Germany: Plans to break up ThyssenKrupp take shape

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The ThyssenKrupp Group is accelerating its offensive against its approximately 160,000-strong workforce. On August 8, CEO Guido Kerkhoff announced that a number of the company's divisions were "to be put to the test" because they were allegedly uncompetitive. About 9,600 workers are directly affected, mainly those employed in the auto parts business and in the heavy plate mill in Duisburg-Hüttenheim.

On August 8, Kerkhoff cited the concern's latest quarterly figures. Orders received by the company were slightly in excess of the same period of the previous year and sales had also risen slightly, but in the first three quarters, the group recorded a net loss of €207 million. ThyssenKrupp now expects a profit of around €800 million for the entire financial year—€300–400 million less than planned. Former head financial officer Kerkhoff has revised the company's earnings forecast downwards for the third time in his one-year term as CEO.

The background to the drop in profits is above all the decline in production in the auto industry, upon which several divisions of the company depend. In addition, the prices of raw materials, especially iron ore, have risen. "Global trade conflicts make the situation even more difficult," Kerkhoff said.

The company's three divisions—heavy plate (800 employees), springs and stabilizers (3,600 employees) and system engineering (construction of production facilities for the auto industry, 4,700 employees)—"represent 4 percent of Group sales, but account for a quarter of the negative cash flow expected in the current financial year" a press release stated.

Despite the poor quarterly figures, the company share price—currently at its lowest level for 16 years—rose after Kerkhoff made clear that the group was to be fundamentally restructured.

"Either we succeed now with restructuring, or we must seriously ask whether we can continue these businesses within the concern," Kerkhoff said. There are opportunities for further development, "but not necessarily under the roof of ThyssenKrupp."

Kerkhoff, who receives up to €9 million a year as CEO, said, "What will no longer happen is that divisions are allowed to permanently burn money without any clear perspective, thereby destroying value generated by other areas."

The latest reviews are part of the plan already announced by Kerkhoff in May to transform the concern into a type of holding company and break it up in the long term.

According to this plan, the most profitable segment, the elevator division with around 50,000 employees, will be listed on the stock exchange next financial year (i.e., October 2020 at the latest). But, Kerkhoff added, a sale is possible to competitors such as Kone or, according to Reuters, financial investors such as KKR, Advent or CVC.

Kerkhoff has announced the slashing of 6,000 jobs over the next three years, including 4,000 redundancies in Germany, with 2,000 of these in the steel sector. Administrative costs in the company's headquarters in Essen are to be almost halved next year from the current level of €380 million.

Kerkhoff claims that his plans will place steel production and materials trading at the heart of the concern's activities, but these are currently the sectors making losses. In the first three quarters of last year, the company's steel mills made an operating profit of €597 million. Now, in the same period of the current financial year, they recorded a loss of €75 million.

It was precisely due to such fluctuations that ThyssenKrupp originally planned to form a joint venture with its competitor Tata Steel. But the fusion failed following a decision by the European Commission that the resulting company would have monopoly status.

The plans for cuts announced in May were developed in liaison with the hedge funds that have been buying into ThyssenKrupp in recent years. These financial vultures are eager to break up and exploit the company.

The central role in the offensive against ThyssenKrupp workers is played by the IG Metall trade union and its works councils. With 10 representatives, IGM make up half the membership of the company supervisory board. They have been working closely with management and shareholders for years behind the backs of the workforce.

The merger with Tata Steel and the planned division of the two companies—now obsolete—were worked out by IG Metall and the works council in consultation with investors. A key role has been played by IG Metall Secretary Markus Grolms, deputy chairman of ThyssenKrupp's supervisory board. He works closely with the former state head of the IG Metall, Oliver Burkhard, who in 2013 moved directly from the union into the board of directors, where he receives up to €4.5 million a year as personnel director.

The ThyssenKrupp strategy announced in May, the effects of which are now emerging clearly, bear all the hallmarks of IG Metall. As is so often the case, IG Metall used its familiar gameplay of "compulsory redundancies" to justify job losses.

Just after Kerkhoff announced the cutting of 6,000 jobs, board member Burkhard declared that compulsory redundancies could not be excluded in a program of such magnitude. IG Metall promptly protested that it would never accept such redundancies. The following day, the executive, IG Metall and the works councils declared that they had agreed that redundancies would only be made "in exceptional cases."

Now the next act of the drama is being played out. The company wanted to avoid layoffs, Kerkhoff declared, but they would be on the table as "a last resort." The works councils responded angrily. In fact, there have been no compulsory redundancies at ThyssenKrupp-Stahl for decades, but nevertheless over the same period, thousands of jobs have been wiped out.

"Preventing compulsory redundancies" is the formula used for decades by the works councils, unions and corporations to cut jobs. The process began 30 years ago with the gradual closure of the Krupp steel plant in Duisburg-Rheinhausen. Then came the closure of the Opel plant in Bochum in 2014, followed one year later by the closure of the neighbouring factory owned by the Finnish stainless steel group Outokumpu (formerly ThyssenKrupp).

Now, IG Metall and its works councils are developing similar plans to seal the fate of the ThyssenKrupp steel mills which have a long history in the Ruhr region.

The chairman of the joint works council for the steel division, Tekin Nasikkol, who in May asked the board "to work together on a future strategy steel," has now declared his outrage as this strategy takes shape. Tekin said he wanted to prevent the "sacrifice" of the plant in Duisburg-Hüttenheim with its workforce of around 800. "Heavy plate production has a future," Nasikkol declared.

In reality, the plant has been on a short list for closure and Nasikkol knows it. In the so-called "Future contract," worked out to regulate a merger with Tata Steel, the works council agreed a deal to maintain jobs and plants for nine years. Due to provisions for redundancy notices this period could be extended to 10 years, declared Nasikkol's predecessor as chair of the joint works council, Günter Back, a year and a half ago. But even in this contract, there was no guarantee made for the plant in Duisburg. The deadline for Hüttenheim is the end of 2021.

Now Nasikkol said: "Colleagues at all locations feel insecure, but are still prepared to fight for their future and secure jobs alongside IG Metall."

Workers confront the fact, however, that IG Metall is not fighting for their future and jobs. On the contrary, the union is fully committed to the profit interests of stockholders—the hedge funds, banks, and the super-rich.

The works council chairman at the Hüttenheim plant, Mehmet Göktas, announced that "with some time, some money and capable managers, the heavy plate sector could return to profitability." The market is "lucrative," Göktas continued, "otherwise our competitors would not invest in it."

On August 9, the works council chairmen from 12 ThyssenKrupp steel plants discussed a course of action. They intend to develop a "project plan" to present to the company executive "to finally outline new perspectives".

"The executive has the ball," Nasikkol said. "After the cancelled joint venture with Tata Steel we expect a new future concept for the entire steel sector along with heavy plate." It is obvious what is going on: Nasikkol and his works council colleagues are preparing the next sell-off.

The Socialist Equality Party and the *World Socialist Web Site* urge steel workers to take the fight into their own hands. This calls for new combat organisations and establishing action committees controlled by the workers themselves. IGM works councils must be excluded from such committees, which must fight for the broadest mobilisation of the working class in Germany, in Europe and internationally. Contact us to prepare a serious campaign to defend jobs and wages.