Austrian billionaire takes over leading German chain store

By Marianne Arens
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The Austrian billionaire and investor René Benko is taking complete control over the major German department store chain Galeria Karstadt Kaufhof. The decision will result in more branch closures and cuts to jobs and wages.

The current concern was formed just eight months ago by the merger of Karstadt with Galeria Kaufhof. Benko's Signa Group will now take over 49.99 percent of the company and the remaining shares in its real estate portfolio, which previously belonged to the Canadian Hudson's Bay Company (HBC), for a total of €1 billion. The Canadian corporation will retain only its department stores in the Netherlands, while the Inno concern in Belgium will also be taken over by Signa. In future, the German head office will be concentrated in the former Karstadt headquarters in Essen. The headquarters of Kaufhof in Cologne is to be closed.

The complete takeover of the department store giant with 240 premises across Europe and around 30,000 employees awaits approval from the same antitrust authorities which easily approved the previous merger last November.

In his plans to rationalise and downsize the workforce, Benko can rely on the loyal cooperation of representatives of the Verdi services trade union. Verdi responded to the latest takeover in typical fashion. Verdi's retail representative Orhan Akman said: "We expect the right decisions for a convincing future concept worthy of the name."

Behind this cautiously worded comment is the fact that Verdi has been involved in talks since the beginning of the year. At that time, a top-level discussion took place in Berlin, where René Benko and his German managers presented their "future concept" to the leaders of the central works councils of Kaufhof and Karstadt. The national chairman of Verdi Frank Bsirske and Verdi federal executive member Stefanie Nutzenberger also took part.

Afterwards, Verdi promoted the deal that had been reached, i.e. Signa-Holding would "provide a three-digit-million euro cash injection in spring if workers were prepared to make a 70 million euro contribution to the company's recovery."

On May 17, just three weeks before the full takeover, Verdi and the company works councils signed an agreement and redundancy plan to slash 2,000 full-time jobs—1,000 management and administrative staff (mainly in the old Kaufhof headquarters in Cologne) and another 1,000 full-time jobs in shops. The deal struck with Verdi was an important step for Benko.

In the *Kölner Stadtanzeiger* the head of the works councils for Kaufhof, Peter Zysik (Verdi), reported with satisfaction that "only 1,000 of the initially announced 1,800 jobs" would be lost. In fact, the total number of jobs threatened is much higher, because department stores employ many part-time workers. In the merger last fall, several reports cited a figure of 5,000 jobs to be eliminated, i.e., one fourth of the current workforce of just under 20,000 in Germany.

In addition, the employees remaining will once again be expected to accept wage cuts. The contracts for the retail industry no longer apply to the workforce. Galeria Kaufhof resigned from the official contract bargaining agreement in March 2019, which Karstadt had quit some years previously.

Ten years ago, the union agreed to a special "restructuring contract" at Karstadt, which forced employees to accept wage cuts and waive their holiday and Christmas bonuses. Verdi also started negotiations at Kaufhof in November 2017 on a "restructuring agreement." As a result, jobs and wages have been cut and branches closed. Wages and working conditions are well below contractual norms.

In the past few weeks, and as part of the current contract negotiations, Verdi has called short-term strikes and some protests. Its officials have verbally denounced the cuts at Kaufhof-Karstadt and demanded normal contractual wages, but these actions are aimed merely at letting off steam and suppressing any real resistance.

Verdi is prepared to support the company in all attacks on employees. While Verdi activists organise toothless protests, leading union representatives sit on all the company's executive boards and often work out the plans for cuts themselves, which they then sell to the workforce as the "best possible solution."

Verdi has been working with the former Karstadt boss and today's CEO Stephan Fanderl for years. According to the Karstadt works councillor Jürgen Ettl: "Mr. Fanderl tackles things consistently."

Time and time again Verdi have claimed that job and wage cuts were necessary to avoid the closure of individual branches. The latest developments confirm the utter hypocrisy of such claims.

In June, the shops that were transferred to the Saks-Off-5th chain just two years ago are to be shut down. This applies to Saks-Off branches in Düsseldorf, Stuttgart, Frankfurt, Wiesbaden, Bonn, Heidelberg, Cologne, Hanover, as well as in Amsterdam and Rotterdam. At the end of January 2019, Benko closed down the Kaufhof branch in Hof. Other closures will follow.

The closure in Hof graphically reveals the background to the many years of transactions. The property of the branch in Hof was sold off to a Hamburg real estate owner. The latter refused to extend its lease with Kaufhof because he preferred to hand over the property to a hotel chain planning to build a four-star hotel on the site.

This sheds light on the real interests at work in this game of department store monopoly: Investors are particularly interested in the real estate of the shops, which are mostly situated in prime locations in inner cities. They are less interested in the department store business, which is under strong pressure from online retailers such as Amazon and Zalando. Traditional department stores are struggling with falling sales and profits while property prices are rising. Ownership of the land and building is increasingly being separated from the department store business. The real estate is being sold separately, and then the department stores are forced to lease back their sites for ever higher prices.

Those able to survive will be the most exclusive and profitable department stores whose employees raise the necessary funds for leasing through increased workplace exploitation. According to Verdi, the various "reorganisation tariffs" agreed during the past few years have increased the company's coffers to the tune of well over €1 billion.

Workers' wages, jobs and conditions can only be defended on the basis of a socialist program: by expropriating the big banks, corporations and billionaire investors, and organising the economy to satisfy social needs, rather than the interests of shareholders and speculators.

This is impossible, however, as long as workers remain subordinated to unions such as Verdi and their works councils. This is shown by the way in which Verdi board members have welcomed and applauded the billionaire René Benko, as well as his predecessors, Nicolaus Berggruen and Thomas Middelhoff, as "white knights" and saviours.

Like Berggruen, Benko was able to take over the then loss-making Karstadt Group for a symbolic euro. Despite the years of salary waivers by employees agreed by Verdi in 2010, Karstadt has continued to make losses, while Berggruen received €7.5 million annually—from the Karstadt naming rights alone. Berggruen had originally acquired the rights for a one-time payment of €5 million. Now the same theatre is being played out under Benko.