoche* quoted a Karstadt saleswoman with the words, “We already had one billionaire as an owner. They provide absolutely nothing.”

Verdi, on the other hand, bestowed pre-emptive praise on Benko. Arno Peukes, retail secretary at Verdi, commented on the takeover: “We had great hopes for Nicolas Berggruen in those days. I will put it this way: René Benko seems more grounded, and he seems to have some people around him who are familiar with the topic of department stores.”

In the game of poker over the department store chain a few weeks ago, the union fully supported Benko and supposedly intervened with Olaf Koch, head of wholesaler Metro Cash & Carry, on his behalf. In an unmistakable pot shot at the competing Hudson’s Bay (the Canadian department store chain that was awarded the bid in the end), Verdi board member Stefanie Nutzenberger told the *Süddeutsche Zeitung* that the union opposes the “expanded concessions model in which a department store offers ever increasing floor space to outside retailers and their employees”. Nutzenberger, like Peukes, is a well-rewarded Karstadt supervisory board member.

A few days ago, Karstadt published its figures for the business year 2013/14, in which the corporation suffered a loss of €190 million. According to Karstadt head Stephan Fanderl, the loss in 2015 was “in the area of the mid tens of millions”.

As reported at the press conference announcing the figures, the loss would have “been much greater without the contributions of the 16,328 employees”, *Die Welt* wrote. “On the one hand, their numbers fell through job cuts and the removal of three premium department stores in Munich, Hamburg and Berlin by a good 900, on the other hand, Karstadt temporarily left the union agreed wage contract and saved on payments in this way. All together, personnel costs sank by almost 20 million.”

Once again, the company management, works council and the union are demanding a new “offensive” in order to get out of the red.

Jürgen Ettl, the new chairperson of the general works council who took over this post from Hellmut Patzelt in June, warned that the company head should not “exceed the target”, but in the same breath emphasised that “Mr. Fanderl tackles things consistently.”