

Drastic closures and job cuts at Germany's biggest department store chain

Marianne Arens
19 March 2023

Galeria Karstadt Kaufhof, the last remaining major chain of department stores in Germany, confronts a new round of drastic cuts with another 52 branches marked for closure. This means that around 5,000 shop assistants, administrative and warehouse staff and other workers will lose their jobs by the end of 2024.

One of the two remaining department stores in the cities of Duisburg, Düsseldorf, Frankfurt, Nuremberg, Stuttgart and Saarbrücken will close, and additional closures are planned in Berlin, Hamburg and Munich. Branches in Leipzig, Gelsenkirchen, Leverkusen, Erlangen, Offenbach, Hanau and many other cities will also close, either in three months, on June 30, 2023, or by January 31, 2024. The press agency dpa has published a complete list of the announced closures.

Of the more than 5,000 employees who will lose their jobs, 4,300 currently work in shops slated for closure. Another 700 workers will be laid off from the concern's remaining 77 branches, while those not to be made redundant face further wage cuts and an even heavier workload. Workers have suffered wage cuts for years, with an average Galeria salesperson earning €5,500 less per year than provided for in the current contract.

A creditors' meeting this month is expected to approve the insolvency plan, which will be presented jointly by Galeria CEO Miguel Müllenbach and insolvency administrator Arndt Geiwitz. In the media, the break-up of the company has been justified by high energy prices and a change in consumer behaviour. However, this merely glosses over the real reasons and conceals the naked profit interests behind the demise of the company. The initial reports in the media largely failed to mention the name of René Benko, who owns Galeria Karstadt Kaufhof via his holding company, Signa Retail GmbH.

Forbes magazine according to real estate speculator Benko has a private fortune of at least €5 billion. He also owns the department stores KaDeWe in Berlin, Oberpollinger in Munich, Alsterhaus in Hamburg, the "Golden Quarter" in Vienna, the Globus chain in Switzerland, as well as shares in the Chrysler Building in New York, the US luxury hotel Park Hyatt and Selfridges in London.

Benko is not choosy in his methods and is currently under investigation for the umpteenth time for corruption. Authorities in both Italy and Austria have accused him of bribing tax officials and attempted tax fraud.

To rake in exorbitant profits, Benko and the Signa Group use the following method: They buy up department stores and separate the retail business from the valuable real estate in prime city centre locations. The real estate division, which belongs to the Signa holding company, then collects high rents from the department stores or sells these properties to global finance sharks, who in turn demand excessive rents from the shops, thereby aggravating the financial difficulties of the GKK group. Benko is currently in the process of selling half of the property of the luxury department store KaDeWe in Berlin to the Thai trading and real estate group Central Group.

Originally, Benko owes his rise to prominence to a political network centred around former Austrian chancellor Sebastian Kurz, who now works with Donald Trump. In recent years Benko has been able to multiply his fortune by relying on the close cooperation between his company executives with politicians and trade union officials.

Today it is Verdi, the German services trade union and its representatives that ensure the orgy of enrichment continues. Workers at the company

confront a conspiracy in which Verdi works closely together with management, the insolvency administration, politicians and the real estate speculator René Benko himself.

When the multibillionaire René Benko took over the department store chain in 2014 for the symbolic price of one euro, Verdi supported him, as it had done with his predecessors, Thomas Middelhoff and Nicolas Berggruen. Benko was hailed as the new “white knight” and redeveloper who would save the financially strapped department store chain from bankruptcy and lead it into a prosperous future. Since then, one “restructuring plan” after another has been concluded, invariably involving new impositions and sacrifices for the workforce. All these contracts bear the signatures of Verdi officials.

When Benko took over the GKK group, around 37,000 workers were still employed in branches that formed the centre of shopping arcades in the city centres. After the latest closure plan only about 12,000, i.e., not even a third, will remain.

“This is a black day,” wrote the central works council a few days ago, when it—not management—gave workers the bad news. Stefanie Nutzenberger, Verdi national executive board member, also called it a black day. But while they are shedding crocodile tears, the union officials on the supervisory board are working hand in hand with management and the insolvency administration to push through the cuts.

At the beginning of the coronavirus pandemic three years ago, Verdi agreed to a brutal management plan behind the backs of the workforce, involving the closure of 40 branches and the destruction of around 4,000 jobs. At that time, the German government gifted the corporation a total of €680 million from its pandemic aid program (i.e., taxpayers’ money). Only a short time later, the Benko-owned Signa Prime Selection AG distributed dividends of €201 million to its shareholders.

The “restructuring collective agreement” signed by Verdi in April 2020 was worthless. The company management unilaterally terminated the contract in October 2022 and annulled the guarantee to preserve 131 shops, along with the guarantee to avoid any compulsory redundancies until the end of 2024. These were all empty promises aimed at dividing and paralysing the workforce.

Verdi pretends it is conducting a struggle, while the parties linked to Verdi, the Social Democrats (SPD) and the Greens, cooperate with Signa. In Berlin, for example, they have realised joint real estate projects. The Left Party also participated and allowed Signa to develop new building projects at several GKK locations. A Letter of Intent from August 2020, sealing such projects at Hermannplatz, Alexanderplatz and Kurfürstendamm in Berlin, bears the signature of then Senator for Culture Dr. Klaus Lederer (Left Party) alongside that of the then governing Mayor Michael Müller (SPD) and Mayor Ramona Pop (The Greens).

Last week, insolvency administrator Arndt Geiwitz said he was “convinced that the Galeria department stores have a future, even if not in their current form.” In about three years, the company would again make a profit, Geiwitz said. Until then, further sacrifices are on the agenda.

The only force that can put a halt to the slashing of jobs are the workers themselves—shop assistants, clerical staff at the company’s headquarters in Essen, drivers, warehouse and other workers. The most important precondition is that they unite in independent action committees to take the negotiations out of Verdi’s hands. The struggle to retain the department stores is part of the struggle to protect entire city centre infrastructures. It must be directed towards the working population in the struggle to overturn capitalist property relations on a socialist basis.

Verdi is on the other side in this struggle, the side of capitalists like Benko and their political lackeys in government. Most recently, Verdi confirmed that it has no intention of defending the jobs and wages of post office workers. Verdi cancelled an indefinite strike that had already been decided and agreed a deal that its members had formerly rejected with an 86 percent majority. This shows that the struggle can only be waged independently of, and in opposition to, Verdi.



To contact the WSWs and the Socialist Equality Party visit:

wsws.org/contact