

Thousands of jobs threatened by insolvency of German department store chain Galeria Karstadt Kaufhof

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15 January 2024

Once again, Galeria Karstadt Kaufhof (GKK) has filed for insolvency in the Essen district court. Once again, sales assistants are facing the loss of their jobs and future prospects. This is already the third insolvency in less than four years. And now, of around 32,000 employees and 243 GKK stores in 2018, only 15,000 staff (12,500 full-time) and 92 GKK outlets remain.

In an initial statement on January 9, the trade union Verdi said its “absolute goal” was that “Galeria as a whole must be preserved.” And how does Verdi intend to achieve this? Silke Zimmer, responsible for the retail division on the Verdi executive board, replied: “In our view, an investor is urgently needed for this, preferably an investor with retail expertise.”

This shows Verdi has no intention of even considering, let alone taking industrial action to defend jobs. Verdi is simply hoping that a new investor (with or without “retail expertise”) will appear on the horizon.

This is no surprise. For many years, Verdi has shown itself to be incapable and unwilling to defend the store workers. When René Benko took over the Kaufhof and Karstadt department stores for the symbolic price of one euro, the union welcomed him with open arms as a “saviour” and showered him with praise. Benko was mainly interested in the valuable properties in prime city centre locations. The WSWS recently wrote: “Benko is the product and embodiment of a sick society in which profit and wealth count for everything, while the fate and even the lives of ordinary people count for nothing.”

Verdi has repeatedly built golden bridges for Benko. Stefanie Nutzenberger, Zimmer’s predecessor on the Verdi executive, helped the financier from Vienna to close down dozens of branches and cut employees’ wages further and further. For years, allegedly to “secure jobs,” GKK workers have been foregoing wage components such as collectively agreed pay, holiday and Christmas bonuses. Currently, their wages and salaries are on average around €500 a month below the collective agreement for the sector. And most GKK employees have already experienced a branch closure and made the associated sacrifices.

When the coronavirus pandemic began, the Signa holding company took advantage of this to drastically restructure in the course of GKK’s first insolvency in April 2020. Verdi campaigned for the government to provide Benko with €680 million from its economic stabilisation fund. The result at the end

of 2020 was a situation in which Benko-owned Signa Prime Selection paid out dividends totalling €200 million to its investors, while GKK employees paid the price with the loss of over 3,000 jobs and 40 branches.

The second insolvency followed in October 2022, and Verdi was prepared to seal the destruction of a further 5,000 jobs and 41 branches in a new restructuring agreement. The last of these stores are being closed right now, in the course of January 2024. So, workers at GKK now confront a third insolvency.

It is not due to the poor business performance of the department stores; GKK is caught up in the maelstrom of insolvency that Benko’s Signa Group is suffering as a result of the global interest rate crisis. Benko’s business model consisted mainly of Signa buying the department stores, increasing their property value and thus trading in real estate. This was accompanied by constantly hiking up rents, which Benko collected from his own department stores. For Galeria, this means the rents that some GKK shops pay to Signa consume up to 32 percent of revenue.

Signa was also able to borrow heavily against the highly valued properties: a kind of snowball principle that resulted in a huge mountain of debt. Benko used the money to pay for his lifestyle, his yacht, his private jet and lavish parties for influential politicians and financial backers. But it was also used to finance the purchases of new projects, such as the recent Selfridges prestige store in London, as well as other ongoing construction costs. Germany and Austria are now teeming with unfinished buildings; the ambitious Elbtower project in Hamburg has now been cancelled.

Above all, the money had to be used to pay the dividends due to investors such as management consultant Roland Berger, logistics entrepreneur Klaus-Michael Kühne, ex-Porsche CEO Wendelin Wiedeking and company heir Robert Peugeot.

