Mass sackings as German department store group closes up to 80 stores

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Last week, several German companies announced massive job cuts. Workers are to bear the costs of the coronavirus crisis, so that the dividends of the shareowners remain secure. The crisis is also being used to speed up previously agreed restructuring measures.

For example, the announcement by Germany's largest department store group, the merged Galeria Kaufhof Karstadt, to close almost half of its stores was foreseeable, although not to this extent.

The group is already under insolvency protection. In this preliminary stage of the insolvency proceedings, management continues to run the business, while the announcement of closures and mass layoffs is assigned to the appointed insolvency administrators.

As reported by business magazine *Wirtschaftswoche* and the Reuters news agency on Friday, court-appointed administrator Frank Kebekus and the chief representative Arndt Geiwitz, who had already liquidated the Schlecker retail group, plan to close up to 80 of the more than 170 department stores. In the remaining stores, up to 10 percent of jobs are to be cut.

On Saturday, the *Kölner Stadt-Anzeiger*, with information from an insider from the group of companies, reported that about 20 of the 30 Karstadt-Sport stores also faced rapid closure. This would affect about 1,000 employees. The newly founded subsidiary Atrys, which operates the travel agencies of Galeria, is expected to be hit even harder. According to the newspaper, 100 of the 130 travel agencies will close.

In addition, thousands of jobs are to be cut at Galeria's Essen headquarters, where 1,600 people currently work. The headquarters of Karstadt-Sport, with 60 employees, also in Essen, will be eliminated without replacement.

Suppliers to the department store chain have also been hit. Handbag manufacturer Picard, with 2,000 employees worldwide, announced job cuts last week. The family concern sells 30 percent of its bags through the German department store chain. Picard applied for insolvency protection at the Offenbach district court at the beginning of last week.

The management of Galeria Kaufhof Karstadt had already prepared employees for the dismissals in an earlier letter. "Galeria Karstadt Kaufhof has lost more than half a billion euros during the period of complete closure," they wrote. Sales over the last eight weeks, including the important Easter period, had slumped and the shortfall could not be made up. "Overall, the loss in sales is expected to increase to up to one billion euros," management said.

So now, the workforce and their jobs are supposed to pay for the loss of sales. According to reports, however, there are no final decisions yet about the future of the approximately 25,000 employees. At the moment, talks are being held with the landlords of the department stores about rent reductions, which could have an impact on job losses.

The group is owned by Signa Holding, which belongs to the Austrian real estate investor René Benko. Although Benko has recently sold several department store properties as a package, he still owns a large part of the department stores himself. In any event, he is interested in the properties he has acquired with the two department store groups, which he is now exploiting at a profit.

The RedaktionsNetzwerk Deutschland (RND) rightly points out that the downsizing concept now presented was already being "negotiated in industry and company circles" during the merger at the end of 2018. "Does corona only serve as a pretext to pull old restructuring concepts of the Karstadt Kaufhof department store chain out of the drawer again?" asks author Frank-Thomas Wenzel.

Galeria Kaufhof Karstadt is not the only company taking advantage of the crisis to push through already planned restructuring measures on the backs of the workers.

Germany's largest financial institution, Deutsche Bank, which has been laying off employees for a long time, announced last week that it will accelerate this process. By the end of 2022, the board of directors wants to reduce the number of full-time jobs in the group by about 18,000, to 74,000 worldwide.

On Sunday, the chairman of the railway workers' union

EVG, Klaus-Dieter Hommel, reported that the railway was endangering more than 10,000 of the current 213,000 jobs. Hommel told *Bild am Sonntag* that in return for state aid, the railway wanted to save about €5 billion, including about €2.25 billion in personnel costs.

One of the largest tour operators in Germany, the TUI group, also announced last week that it would cut 8,000 jobs. In March, TUI had almost completely discontinued its business activities and, so far, holidays have been cancelled until June 14. The summer program is currently only 35 percent fully booked.

"The season will start later, but could take longer," said TUI boss Friedrich Joussen. Many employees are on short-time work, and the group will receive an additional loan of €1.8 billion from the state development bank KfW. Now he wants to reduce administrative costs by 30 percent. This will "have an impact on about 8,000 jobs worldwide, which we will not fill or reduce," said Joussen. TUI should "emerge stronger from the crisis."

Other corporations, which have suffered losses due to travel restrictions, have also announced reduction plans in recent days and weeks. The Frankfurt airport operator Fraport is preparing an unspecified reduction of jobs affecting approximately 22,000 employees. Currently, more than 18,000 of them are still on short-time work.

While the Lufthansa group is haggling with the federal government for a loan of up to €10 billion and wants to cut at least 18,000 jobs, Lufthansa subsidiary Brussels Airlines announced last week that up to 1,000 jobs will be cut. This would affect one-quarter of the workforce.

Meanwhile, aircraft manufacturer Airbus has announced plans to cut 10,000 jobs. At the end of April, Airbus head Guillaume Faury had already written to the 135,000 employees saying, "The survival of Airbus is in question if we do not act now." Placing 6,000 workers on leave of absence could just be the beginning, he had warned the workforce at the time.

The unions support this course, merely making toothless appeals to the corporations, if at all. Addressing TUI managers who are to receive a state loan of €1.8 billion, the head of the German Federation of Unions (DGB), Reiner Hoffmann, told the *Neue Osnabrücker Zeitung* last Thursday, "If the state helps, the bottom line is that more jobs must be saved."

The works councils of Galeria Kaufhof Karstadt and the trade union Verdi have been preparing the current jobs massacre for years with ever new cuts in posts and wages, allegedly to ensure competitiveness. Before Christmas, the group had supposedly guaranteed the future of the chain and thus also secured stores and job security through collective bargaining, it was claimed. Now they are complaining that the massive downsizing will be at the expense of the workforce, and appeal to politicians not to allow this.

The "hard fight" announced by Verdi is pure bluff. The trade unions do not represent the interests of workers against the corporations, but just the opposite, the interests of the companies and their shareholders against the employees.

To preserve the jobs, health and lives of the workforce in the coronavirus crisis, it is necessary to break with the trade unions politically and organisationally. The Sozialistische Gleichheitspartei (Socialist Equality Party) and the WSWS propose the creation of action committees, which will organise not only the defence of jobs but also the protection of workers in the face of the gradual resumption of work.

Workers should demand that protection against infection with the dangerous virus be guaranteed. At the same time, all workers must receive an income that guarantees their families a decent standard of living, whether they are at work or not.

The billions in state aid that are now flowing into the large corporations and banks must instead be used to contain the pandemic and overcome its social consequences. The large corporations must be expropriated and placed under workers' control. The same applies to the banks, hedge funds and assets of the rich. Only in this way can all available resources be used to satisfy the urgent needs of society.