

# Germany's Galeria Karstadt Kaufhof department store chain being liquidated in instalments with help of the unions

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“Uncertainty and anger” was how Galeria Karstadt Kaufhof salespeople described their mood when the first protest actions took place in Berlin, Mannheim, Heidelberg and elsewhere earlier in December. The 17,000 employees still working in 131 of the retail chain's stores will not find out until later in January what layoffs and store closures the latest insolvency bodes for them.

In the run-up to Christmas, business was in full swing, staff scarce and overtime frequent. By contrast, in January, many Galeria Karstadt Kaufhof (GKK) sales assistants are threatened with dismissal as a “thank you,” unless they are part of the remaining stores classified as still profitable. Even here, they face restructuring, further wage cuts and an uncertain fate.

For years, GKK workers have been forced to sacrifice part of their wages, such as collectively agreed pay components, vacation and Christmas bonuses, supposedly to secure their jobs. Nevertheless, many sales assistants, logisticians and other GKK employees have already experienced at least one branch closure. For years, they have been sacrificing to keep the company alive. According to a recent estimate by the service union Verdi, an average Galeria salesperson must give up around €5,500 a year.

Nevertheless, the chain keeps experiencing new bankruptcies, store closures and liquidations, the last one just two years ago, in April 2020. Since then, no less than 40 stores with more than 3,000 staff have been closed—this despite the company twice receiving state support totaling €680 million from the Economic Stabilization Fund (WSF).

Step by step, Germany's last major department store group is being wound down. Over the past seven years, half of the workforce has been cut. At the time of the initial takeover by real estate speculator René Benko and his Signa holding company, for example, twice as many were still working for Galeria Karstadt Kaufhof, around 35,000 employees.

In October 2022, the group filed for insolvency for a

second time. René Benko and German CEO Miguel Müllenbach (who also sits on the management board of Signa Retail GmbH) plan to close “at least a third of the stores,” as reported by finance daily *Handelsblatt*, and “in industry circles there is even talk of more than half.” Half of all jobs are also to be cut at the company headquarters in Essen, which equates to almost 1,000 out of a total of 1,900 jobs.

In the meantime, owner Benko has delivered himself and his co-investors and speculators a massive windfall. Just six months after the last GKK insolvency, at the end of 2020, Benko-owned Signa Prime Selection AG paid out €201 million in dividends, Bloomberg reported. The holding company owns, among other properties, the department stores “KaDeWe” in Berlin, the “Golden Quarter” in Vienna, the “Oberpollinger” in Munich, the “Alsterhaus” in Hamburg, as well as shares in New York's Chrysler Building and the luxury Park Hyatt hotel, and much more.

*Forbes* magazine estimates René Benko's private wealth at \$5.4 billion. In the meantime, Benko is once again under investigation for corruption and is now also charged with bribery of public officials in Austria, having already been convicted in a final judgment in a similar case in Italy in 2014. In Vienna, Benko is alleged to have bribed a senior official at the Finance Ministry to influence a tax audit in his own favour.

In October, management unilaterally terminated a collective restructuring agreement concluded with Verdi. This was supposed to guarantee that the stores survived and to exclude compulsory redundancies until the end of 2024. To secure the agreement, Verdi accepted over 3,000 voluntary redundancies and 40 branch closures.

Time and again, the union bureaucrats and their works council representatives have helped draw up the closure plans and sold out and suppressed workers' resistance to them. This is their role now as well. After the unilateral termination of the contract, for example, Stefanie

Nutzenberger, Verdi executive board member for retail, complained she had not been sufficiently involved in the “new concept for the future.”

Like a sulking child, Nutzenberger told *Handelsblatt*, “We don’t accept that management completely ignores its own decisions and wrong decisions, refuses to accept any responsibility for them and wants to throw employees out on the street.” At the same time, however, “intensive talks are already underway about a successor arrangement” to the restructuring collective agreement, she said, as confirmed by a management spokesman.

In Berlin, the Senate (state executive) and the Left Party have no problems working closely with Benko’s Signa holding company. Two years ago, Culture Senator (state minister) Klaus Lederer (Left Party), the party’s current lead candidate in the state election campaign, co-signed a “letter of intent” with Signa in his capacity as mayor, giving the company the green light for its controversial real estate projects. The subject of the agreement is the conversion of the Karstadt branch at Hermannplatz, a new high-rise building at Alexanderplatz and further high-rise plans for a GKK site on Kurfürstendamm, all prime locations in Berlin.

Now, in the election campaign, the Left Party is trying to cover its tracks somewhat. For example, the party’s faction in the state legislature has submitted a motion to the Senate to cease cooperation with Benko, citing the threat of redundancies. Something without any consequence, of course.

The liquidation of Galeria Karstadt Kaufhof threatens not only the existence and lives of the staff, but also the supply of various goods to entire regions, since not everyone is able to make their purchases online. The sales assistants who demonstrated last week in front of the Galeria store on Paradeplatz in Mannheim reported, “Customers ask us, ‘Are you staying here?’ But we have no answer.”

To defend their wages and jobs, Galeria workers must organize themselves into independent rank-and-file action committees. These would discuss and organize the necessary fighting measures and link up with workers in other industries facing similar issues: mass layoffs, closures and constant attacks on conditions and wages.

The action committees are also the basis for the necessary political offensive. In fact, workers cannot assert their interests without opposing the cartel of the trade unions, government and the Left Party, and without challenging the capitalist profit system as a whole. To do this, Galeria workers must mobilize the support of the entire working class based on a socialist program.

The Verdi union does not represent the interests of workers but those of the capitalists. It has always forced new “reorganization collective agreements” onto the sales staff.

Store workers have paid for this with the loss of thousands of jobs and wage sacrifices, while Verdi functionaries have been rewarded with lucrative supervisory board posts.

In the GKK group, the union has repeatedly presented each new billionaire as the “white knight” who would save the company. First Nicolas Berggruen and the Canadian Richard Baker, finally René Benko. Each took over the company, skimmed off the profits and left the department stores to their fate. The lucrative properties in prime city locations were marketed off at a profit. Since then, the stores have had to rent back their sales areas at ever higher prices. And while the pressure on store workers is constantly increasing, only the most exclusive and profitable luxury stores survive.

Even now, a new “white knight” has emerged, an asset manager named Markus Schön. He owns online store Buero.de, which sells folders, pencils and notebooks for offices and schools and employs about 200 people. Schön also distributes a newsletter with stock market reports and supposed tips for the best investments.

Markus Schön has announced in the media that he intends to take over 47 department stores from the GKK chain with around 5,500 employees. They are to be continued under the new name “Schön hier.” Schön boldly promises that he wants to retain “the full range of products” and all jobs. “We consider the employees to be one of, if not the greatest, treasure of the company,” he is quoted as saying by the NZZ.

This should be taken with a large pinch of salt. According to financial website Capital.de, Schön plans to turn Galeria Karstadt Kaufhof into a kind of German Amazon. As it says on the site, “digital and stationary sales channels are to be merged” in order to show “Amazon and Ebay a German alternative.”

“Don’t take our jobs!” was written on the self-made signs that Galeria employees carried at the rally at Paradeplatz in Mannheim, telling broadcaster SWR that they felt abandoned by all the establishment politicians. “In principle, it’s like with nursing staff,” said one salesperson, “what use are good words and clapping if in the end they close us down.”



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