Germany: Speculation mounts over Thyssen Krupp plan to outsource steel production

By Elisabeth Zimmerman
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Speculation has been growing over recent months that Thyssen Krupp could be preparing to part with its steel production division that employs some 26,000 workers. Such an outcome would involve thousands of job losses and a further deterioration in working conditions.

Thyssen Krupp AG emerged as a result of the merger of three German steelmakers with a long history. In 1999, Thyssen and Krupp merged, with Krupp having already taken over Hoesch in 1991. Thyssen Krupp is Germany’s largest steelmaker and technology firm.

The fear that the steel division could be sold off grew when Swedish investor Sevian Capital increased its share in the company to more than 15 percent last year, becoming the second largest shareholder after the Krupp Foundation. Sevian is represented on the Krupp board of management by its German chief, Jens Tischendorf.

When the finance investor first became involved with Thyssen Krupp in autumn 2013, Tischendorf stated, “We see significant potential to increase the company’s value over the next five to seven years.”

Sevian’s business model is based on involvement in a company it considers to be undervalued, achieve influence over company policy with a seat on the board of management, and then impose drastic cuts to increase the company’s value at the expense of the workforce.

For a short time, Sevian was involved with the construction and crane producing firm Demag Cranes. The firm enforced major job losses so as to sell its share at double its original price to the American firm Terex, which assumed full ownership of Demag Cranes.

More recently, Sevian enforced this ruthless strategy at building company Bilfinger, where hundreds of workers lost their jobs. The chief executive, former Hesse state premier Roland Koch, and the chairman of the board were forced out one after the other because they did not achieve the sales targets set by Sevian.

The *Süddeutsche Zeitung* wrote of Sevian on March 26: “The investment firm invests mostly in firms it considers undervalued. It measures the success of the company based on its strongest competitor. In this comparison, Thyssen-Krupp does not perform well in some areas. ‘Then we look at why and how our target company can be just as good and successful,’ said Tischendorf in a recent interview and added, ‘That is exactly what we have done at Thyssen Krupp, and we are convinced that a lot of potential can be created with the correct decisions.’”

According to the *Süddeutsche Zeitung*, Thyssen Krupp chief executive Heinrich Hiesinger is in favour of maintaining the unity of all of the company’s divisions, including steel production. Through a new and intensified round of cuts, he intends to make the company profitable at the expense of the workforce. He has the unqualified and active support for this in the IG Metall trade union and works council.

Nonetheless, proposals to separate off entirely the steel production division continue to feature on Thyssen Krupp’s board. When the firm reported a loss of €5 billion in the autumn of 2012 for the business year just concluded, brought about above all by the disastrous attempt to build new factories in Alabama in the United States and Rio di Janeiro in Brazil, newly appointed chief Hiesinger introduced the first multi-billion-euro savings programme.

Based on information from sources on the board, *Wirtschaftswoche* reported at the time that Hiesinger was considering all options for the steel subsidiary, from outsourcing to placing the German plants on the stock market.

Thyssen Krupp's former stainless steel manufacturing plants, with the exception of Terni in Italy and VDM in Germany, were sold off to its competitor Outokumpu, leading to the closure of several factories and the loss of thousands of jobs.

Along with Sevian, voices are now being raised by representatives of the steel industry who consider the closure or merger of further steel manufacturers in the near future to be unavoidable. At a conference organised by Handelsblatt at the end of February, Wolfgang Eder, president of the global steel association WorldSteel and chief executive of Austrian steel producer VoestAlpine, doubted that there would still be active steel production facilities in Europe in 20 years' time.

The head of Thyssen Krupp's steel division, Andreas Goss, stated, "Sooner or later there will have to be a further consolidation, because quite simply not all providers can survive." Thyssen Krupp intended to enter this struggle from a position of strength.

Goss explained that the investments recently undertaken in the steel division, and the profit of €79 million made in the last quarter at the company's European steel operations, were mainly the result of a strict cost-cutting programme. This was imposed on the Thyssen Krupp workforce with the support of IG Metall and the works councils.

When the firm announced its multi-billion cost-cutting programme in late 2012, Oliver Burkhard, who until then had been regional head of IG Metall for North Rhine-Westphalia, was appointed as human resources chief to impose the planned attacks on the workforce. Thyssen Krupp paid Burkhard around €170,000 per month for his services. He collaborated closely with the company works council led by Wilhelm Segerath in the drafting and implementation of the cuts.

One measure which hit the steel workers at Thyssen Krupp particularly hard was the reduction of the work week from 34 hours to 31 hours beginning in October 2014 for a period of four years. This enforced reduction of working hours meant a pay cut of around 10 percent and increased pressure for workers in the shift rotations, with the number of workers per shift reduced.

This measure was agreed upon in September 2013 by Thyssen Krupp Steel's labour director Thomas Schlenz, former head of the central works council, and his successor Segerath. IG Metall's contract commission signed up to it as part of a drastic cost-cutting programme.

When statements by Hiesinger caused unrest in the steel division at the end of last year, IG Metall and the central works council organised a brief protest in front of Thyssen Krupp Steel's headquarters in Duisburg-Hamborn. Representatives from the works council and IG Metall made demagogic appeals for the company's board to make a commitment to steel and referred to their own efforts towards ensuring the international competitiveness of the company with cost-cutting measures and the enforced victimisation of steel workers. Such protests are exclusively aimed at covering up the union's own role in the attacks on the workers, which is increasingly difficult to disguise.