The Signa empire consisted of an impenetrable web of over a thousand individual companies. It ultimately failed because interest rates, which have risen again in recent years, made refinancing the high debts a problem, while at the same time the value of the properties fell. The Ponzi scheme created threatened to burst. Within just nine months, Signa Holding’s mountain of debt rose from less than €2 billion to officially around €5 billion. According to JPMorgan, Benko is said to owe his lenders a total of at least €13 billion. Signa itself had to file for insolvency in

December.

For Galeria, the Signa bankruptcy means that the promised €200 million investment funds, which would have to come from Signa in March 2024, are probably not available at all. Suppliers are therefore only delivering goods for cash and the management board at GKK headquarters in Essen is running out of money. Insolvency proceedings were filed January 8.

The process is symptomatic of the deeply sick and bankrupt capitalist profit system and its effects on society. The WSWS article quoted above summarises:

Benko, who is only 46 years old, was able to become a billionaire in a very short space of time because the entire political system has long focused on enriching those already rich. Fantastic profits are made on the stock exchanges, in the financial and real estate sector, in industrial and IT monopolies with gigantic salaries paid to managers, while taxes are cut, exploitation is intensified and education, health and public infrastructure are cut to the bone.

GKK workers are now at a crossroads: are they willing to leave their fate to Verdi and its pious hopes for a new investor à la Benko or worse? Or will they take the fight for jobs and wages into their own hands?

This is how business weekly *Wirtschaftswoche* described the prospects for GKK:

For the experts, the answer is clear: a break-up of the group with its current 92 remaining shops is now the “likely scenario,” says Johannes Berentzen, head of retail consultancy BBE. And: “I would be surprised if more than 20 Galeria stores survive.” Retail expert Gerrit Heinemann from the Niederrhein University of Applied Sciences also believes it is conceivable that only a few “cream pieces” will remain from Galeria. Property specialist Lars Jähnichen from IPH Handelsimmobilien expects that “more Galeria stores will be closed.”

The investment company of billionaire Walter Droege could be a potential buyer, he adds, but would “only continue to operate a few premium shops.” Even if an investor were found who would continue to run a large proportion of the GKK branches, any new start will mean not only revised rental agreements but also employees’ working conditions being renegotiated and worsened. Under the conditions of such investors (better described as “locusts”), a new start will in any case be paid for dearly by the workforce.

The only perspective that considers the vital interests of GKK workers is that of the rank-and-file action committees. Sales assistants, logistics staff and other GKK workers must break with Verdi, because the union has proven it is not leading a fight. The

union has almost 1.9 million members, but instead of mobilising workers at Amazon, Deutsche Post, in the public sector and elsewhere against the attacks by the employers and the austerity measures of the federal government, Verdi has isolated each individual sector from all the others. In fact, the Verdi leadership under Frank Werneke, Andrea Kocsis and Christine Behle is keen to keep the working class under control so as not to jeopardise the government’s programme of austerity and war.

The initiative to establish independent action committees was taken by the International Committee of the Fourth International and the Socialist Equality Parties, so that workers and employees can take the fight for their jobs and wages into their own hands. To this end, they have set up the International Workers Alliance of Rank-and-File Committees.

The action committees have two central principles that determine their struggles:

First, blue- and white-collar workers will not find their allies in governments, on company boards, among managers and investors, or in union headquarters. Our allies are the workers of other companies, industries and countries that are confronting the same problems—in other words: the international working class.

The natural partners of GKK workers are their colleagues in department stores such as Oberpollinger, KaDeWe, Alsterhaus, Globus and Selfridges, as well as in the Elbtower project companies, all of which are also affected by the Signa bankruptcy. In 2022, around 40,000 people worldwide worked in companies owned by Signa.

Secondly, the lives and well-being of working people and their families are more important than the profits of the capitalists. Therefore, first and foremost, every job must be defended, as well as the full reimbursement of wages and preservation of all workers’ rights! The working class is a great social force. As soon as it realises its strength and frees itself from the deadening control of the trade union bureaucracy, it can achieve anything.



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