German conglomerate ThyssenKrupp slashes 2,500 jobs as it prepares to sell off steel division

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At the start of the week the ThyssenKrupp Group announced that it would cut 2,500 of the company's 18,000 administrative jobs over the next three years. Half of the jobs are to be shed in Germany by the end of 2019-20.

A spokeswoman for the concern said that the job cuts were "part of measures already decided." This, however, contradicts the company's previous argument that its current savings program was insufficient "to ensure a sustained positive inflow of funds from current business levels".

The spokeswoman declared that the company, with over 159,000 employees worldwide, had reviewed its administrative costs and compared them with those of its competitors. As a result the company was "convinced that our current administrative costs of 2.4 billion euros are clearly too high."

ThyssenKrupp plans to cut its annual budget of €400 million per year in order to "achieve our EBIT targets [earnings before interest and taxes]". The company is aiming to generate a profit of at least €2 billion per year, and at least €1.8 billion this year. It came as no surprise when the stock market immediately responded to the announced cuts with a leap in ThyssenKrupp shares.

The 2,500 who are to lose their jobs in the interests of the shareholders are only the beginning. The cuts are part of the preparations for the company's shedding of its steel business. The job cuts affect employees in the company's headquarters in Essen as well as administrative offices in other sectors—lifts, plant construction, auto components, trade in recyclables and steel production.

A week ago the *Handelsblatt* business newspaper reported that ThyssenKrupp would shed its steel group with currently 27,000 employees—even in the event of no successful deal with Tata Steel. The British-Indian steel firm has been negotiating a deal with ThyssenKrupp for almost two years.

In addition to a €500 million savings program, which was first announced in April and involves the loss of around 4,000 jobs, the shedding of the steel sector will endanger thousands of other jobs and entire factories.

According to *Handelsblatt*, the ThyssenKrupp Group wants to detach itself from its steel business by September.

ThyssenKrupp CEO Heinrich Hiesinger favours a merger with Tata Steel. In any new joint venture, however, Hiesinger has made clear that the concern does not want to retain the majority of shares, and thus the leadership and responsibility necessary for "ThyssenKrupp to recover its weakening position," one company manager told *Handelsblatt* .

The right wing daily financial newspaper, the *Frankfurter Allgemeine Zeitung*, noted cheerily: "If Hiesinger agrees a deal with the new Tata CEO, Natarajan Chandrasekaran, about 3 billion euros of pension charges, and financial liabilities attributable to the steel division, would disappear from the Group's books." New leeway would be created to concentrate on other sectors and increase dividends.

Hiesinger plans to fly to India this month to seal the joint venture with Tata. The subsequent loss of up to 10,000 jobs at the British and Dutch plants of Tata Steel and the German ThyssenKrupp plants could raise an estimated €500 million through the "synergies" freed up by the merger of both companies.

Should the "deal" fail, however, other alternatives are conceivable, according to *Handelsblatt*. "One possibility is the realization of previous plans: a partial sale to prospective customers from Asia and Eastern Europe or a launch on the stock market." In this respect the paper names as interested party the Russian steel producer NLMK headed by oligarch Wladimir Lissin, who, with a fortune of over €15 billion, is listed as Russia's third richest man.

Whatever deal is struck, ThyssenKrupp-Stahl Group, with its 27,000 employees, will be broken up. Over 200 years ago, steel production was behind Thyssen's growth into one of the largest industrial corporations in Germany, Europe and the world. This will soon be history.

The impact goes far beyond Germany, Great Britain and the Netherlands. The Austrian daily newspaper *Kurier* commented last week that the planned merger of Tata Steel and ThyssenKrupp "sets in motion the long sought withdrawal of steel overcapacity in Europe."

In addition to rising steel imports from China and punitive tolls on European steel by the US, "the third major problem of the European steel industry is the European steel industry itself," which has production capacities of around 210 million tonnes, but only needs around 170 million tonnes.

"These over-capacities must be dismantled as quickly as possible," declared Wolfgang Eder, former President of the World Steel Federation, and one-time head of the European steel association Eurofer. In the medium term, one in five of the roughly 350,000 steel workers' jobs is at risk.

ThyssenKrupp has announced it intends to implement its job cuts in a "socially acceptable" manner. According to the company's leading trade unionist, Wilhelm Segerath, this means full support for the job cuts in order to cut costs, but where possible without "job-related redundancies."

This is the theme tune of the German trade unions and the invariable starting point for job cuts. The "prevention of company-induced redundancies" by IG Metall and its works councils has paved the way for major plant closures in recent years, including GM-Opel, Outokumpu and many more.

The leader of the IG Metall in the state of North Rhine-Westphalia, Knut Giesler, criticised the constant talk about restructuring and mergers which had led to "considerable uncertainty among the employees."

"We want concepts and solutions that can be used to secure jobs at the factories—through innovation and growth," Giesler stated.

Regardless, the ThyssenKrupp Management Board is highly interested in working closely with IG Metall and its works councils to carry out the sell-off and job cuts. "Whether and how the board can build a bridge to the works council and IG Metall is still unclear," according to *Handelsblatt* last week. "There is still so much unexplained," the paper quotes a manager.

However, it is not only the company executive which is unclear. Workers remain in the dark, although the trade unions have representatives on all of the important committees of the supervisory board.

On Wednesday IG Metall's deputy head in Duisburg, Thomas Kennel, expressed his concern that "tomorrow the works councils will confront questions to which they have no answer." He assumes that "existing contracts will be respected and therefore redundancies excluded".

It is clear that IG Metall and the trade union are under enormous pressure from the workforce and are seeking to find a way to implement ThyssenKrupp's plans without serious opposition from workers. Anger with the IGM and works council is widespread. "The next works council elections will be held as early as the spring of 2018" *Handelsblatt* notes, and cites one source who declared: "If the IG Metall capitulates beforehand, then it will blow up in its face."