

German union teams up with Volkswagen to create low-wage sector

The new "5000 by 5000" model

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Immediately after the Volkswagen auto concern and IG Metall (the German engineering union) agreed on the so-called "5000 by 5000" wage scheme, employers, trade union officials and politicians celebrated the new wage accord as "a gigantic success" and "the way forward". Federal Chancellor Gerhard Schröder (SPD-Social Democratic Party), who had placed enormous pressure on both sides to reach an agreement, used superlatives to praise the outcome: "Other businesses and unions should follow this example and adopt similarly innovative solutions."

A recent edition of *Der Spiegel* magazine commented: "A jolt has finally been delivered to German wage policy, renowned world-wide as a symbol of teutonic, manic adherence to rules and principles." The magazine went on to quote Roland Berger, a management consultant, as saying the agreement at VW was a signal that "new jobs can be created by adopting a more flexible approach to incomes and working conditions."

The union also regards the wage deal as "a great success". Although IG Metall Chairman Klaus Zwickel had opposed a settlement in June and received sharp criticism from all sides for doing so, the union's publication *IG Metall-Pressedienst* of August 28 now claims that the new wage contract will safeguard the "key points of the national wage agreement". The deal embodies "new elements for the formation of wage policy", the union publication writes, and reinforces the "attractiveness of Germany as a location for business".

A closer look at the contract reveals another side of the picture.

By October of 2002, VW plans to recruit 3,500 workers for its factory in Wolfsburg, in northern Germany. These workers—mainly drawn from the unemployed—will not be employed at normal VW wages, but instead will work for far less money, within a considerably more flexible system of shifts.

These new employees will receive a fixed monthly wage of 4,500 German marks gross, and a monthly performance-related bonus of 500 marks. It has not yet been decided whether another 1,500 unemployed people will be engaged in the Hannover subsidiary as part of the "5000 by 5000" project.

Compared to current wages paid to all VW employees, the new wage agreement represents a drastic reduction in pay. According to the company's own statistics, the scheme will save VW more than 20 percent in staffing costs. While in the past companies have employed workers from outside firms (so-called casual labourers) at far lower wages than their regular staff, until now the German unions have advocated a uniform system of wages in each plant and, indeed, in each branch of industry.

This is now past history. In the future, VW will offer two completely different wage contracts, both backed by IG Metall. The same unions that once warned against "wage dumping" are now creating divisions in wage agreements and establishing a negotiated low-wage sector that is certain to set off an accelerating downward spiral. The agreement explicitly

repudiates the old trade union demand of "equal pay for equal work". It marks a watershed in the policy of the unions.

IG Metall's assertion that VW's low wages do not fall below the general rate of pay in Lower Saxony is nonsense. This becomes clear when gross monthly earnings are examined in relation to the length of time worked.

Under the new agreement, the average "value-creating" working time is to amount to 35 hours per week. On top of this, however, there is to be another three hours a week of compulsory training, only half of which will yield any pay for the workers. Additional work, resulting from deficiencies in quality and production backlogs, will likewise go unpaid.

If the targeted number of 1,000 cars a day is not reached, employees will have to work longer to make up the quota without pay. Josef Senn, VW's chief negotiator, emphasised that such additional work will be paid only if it is a consequence of faulty production materials or erroneous decisions proven to have emanated from management.

"For the first time in the history of German wage policy, a so-called remuneration programme has been agreed to," rejoiced the *Financial Times Deutschland*, in an August 29 article highlighting the pioneering character of the new wage agreement. No longer will there be a prescribed number of working hours per week or month to be paid according to a pre-determined wage.

With the remuneration programme prescribed in a production contract, employees will be committed to engaging in a scheduled production programme with a precisely fixed quota of output and level of quality, and to work as long as it takes to complete the production programme. In this way, the cost of problems arising from interruptions in the manufacturing process and deficiencies in product quality will be largely passed on to the workers.

Nor will overtime be paid under the new wage contract at VW. Instead, it will be recorded up to a limit of 200 hours and redeemed by the worker during periods of reduced production. Shift work up to 30 Saturdays can be demanded in line with the overtime scheme.

The ground-breaking nature of the VW contract—enforced through close cooperation between management, management consultants, the works committee, the union and the government—consists in the fact that it utilises mass unemployment as a sledgehammer to impose low wages and a significant deterioration in working conditions.

