

Opel car company prepares mass job cuts throughout Europe

Part 1: German trade unions agree to the Olympia restructuring plan

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25 September 2001

The following is the first of a two-part article on job cuts at the Opel car company in Europe. The second and concluding part will be posted on Wednesday, September 26.

During the next months the German car company Opel, a subsidiary of General Motors (GM), the world's biggest auto producer, is planning to implement the most drastic cuts in jobs and wages ever carried out by the concern over such a short period of time. These cuts are at the heart of the Olympia redevelopment plan, which was presented in the middle of August by the chairman of the Opel board, Carl-Peter Forster. As has been the case with other previous attacks on workers made by the concern, Opel management is relying heavily on the support of the car workers' and engineers' trade union IG Metall and its factory representatives.

Six thousand jobs are slated to go in Germany alone, where Adam Opel AG employs a total of 41,300 employees, producing cars at its plants in Rüsselsheim, Bochum and Eisenach and engines at its factory in Kaiserslautern. In addition, wages are to be cut, the present network of 1,000 auto dealers halved and the number of ancillary workshops cut by at least 30 percent. In order to further reduce jobs and wage costs, entire spheres of production, such as the construction of axles or production of engines, are due to be sold off or transformed into joint ventures with other concerns.

With its Olympia plan General Motors is seeking to save around 2 billion euro (approximately 4 billion deutsche marks) and reduce capacity by 15 percent.

In addition to the measures planned for Germany, the new plan will affect another 13 Opel plants across Europe, including Saragossa in Spain, Azambuja in Portugal, Antwerp in Belgium and Gleivitz in Poland. According to Opel executives, the company, with a total of 88,000 employees throughout Europe, has a current surplus capacity in relation to demand of 350,000 cars per year.

Only the production of the model Zafira in Opel's German Bochum plant is still running at full steam and making money for the company. Demand for the Corsa and Astra models, traditionally favoured by small wage earners or bought as second cars, has plummeted.

As a result of the collapse in sales at home and in Europe, Opel lost a total of 835 million marks last year. Similar losses are anticipated for this year.

A global strategy in light of the worldwide changes in the auto industry:

GM company strategy embodied in the Olympia plan resembles measures being undertaken by other international car companies. Whether it is the German Volkswagen (VW), French Renault or

Japanese and Southeast Asian concerns, the pattern is the same: plant closures, job and wage cuts and an enormous intensification of productivity and demands made on workers in the factories.

These policies are part of a dramatic international restructuring of the auto industry which began a few years ago. It consists of a concentrated globalisation of production in every concern or alliance of companies and an increasingly rapid and more brutal consolidation of production, distribution and marketing capacities through plant closures, mergers and production transfers, i.e., the adaptation by an industry characterised by enormous and growing overcapacity to the collapse in the market for autos.

According to estimates by auto organisations, worldwide overproduction of cars means 90 car plants are superfluous to demand. In Europe, total production capacity amounts to 21 million cars per year. Current sales total just 15 million, i.e., a little over two-thirds of the amount being produced. According to marketing experts, over the next few years a new wave of mergers and takeovers will result in the survival of at most four or five companies. Prognoses for Germany are that the "tidying up" of the industry will cost a total of 200,000 jobs up to the year 2010.

In the struggle for shrinking markets and profits Germany's Daimler-Benz took over first Chrysler and then Mitsubishi. GM responded by taking over the Swedish car company Saab, having already swallowed up Vauxhall in Great Britain. French Renault joined forces with Japan's second biggest car company, Nissan, and then took control of Korea's auto giant, Samsung Motors.

These takeover tendencies have further accelerated as a consequence of the worldwide recession and collapse of consumer markets developing in the US and Europe.

A veto by GM, which prevented Opel from exporting cars to the US, has meant that under conditions of years of declining demand in Germany, company sales and profits have been hit harder and earlier than at its main German rivals. The remaining German companies, in particular VW and BMW, were able to profit from sales in the United States in the first half of this year. Proceeds from exports for German car makers grew by 16 percent up until May of this year, while new sales in Germany declined by 4.8 percent over the same period (in May alone the decline amounted to 6.8 percent). Since May the affects of the economic slump and growing unemployment have been making themselves increasingly felt in the US itself and the subsequent drop in sales will have inevitable repercussions for VW and BMW.

