Over 10,000 jobs at risk at Deutsche Bank

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In the last two and a half years, Deutsche Bank has slashed 6,000 jobs and closed 188 branches. Now the global workforce of 97,000 is to be further reduced to “well below 90,000,” the newly appointed chief executive of the bank, Christian Sewing, told shareholders at a meeting last week.

Some shareholders, pointing out that rival banks compete with half the staff, clearly expect even more layoffs. The *Handelsblatt* business paper quoted internal sources who remarked, “Behind closed doors the target figure (for total staff) is more like 85,000.”

Last weekend witnessed the legal completion of the merger between the private and corporate businesses of Deutsche Bank and Postbank, which is also expected to be the prelude to further job cuts. The new company, with the name “DB Privat-und Firmenkundenbank AG,” will be based at Deutsche Banks’ Frankfurt headquarters. Financial circles anticipate a reduction in staff of around 15 percent.

An annual reduction of 1,500 jobs at Postbank over the next four years is already in process. Employees will be forced to “voluntarily” quit their jobs over the next four years via redundancy programs and the non-replacement of vacant posts. The contractually agreed protection against dismissal is due to expire in mid-2021 and the entire program resembles a form of blackmail.

A large proportion of the redundancies are planned in Deutsche Bank’s investment sector, from which the bank plans to withdraw after realigning its strategy. Some 600 investment bankers in the United States have already left the bank in the course of the past seven weeks. In the US there is no protection against dismissal. In all, the bank will provide €800 million for severance payments in the current year.

At the annual general meeting, the new boss was applauded by shareholders after announcing the job cuts. All agreed that the job losses were necessary and overdue, particularly with regard to the increasing digitization of the financial industry, where Deutsche Bank lags behind.

The union Verdi, whose representatives sit on the Supervisory Board of Deutsche Bank and in 2017 approved bonus payments of €2.2 billion for the firm’s top investment bankers, sought to play down the significance of the planned job cuts. In such discussions it was “urgently necessary to include the works councils,” tweeted Jan Duschek, who heads the union’s banking section. The union, relying on the works councils, has agreed to a steady loss of jobs in recent years.

Deutsche Bank has been in turmoil since the onset of the financial crisis 11 years ago. Its share price has fallen 35 percent this year alone. Before the start of the financial crisis in 2007 its share price fluctuated around €91. On Monday it fell below €10. In 2015, Deutsche Bank recorded a record loss of €6.8 billion and has continued to incur substantial losses since.

After the bank’s profit in the first quarter of 2018 fell by 80 percent compared to last year, its CEO, John Cryan, was fired and replaced by Christian Sewing, the head of the bank’s private customer business. At the annual meeting, Sewing announced a change of strategy and demanded the “necessary hard measures” to enforce it.

Business newspapers have sought to find culprits for the bank’s crisis among its previous executives. They argue that former CEO Josef Ackermann had allowed the uncontrolled expansion of Deutsche Bank into the field of investment banking, while his successor, Anshu Jain, had tolerated illegal transactions and secret deals, and last but not least, CEO John Cryan had failed to reorganise the bank quickly enough.

In reality, the problem does not primarily lie with the mistakes of individual managers, but rather in the crisis of the entire financial sector, where banks all over the

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world are struggling for market share and using increasingly criminal means to compete. In the late 1970s, when gains were being made more quickly through speculation in financial markets than through investment in industry, Deutsche Bank followed suit, ditching its traditional business model known as "Rhenish capitalism."

The former close interdependence of bank and corporate boards, which controlled and protected each other, was dissolved. Instead, stock markets determined the strategy of the corporations.

With the takeover of the London investment bank Morgan Grenfell in 1992 and the New York Bankers Trust Company seven years later, Deutsche Bank sought to compete for world market leadership against the biggest American investment banks.

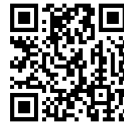
Like many other financial institutions, Deutsche Bank participated in criminal mortgage transactions, Libor interest rate manipulation, money laundering for Russian oligarchs and other shady and criminal practices. According to a study by the London CCP Research Foundation, Deutsche Bank had to pay fines of more than $14 billion between 2010 and 2014. The bank still faces more than 7,000 legal suits. Last year alone it set aside a total of €3.2 billion for legal claims.

The bank's attempt to compete with the big investment banks has "crashed with a bang," according to financial analysts. The future holds a wealth of other dangers. The growing trade war between the US, Europe and China, the crises in the Middle East, North Korea and the Ukraine, a hard Brexit or interest rate hikes could all spark a new banking crisis more serious than that of 2008.

German industrial circles regard this prospect with great concern. Already two years ago, the *Frankfurter Allgemeine Zeitung*, the mouthpiece of the German business world, warned: "German companies do not want to just rely on American investment banks … they want a reliable partner from the home market by their side. This role cannot be filled by other German banks such as Commerzbank. The German economy needs a healthy Deutsche Bank."

The German government is also worried about the crisis at Deutsche Bank. Social Democratic Party Finance Minister Olaf Scholz told the press that the government needed a bank that was a "global player."

This was precisely the promise made by the new head of Deutsche Bank at its shareholders' meeting. The firm was to become a "bank for Germany" of which one could be proud again. The price will be paid by its employees.



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