

German supermarket chain to be broken up with thousands of jobs lost

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The German retail chain Kaiser's Tengelmann confronts liquidation. According to media reports the Kaiser's Tengelmann owner, Karl-Erivan Haub, intends to close dozens of stores and wipe out up to 8,000 jobs by January 1, 2017.

As usual, the ver.di trade union was notified in advance and has advised the company's management. A roundtable involving ver.di, together with Kaiser's Tengelmann and the two retail giants Edeka and Rewe, has been organised to ensure a smooth winding down of the stores.

The decision affects 5,650 shop assistants, warehouse workers, forklift and truck drivers and their families, as well as the employees of the Birkenhof meat processing company. They all have to reckon with mass redundancies, and the closure or sale of almost 430 supermarkets in the states of North Rhine-Westphalia, Bavaria and Berlin.

According to information from the *Westdeutsche Allgemeine Zeitung* of 10 September, Haub will announce his plan at an extraordinary company meeting on 23 September. Haub has already outlined his plan in a secret paper provided to the supervisory board, which includes trade union officials. It evidently involves the closure of less profitable stores, including over 80 in North Rhine-Westphalia, and the wiping out of at least 5,000, and according to *dpa*, up to 8,000, jobs. More profitable branches in Berlin and Munich are to be sold.

A fierce price war and rabid competition have raged for years in the food retailing industry due to the growing influence of internet marketers. The Cologne Institute for Business Research (IFH) expects that trade in physical stores could shrink by around €40 billion by 2020. This is also a result of years of stagnation and decline in real wages in Germany. A growing proportion of the working population has simply less

money for shopping.

For Kaiser's Tengelmann, a relatively small chain, the prices of its goods are roughly 10 percent higher than its market rivals Aldi, Lidl, Rewe and Edeka. Because the chain was suffering losses, CEO Haub announced his intention to sell Kaiser's Tengelmann to Edeka two years ago. Previously, employees had waived 50 percent of their Christmas and holiday pay for three years in a row.

Both the Monopolies Commission and the Federal Cartel Office vetoed the sale, arguing that Edeka would obtain a dominant position from the merger. However, Economy Minister Sigmar Gabriel (SPD) had already held talks in December 2014 with the heads of both companies, and annulled the veto in March 2016 with a ministerial decree. In so doing, he paved the way for the sale of Kaiser's Tengelmann branches to Edeka under certain conditions.

The conditions were primarily aimed at strengthening the unions at Edeka. They included both a five-year jobs and locations guarantee for 97 percent of the workforce, as well as a ban on the selling off of individual stores. Numerous stipulations were made conditional on the union's agreement. The Edeka Group, originally developed as a cooperative association of independent retailers, had previously prevented widespread trade union membership.

Edeka grudgingly accepted the ministerial decree because that was the only way to circumvent the cartel prohibition, and because ver.di signaled far-reaching cooperation. The competitors of Edeka, Rewe and Marktant, however, then filed a lawsuit at the Higher Regional Court (OLG) in Dusseldorf.

The OLG upheld their lawsuit in July and decided to ban the proposed merger. Minister Gabriel, together with Edeka, appealed to the Federal Court (BGH) to

permit the merger. Germany's highest court subsequently announced it would reach a decision by 15 November.

A final decision by the BGH could drag on for a maximum of two years, but the billionaire Haub is not prepared to wait. "The BGH option is no longer relevant," Haub told the *Süddeutsche Zeitung* in early September. With an estimated fortune of \$4.5 billion, the US magazine *Forbes* ranks Haub as one of the 200 richest people in the world. He is both the owner and chairman of Kaiser's Tengelmann.

When it became known that Haub would announce the rationalisation of jobs at an extraordinary Supervisory Board meeting on 23 September, the unions ver.di and NGG responded immediately. Rather than mobilise the workers of the affected companies against the job cuts, the unions agreed to organise a roundtable with the industry bosses this week to ensure a controlled liquidation of jobs.

If it depends on ver.di, then the fate of tens of thousands of ordinary salesmen and women, drivers, etc., whose jobs today are already among the toughest and worst paid, will be served on a platter to Haub and the multibillion-dollar bosses who run Edeka and Rewe. The roundtable is aimed primarily at defusing possible protest and resistance.

A particularly pernicious role is being played by Economy Minister Sigmar Gabriel. He immediately welcomed the planned roundtable, declaring that it was good, "if the competing companies are now willing to conduct the type of constructive discussions they refused to hold before the fusion process." This is hogwash. The "constructive discussions" will culminate in a shabby sellout of the workforce.

Sigmar Gabriel was never interested in the fate of cashiers, meat packers or other workers. He is only interested in his current project: a red-red-green government coalition of the SPD, Left Party and the Greens at the federal level, for which he needs the support of the unions and the Left Party.

In the poker game surrounding the fate of Kaiser's Tengelmann, Gabriel held talks at an early stage with Edeka, while ver.di leader Stefanie Nutzenberger (responsible for retail on ver.di's executive) held talks with the competitor firm Rewe. Nutzenburger sits on the Rewe Supervisory Board. Rewe had registered from the beginning its own interest in buying Kaiser's

Tengelmann branches.

Despite being competitors, both Edeka and Rewe have an interest in the roundtable discussions. Instead of the previous plan, i.e., to acquire the whole company with all of its loss-making stores under the terms of the ministerial permit, they can now pick out profitable stores to take over, while the union sabotages resistance by the workforce.

Now both the union and the SPD have given their seal of approval to the destruction of jobs, wages and workers' rights in the merger. This is clear from the contract bargaining completed by the unions a few weeks ago in anticipation of the BGH ruling on Edeka. According to the new contract, ver.di and NGG representatives have accepted job transfers, longer working hours, wage cuts and the closure of Birkenhof meat plants in North Rhine-Westphalia.

If it is left to the Social Democrats and union officials, then the fate of Kaiser's Tengelmann employees will be the same as the employees of other store chains that have closed or drastically rationalised, such as Neckermann, Karstadt, Practitker or Schlecker. In all of these cases, ver.di functionaries agreed to the closures and organised mass redundancies.



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