Germany: Commerzbank employees confront phalanx of government, company and unions

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The Supervisory Board of Commerzbank approved the CEO's " Strategy 2024 " on Wednesday. Starting in 2024, costs are to be reduced by €1.4 billion a year and return on equity increased to 7 percent. To do this, the bank will cut 10,000 full-time positions and close 340 of its 790 branches.

The works council and the Verdi trade union are represented on the Supervisory Board, which has equal representation. As the Supervisory Board has no formal decision-making authority on strategy, there was no vote. After the special meeting of the Supervisory Board, the Bank merely announced that the majority of the Supervisory Board had approved the CEO's plans.

It is obvious, however, that in addition to the shareholders, the supposed employee representatives also support the slash-and-burn proposal. At the end of January, when Commerzbank CEO Manfred Knof announced "very painful cuts," Verdi representative Stefan Wittmann told the dpa news agency that the union could largely support the content of the strategy, objecting only that the timeline for staff reductions was too short.

On Wednesday, the Management Board and the Central Works Council agreed on a "regulation agreement," which is only concerned with making the job cutting go as smoothly as possible. According to this agreement, "by the time of the Annual General Meeting on May 5, 2021, the necessary regulations frameworks—a framework reconciliation of interests and a framework social plan—are to be concluded with the Central Works Council." In other words, the Management Board and the Works Council will jointly agree on how the 10,000 jobs will be eliminated.

Bank employees are facing a tight phalanx of the Group's Board of Management, the Verdi union, the Works Council, the shareholders and the German government. During the financial crisis of 2008, the German government took a stake in Commerzbank, paying more than €5 billion for a 25 percent share. Even then, the concern of the government was not for jobs, but for the economic interests of the large corporations. According to its own figures, Commerzbank handles about 30 percent of Germany's foreign trade, by financing and securing import and export transactions.

Currently, the German government still holds 15.6 percent of Commerzbank shares and is fully behind the bank's rationalization plans. When Verdi official Wittmann complained about the early announcement of the job cuts, Federal Finance Minister Olaf Scholz made it perfectly clear that "Everyone knows something has to be done, even something very drastic." Scholz warned that the job cuts should be carried out in accordance with the "tradition of social partnership" and that "a closing of ranks" should be established between the Works Council, the union and the company.

It was two years ago that German Economics Minister Peter Altmeier called for the formation of "large and strong players" that would be "on a par with competitors from the USA or China." Thus, two years ago the government had advocated a merger of Deutsche Bank and Commerzbank. Since those plans failed, it has advocated Commerzbank's restructuring.

According to the new strategy, the bank is to streamline its international presence, focus on customers "with a clear connection to Germany" and expand its business with high-net-worth customers and corporate clients in "private banking and wealth management." Customer traffic is to be greatly reduced through digitization. Employees appear in the strategic plan only as cost factors.

In order to achieve annual cost savings of €1.4 billion by 2024, the bank is prepared to spend €1.8 billion on restructuring. Fifteen international locations will be closed, 350 branches in Germany will be eliminated, and the 200 branches already shut down due to the coronavirus pandemic will not be reopened. Internationally, one in four jobs will be cut; in Germany, one in three. Specific figures are to be presented at the bank's annual press conference on February 11.

Countless workers in recent years have learned the meaning of the "social partnership tradition" invoked by Finance Minister Scholz. Tens of thousands have been manoeuvred out of their jobs in this way—with low severance payments, partial retirement, transfers to transitional companies, and from there into unemployment. Those affected are often urged by the works councils to accept these "offers," with the warning that otherwise they risk a less advantageous firing.

Commerzbank employees are shocked and deeply concerned about their professional futures. In an internal survey conducted by the bank, 80 percent of respondents were not optimistic about the bank's future. For shareholders and the board, on the other hand, the new strategy is a goldmine. Class antagonisms between labour and capital is on full display.

In 2019, when they were drawing up plans for branch closures, Commerzbank board members received a 39 percent increase in their pay compared to the previous year, according to the annual report, which amounts to more than €12 million.

Now, the prominent weekly paper *Welt am Sonntag* reports that "the bank's top managers are discussing a program for the second half of the planning period" that will "make shareholders happy." The newspaper states that the bank wants to use the money saved and equity released from the reduction of unprofitable business relationships to spend several billion euro on a dividend program and share buybacks. Share buybacks are a common business model that increases the value of shares and thus the wealth of shareholders. The German government, as the main shareholder, will also welcome this programme.

Commerzbank CEO Knof's post about the bank's strategy on his LinkedIn page was answered by a branch manager with a clear comment: "It's a pity that so many people lose their jobs for this, so that the heads up there can once again push through their strategy." The little people in the branches were working hard "so that the trough up there can get even bigger."