When Schröder took over the reins of Germany's SPD-Green Party government three years ago, he singled out the reduction in unemployment as his most important aim and the one by which the success or failure of his government was to be measured. Owing to relatively favourable economic developments, unemployment declined slightly during his first two years in office. However, it has been rising again since the beginning of this year, and the government has been

striving to force the unemployed into low-paid jobs.

With remorseless determination, VW is now exploiting the willingness of many unemployed workers to make sacrifices to undermine and break up the old system of relatively high wages, smash up national wage contracts, and end the obligation of companies to contribute to the high costs of workers' social benefits.

At a time when unemployment benefits are being continually cut, monthly earnings of 5000 marks seem lucrative, particularly to the long-term unemployed who are dependent on unemployment benefits or basic welfare aid—even if the job is restricted to a period of three-and-a-half years. According to statements from VW, more than 10,000 jobless people have already registered in the first weeks of their recruiting drive. All those seeking jobs have to take a technical and psychological aptitude test lasting several days so that the best, most efficient workers can be selected. Following this, there will be a probationary period of six months.

At the same time the company will cash in on each person it employs by receiving additional money from government employment offices. These subsidies extend from 30 percent of the wage for six months towards training costs, to 50 percent of the wage over two years for unemployed persons over 50 years of age. If the minimum amount due were to be accorded to each of the 3,500 people seeking employment, VW would receive about 25 million marks in subsidies from the public employment offices in six months.

Until now, the national wage agreement served a double function. It assured employees a relatively uniform negotiated wage, independent of the profit situation of their particular employer. With respect to the firms, it guaranteed industrial peace during the period of the contract: labour disputes and strikes were restricted to the time of wage negotiations and could only be authorised by the trade union committees. Industrial peace and stable conditions for competition without "wage dumping" constituted the basis for the wage contract system of the past decade.

Owing to growing international competition and the effects of the worldwide economic decline on the German export industry, the situation has changed drastically. Increasingly, businesses are demanding reductions in operational costs through the imposition of low wages. The IG Metall union has repeatedly given in to such demands.

Over the past 10 years, it has agreed to an increasingly drastic break-up of the old wage structure. After German reunification in 1990, contracts reached in eastern Germany on wages and working hours were set at levels well below those prevailing in the western federal states. The trend away from traditional national wage contracts and collective bargaining is in full swing.

With the VW wage settlement, this trend has reached a new plateau. The union is now assuming the task of establishing a negotiated low-wage sector that will transform the wage contract into a straitjacket for employees. The obligation to observe industrial peace will serve to suppress every form of opposition to low wages, flexible working hours—which make the planning and pursuit of private and family life virtually impossible—and the deterioration of job security.

The union has taken over the job of drawing up this parody of a settlement and, together with the factory committees, enforcing it against the employees. When IG Metall Chairman Klaus Zwickel opposed the results of negotiations with VW two months ago, his main concern was to defend the role of the union as the guarantor of social peace.

IG Metall feared that the wage dispute would spread to the shop floor, thereby strengthening factory committees at the expense of the central trade union bureaucracy. If that happened, the settlement partners would no longer be the employers' federation and the union. Instead, each business would have to reach agreements concerning wages, working hours and conditions directly with the factory committees or the various workforces. Such an erosion of national wage negotiations might have ignited industrial conflicts in various plants for weeks on end. Workers

would no longer be bound to a contract guaranteeing industrial peace and encompassing all factories and subsidiaries.

The IG Metall executive wanted to defuse this social time bomb by making it clear that negotiations on flexibility and reduced wages could be worked out only with the unions, and not against them.

It is no coincidence that this offensive against wages and working conditions is being carried out by VW, the company with whose management Chancellor Schröder enjoys very close and friendly relations.

With over 100,000 employees in six German plants and a like number in foreign countries, the Wolfsburg-based car manufacturer is not just the biggest in Europe. For the last 10 years, it has also been firmly in the hands of the Social Democrats. In the summer of 1990, when Schröder won the state election in Lower Saxony, defeating the CDU (Christian Democratic Union) state government, the SPD, together with IG Metall—whose functionaries are usually card-carrying SPD members—also obtained a majority of votes on the VW executive board. The state of Lower Saxony owns 18 percent of the shares in VW and is thereby the biggest single shareholder.