Preparation for the introduction of the euro and its consequences for production and demand in Europe:

The restructuring of the Opel company à la Olympia is not just a reaction to the latest falls in demand and profits, but rather a long-term preparation by the company for the introduction of the joint European currency (euro) due at the start of next year. The introduction of a single currency for the majority of western European countries will mean an immediate intensification of competition for car makers, who will confront a domestic market more complete than any single national market with a total population of over 300 million people. All of the technical mechanisms and costs involved in changing one national currency into another, as well as the organisational costs in factories, will no longer apply.

This will at the same time improve the chances for companies to organise their production, via cross-border mergers, collaborations, transfers, etc., in a more global, cost-effective and flexible manner.

It is necessary to view against this background the strategic alliance sealed last year by General Motors with the Italian Fiat company when GM took over 20 percent of Fiat shares. GM anticipates being able to make annual savings of around DM2.5 billion by 2003 through the production of engines and gears in collaboration with Fiat. Afterwards GM anticipates profits of up to DM4 billion with the company extending its production via a joint venture to become the main producer of engines and gears, not just for its own plants, but for the entire car industry, i.e., including concerns such as Ford, BMW, Renault or VW.

GM has also secured the right to purchase the remaining 80 percent of Fiat shares and take over the entire company as it did in the cases of British Vauxhall and Swedish Saab.

It is anticipated that GM will sign a contract in September this year for the takeover of all or at least part of the South Korean auto concern Daewoo. This would mean that GM would not only control the biggest market in Southeast Asia, but would also increase the possibility of making further savings in its European factories through production transfers and “market cleansing” on a world scale.

General Motors is determined to win back lost market share in the shortest possible time and, in particular, improve its capital return and share market value. In its edition of 18 June 2001 the *Wall Street Journal* reported that company management was planning to rapidly stock up its “war chest” (cash flow), to \$13 billion from its current level of nearly \$11 billion.

The Olympia restructuring plan is aimed at guaranteeing that these trade war measures are successful in record time, ensuring that dividends flow into the pockets of shareholders—and all at the expense of the company workforce.

The reaction by the IG Metall and the Opel trade union factory committee:

In the face of this enormous offensive by the company the car workers trade union IG Metall and its factory representatives are neither capable nor willing to defend workers’ interests. On the contrary, the union has made it clear to management that it will do everything in its power to secure the implementation of the plans against any worker opposition.

The essential elements of the plan were already presented to an Opel executive committee meeting at the beginning of August. According to corporatist company law in Germany, trade union representatives are allowed to sit on the board of directors. The Opel executive includes IG-Metall functionary Thomas Klebe (deputy chairman) and the chairman of the Bochum factory trade union committee, Peter Jaszczyk. According to the *Financial Times Deutschland*, both men reacted favourably to the plan, but came to an agreement with the

board to keep quiet and not inform the workforce until the plan was published.

Two weeks later, when Opel Executive Chairman Forster went public, he declared that as part of the plan it was not possible to exclude the closure of one or two German plants, possibly including Bochum or Kaiserslautern. In reality, as has been the practice for years, the issue had already been worked out in advance by the company management and local and national trade union bodies. The plan is to intimidate the workforce with plant closures, enabling the trade union bureaucrats to then present the plan (that they worked out with management!) for job and wage cuts as the “lesser evil” fought out in a “hard struggle” with company management, to which there is no alternative.

This was the way, for example, that the trade union “saved the production centre” at the Rüsselsheim plant following the threat of compulsory redundancies and the transfer of production. The result was the reorganisation of production together with the complete renewal of the plant strictly along the lines laid down by management. Employing 6,000 instead of the previous total of 10,000 workers is expected to reduce costs by one quarter. In addition, much of the expenditure of modernisation, estimated at DM1.5 billion, will be transferred onto the shoulders of the workforce by the debiting of future contract wage increases with non-contract payments.

In similar fashion, at the Bochum plant the local factory trade union committee has always insisted on and justified measures such as the introduction of night shifts (1989), the linking of Christmas bonus payments to attendance (1993), the introduction of a floating working week of between 30 and 40 hours (1996), as well as extra night-time and Saturday shifts, with the argument that this was the only alternative to the threatened closure of works, transfers of production or redundancies.

On this latest occasion the IG Metall trade union and its joint car workers committee promptly and predictably declared its “anger” at the threat of closures. With saturation media coverage, the trade union demanded a promise from the company that it would refrain from closing factories and implementing compulsory redundancies. They would then be prepared to support Olympia—after all, they acknowledge, reduction of capacity and increases in productivity are inevitable. Naturally the company immediately conceded to the union’s wishes.

Since then both sides have been sitting closely and amicably together, planning their further course of action in more detail.

To be continued



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