The destruction of Germany's Thyssenkrupp and the role of the IG Metall union

Dietmar Henning
6 October 2018

The decision to break up the German-based ThyssenKrupp multinational conglomerate—a giant in industrial engineering and steel production—by first dividing it into two companies has been secretly prepared for months. The IG Metall union has played a key role in this. In doing so, it is putting into practice the demands that aggressive hedge funds have been making for years.

Last Sunday, all the employee representatives on the Thyssenkrupp AG Supervisory Board agreed to the already negotiated plan, along with investors' representatives. The DAX [stock market index]-listed concern, currently with almost 160,000 employees, is to be divided into two companies. The new "Thyssenkrupp Industrials AG" comprises the profitable areas, above all the elevator division, the auto parts business and plant engineering. The second company is to be known as "Thyssenkrupp Materials AG" and includes steel production, submarine construction and materials trading.

The *Süddeutsche Zeitung* said of Thyssenkrupp Materials AG that it was a "sort of discount remnants," what financial circles would call a bad bank.

When CEO Heinrich Hiesinger and Supervisory Board Chairman Ulrich Lehner resigned their respective posts in July, IG Metall began working on a plan to divide up the company. With the resignation of Hiesinger, his deputy, IG Metall Secretary Markus Grolms, took over this key function. Thus, IG Metall played the leading role in the Supervisory Board.

First, Grolms sought a Memorandum of Understanding between the ten employee board members and the two representatives of the Krupp Foundation and the representative of Cevian Capital, Jens Tischendorf. That was in July. At that time, we wrote: "Under the given conditions, this means that IG Metall acts as the henchman for the shareholders and hedge funds."

While the interim chief Guido Kerkhoff, until then CFO, after his provisional appointment as Chairman of the Thyssenkrupp AG Executive Board, asserted that he had no mandate for profound changes—and made much in the media about finding a successor to Hiesinger, i.e., a replacement for Kerkhoff—IG Metall worked on the current break-up.

Finance daily *Handelsblatt* wrote on Thursday: "Until the day of the announcement, only the board and its closest associates knew about the project." For more than six weeks, Kerkhoff and his legal representative Donatus Kaufmann and Chief Human Resources Officer Oliver Burkhard held secret meetings with investment bankers Goldman Sachs, calculating the possible options. A partial listing of the elevator division was considered, as well as a sale of the materials business. Even the complete destruction of the industrial goods business was put to the Goldman Sachs bankers by the board trio. In the end, a break-up was agreed.

Handelsblatt ran the sensational headline, "Kerkhoff's secret operation." In truth, it was the *IG Metall's* secret operation. The union held the strings in the hands of Grolms, as chairman of the supervisory board, and Oliver Burkhard, as human resources director, and was the driving force from the beginning. Former North Rhine-Westphalia IG Metall District Secretary Burkhard became a millionaire in 2012 with his appointment as ThyssenKrupp's human resources director.

While Burkhard, with the US bank's financial sharks and his two board colleagues, was running the numbers for the different scenarios that promised shareholders the most profit, he was also discussing with his colleagues from the union how the planned break-up could be pushed through against the workforce.

In a press release the morning of September 28, shortly after the break-up became known, Knut Giesler, the North Rhine-Westphalia district head of IG Metall, demanded that the break-up not lead to compulsory redundancies. Secondly, co-determination—that is, the sinecures and posts of IG Metall functionaries—and the provision of solid financial resources for both companies had to be guaranteed. “Financial viability must be shown in an accountant’s report.”

All this was window dressing, because it had long since been “negotiated” by IG Metall. IG Metall and works council representatives, probably also Giesler himself, sat opposite none other than Oliver Burkhard, Giesler’s predecessor. “Just a few minutes after Kerkhoff’s plan became public knowledge through a leak,” *Handelsblatt* writes, “there had already been an agreement in principle with IG Metall.” Just as Grolms had already announced in July.

With this, all Giesler’s “demands” are fulfilled. Compulsory redundancies are excluded. IG Metall always uses this formula when it comes to massive job losses. Of course, the agreement in principle does not upset the already agreed savings measures and asset dismantling programs, which will continue unabated.

And of course, Grolms could inform IG Metall officials their sinecures were safe. “Both ThyssenKrupp companies will be co-determined joint stock companies, with parity representation committees.” In other words, there will be more supervisory board posts to be awarded in the future, and above all a second human resources director. One candidate for this post is likely to be Tekin Nasikkol, the works council chief of the steel division. As a member of the supervisory board, he and his works council colleagues had agreed to the break-up and subsequently promoted it in the media. “We were aware that Thyssenkrupp could not continue as it was,” he said. The Works Council and IG Metall had “nothing better to push through than the planned division.”

So it was just a formality that the supervisory board unanimously agreed the break-up on Sunday. Without the trade union officials this would not have been possible, as they currently have a majority on the Supervisory Board. Since the departure of Lehner and also ex-Telekom boss René Obermann, their two posts have remained vacant. Thus, IG Metall and the Works Council currently hold ten of the 18 positions on the Supervisory Board. The supervisory board, dominated by the union and the works council, also unanimously agreed to appoint Kerkhoff as the regular chairman of the board. That is the reward from IG Metall for his loyal cooperation.

Grolms’ assertion that financial investors “failed to achieve their requirement to sell off valuable assets from ThyssenKrupp” will be so much rubbish tomorrow.

The current division is the second step in smashing up the ThyssenKrupp concern, whose roots go back over 200 years. The first step was the merger of the Steel Division with Tata Steel. Now, with the division into two companies, the next step is being taken.

And that is certainly not the end. IG Metall representatives claim Thyssenkrupp Materials AG’s agreed share of Thyssenkrupp Industrials AG—Nasikkol spoke of about 30 percent—allegedly secured the fluctuation-prone steel, marine and materials business. However, the package, worth several billion euros, could be sold off in one go, or in several steps, *Handelsblatt* writes. In any case, it should “not be kept long term.”

Barclays Bank analysts said the company needed a broader strategy for better returns, and the division into two companies alone did not make the business more profitable. Thyssenkrupp will only exclude a sale of the marine segment in the medium term. Calls for this option have become more frequent in recent months.

In an interview with *Handelsblatt*, Thyssenkrupp CEO Kerkhoff said, “Now that we’ve decided on the joint venture for our steel business with Tata Steel, we’re taking the next logical step.” Further “logical steps” are being planned.

Thus, everything points to stormy weather at Thyssenkrupp. The IG Metall has subordinated the future of 160,000 employees to the profit interests of aggressive hedge funds. This has made it clear to everyone that in all coming conflicts, the jobs and all the rights and achievements of the workers cannot be defended through the union, but only against it.