The state government of Lower Saxony has two representatives on the VW supervisory board, which is further composed of 50 percent VW management and 50 percent trade union representatives. The chairman of IG Metall is traditionally deputy chairman of the supervisory board and, from the time Schröder took over government in Lower Saxony, it became customary for the state's governor to occupy a seat on the committee. Since then, nothing has functioned at VW without the support of the SPD and the union.

Following a sharp drop in sales and profits in 1992-93, two new men were brought onto the VW executive board at the instigation of Schröder and Franz Steinkühler, the former chairman of IG Metall. One of the two new men was Ferdinand Piech, the grandson of Ferdinand Porsche, who designed the legendary Volkswagan car in the 1930s and who, as a member of the Nazi Party, had close relations with the Nazi leadership. Although always dressed in civilian clothes, from 1942 the VW designer ranked as a senior officer (brigadier general) in the SS.

Ferdinand Piech's father was also part of VW management during the Nazi era. As managing director from 1941, he was responsible for, among other things, engaging prisoners of war and forced labourers in the production process and ordering resistance by the employees to advancing American troops in 1945.

Neither the SPD nor IG Metall regarded this family tradition as an obstacle to Ferdinand Piech's appointment as chairman of the VW executive board.

The second VW executive board nomination pushed through by Schröder and Steinkühler was Peter Hartz, head of personnel and one of the company's top men since 1993. While Piech was threatening to sack 30,000 VW workers, Hartz organised the introduction of the four-day week under the slogan of an "Alliance for Jobs". In accomplishing this, he managed to significantly reduce wages, introduce flexible working hours and initiate gradual job cuts.

At a supervisory board meeting in May last year, staff representatives criticised the obvious deterioration in working conditions. It was claimed that wages at VW had dropped by an average of 15 percent since the introduction of the four-day week. Now there is vocal discontent with the "5000 by 5000" project, developed in large part by Hartz.

However, few of the critics have drawn attention to the fact that Hartz has been a member of IG Metall for 45 years. Twenty-five years ago, the union paved the way for his appointment as personnel manager of the steel company Hütte-Saarstahl AG in Dilling (DHS). Together with Oskar Lafontaine (SPD governor of Saarland at the time) and his brother Kurt Hartz (the leader of the SPD state parliamentary faction as well as the head of IG Metall in Saarland), Peter Hartz played a key role as Saarstahl's personnel manager in the dismantling of Saarland's steel

industry and the destruction of tens of thousands of jobs. It was here that he made a name for himself prior to being elevated onto the VW executive board via the SPD-IG Metall connection.

In his role as VW's chief executive for personnel, Hartz is also responsible for plants in South America and Africa and the company's brutal policy toward the workers in those countries. In Nigeria and Brazil in 1987, the company's works security service joined with military police to take action against striking workers. In July 1992, at VW's Mexican plant in Puebla, all 14,300 workers were sacked after the outbreak of a strike. The plant was closed and guarded by police until those locked out were forced to yield and accept the dictates of the executive managers in Germany.

In February of last year, 1,300 employees at the VW South African plant in Uitenhagen were dismissed, after going on strike for an improvement in working conditions. Hartz justified the decision by claiming that the strike was illegal according to South African labour law.

When at the same time Brazilian workers at VW's Sao Carlos plant demanded a wage increase to bring their pay into line with Brazilian VW plants in Anchieta and Taubaté, and organised a go-slow action to prevent the introduction of flexible hours and a reduction in paid working time to 40 hours a week, 22 strike leaders were summarily sacked.

In spite of these attacks on the part of the company's central management, opposition has continued to grow. Last year's strike at the Puebla plant in Mexico was declared illegal, but workers managed nevertheless to force an 18 percent increase in wages—although 5 percent was tied to production rates. At the end of August, workers at the same plant refused a wage offer of 10.2 percent, already agreed to by the union. To the astonishment of the union officials, 97 percent of those on strike used the strike ballot to insist on their original demand for 19 percent.

It is important to understand this latest development in relation to the growing protest against the consequences of globalisation. In order to successfully conduct the struggle against global concerns like VW, workers require an international strategy. In this respect, it is necessary to make a conscious break with the nationalist perspective of the unions and the factory committees, which seek to divide and blackmail workers in the name of defending local conditions.



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