

## The consequences of EU eastward expansion

# Siemens of Germany shifts jobs and cuts wages

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At the start of May, Siemens management announced the relocation of 2,000 jobs from its factories at Bocholt and Kamp-Lintfort am Niederrhein to Hungary, where, due to significantly lower wages, production costs are considerably lower than in Germany. Siemens currently still employs 4,500 workers in the production of mobile phones at the plants.

Alternatively, management offered to allow employees at Bocholt and Kamp-Lintfort to work longer hours without compensation and to forgo their guaranteed annual leave and Christmas pay. Negotiations on the retention of jobs at the plants would be considered on those terms. Even so, 288 production workers at the Bocholt factory were given notice on March 15.

Stung into action by the well-advanced plans for the relocation of the mobile telephone production, part of ICM (Information & Communication Mobile), IG Metall union representatives revealed that more than 10,000 jobs at Siemens were threatened by cutbacks or relocation to eastern Europe or Asia. Additional areas likely to be affected are Network Parts (ICN), Communication Technology (TS), Automation Technology (A & D) and the area of Power Transportation and Distribution (PTD).

According to a March 29 report in the magazine *Der Spiegel*, Siemens head Heinrich von Pierer had ordered all manufacturing bases in Germany to determine “how much more cheaply production could be carried out, if labour costs were based on the lower rate, for instance that of the new EU member Hungary.” Result: the approximately 25-percent-cheaper labour costs correspond to around 10,000 jobs situated in Germany.

The threat that Siemens management is holding over the heads of its German employees is unmistakeable: either they agree that the difference in the cost of production be recouped through the lowering of wages and longer working hours or the company will shift production elsewhere. The immediate bottom line for the retention of the jobs is the reintroduction of the 40-hour week without compensation (the standard week for engineering workers in west Germany is 35 hours) and relinquishing annual leave and Christmas pay. Making Saturday a regular working day (with no extra pay) is also being considered.

Shifting jobs to low-wage countries and taking advantage of the poor working conditions of workers in eastern Europe, China, India or South America are not new for the transnational Siemens company. From the start, it used these methods single-mindedly to exploit the collapse of the Stalinist regimes in eastern Europe after 1989 and the end of the Soviet Union in 1991, in order to establish itself in these countries and take over existing concerns. Wages are often only one fifth or even less than those in Germany or western Europe. The number of workers employed by Siemens in Germany was 238,000 compared to 153,000 employed in other countries in 1993. By 2003, this had altered to 167,000 in Germany and 247,000 elsewhere.

Even so, the attacks on jobs and social conditions, such as those being demanded and implemented by Siemens management, have undergone a qualitative change. Recently, von Pierer made repeated threats to quit the employers’ federation, so that he would no longer be bound by pay agreements worked out with IG Metall. At the same time, he used flexible working conditions, proposed by the union itself, to ruthlessly push through his plans. In this respect, a recently concluded wage round, allowing enterprises to extend the working week for up to 50 percent of its employees to 40 hours on demand, has received little publicity.

The fact that enterprises such as Siemens feel emboldened to go on the offensive against workers is directly related to the expansion of the EU to the east, which came into effect on May 1.

In its statement for the European elections, the PSG (Social Equality Party), warned of the consequences of the EU expansion to the east: “The expansion of the EU from 15 to 25 member states on May 1 will intensify the social crisis. The gulf between the richest and poorest countries will increase, under conditions where, in contrast to earlier rounds of European expansion, no significant measures exist to compensate for such tendencies. Extremely low wage levels in eastern European countries will be employed as a lever to undermine wages and living standards in the wealthier countries.”

The workers at the Siemens factories in Bocholt and Kamp-Lintfort took part in several protests after plans for the relocation of the mobile phone production facility, became known. On April 1, 1,000 workers at Kamp-Lintfort and 800 at Bocholt were involved in demonstrations. Delegations of Siemens employees, who were affected or concerned, took part in the Europe-wide day of action on April 3, organised as a protest against government attacks on welfare state provisions.

The factory at Kamp-Lintfort was established in 1963 and recently celebrated its 40th anniversary. Mobile phone production started in 1985. It was at this factory that Siemens first began the mass production of mobile telephones.

The European Union, the state of North Rhine Westphalia and the city supported the expansion of the factory, because the region had been particularly hard hit by the decline in mining and the steel industry. For the workers affected by retrenchment and downsizing, it is becoming nearly impossible to find other employment in the area, which currently has a high rate of unemployment.

Despite the public protestations of IG Metall representatives and works committees against the stand-off tactics used by the Siemens management, they affirm that they are still willing to participate in further negotiations on the introduction of flexible working conditions. It is evident that work at the Kamp-Lintfort factory is already highly flexible, due to previous restructuring. In a workplace agreement signed in 1996, it was agreed to make maximum use of production lines: “Subsequently, production is

carried out in continuously, in 18 shifts, Monday through to Saturday. Management had assured them this was the only way to keep the site open” (*Der Spiegel*, March 29, 2004).

The wage contract for the service and repair workshop for mobiles and cordless phones in Bocholt, concluded at the end of March, illustrates the nature of ongoing concessions. The threat to relocate around 220 jobs to Hungary had ended with the signing of the agreement, said Heinz Cholewa, the leading official of IG Metall in Bocholt. In an exception to the wage agreement, the annual working hours for the affected workers are fixed at 1,760 hours without annual leave or Christmas pay. Annual leave and Christmas pay (which taken together amount to approximately a month’s wages) are abolished in favour of a productivity bonus amounting to 45 percent of the monthly wage. The contract’s duration is two years, from May 1, 2004, to April 30, 2006.

According to Siemens’s calculations, shifting its repair workshop to Hungary would have amounted to savings of around 4 million euros. The extra-contractual agreement allowed 3.6 million euros to be saved. IG Metall and the works committee tried to justify their agreement to the massive wage cut and increased hours by claiming that management had shown them draft contracts for the relocation of the enterprise.

Similar agreements have also been made at other areas of the Siemens group. According to a March 31 report in the *Frankfurter Rundschau*, 1,000 jobs out of a total of 15,500 were cut at the Bosch Siemens Appliances joint venture (BSH). The relocation of 450 jobs to Turkey from the BSH refrigerator factory in the Baden-Wurtemberg city of Giegen was recently prevented by an agreement that involved the giving up of all additional wage subsidies. There is virtually no end to similar examples.

Eight thousand jobs at the subsidiaries Siemens VDO, Bosch and Siemens Appliances, Osram, and Siemens Business Services are under threat, as well as another 5,000 at Siemens AG, which includes the 2,000 threatened with relocation at ICM at the Kamp-Lintfort and Bocholt factories. The area of Power Transportation and Distribution (PTD) has plans for the total closure of its transformer factory at Kirkheim/Teck, threatening 250 jobs. The production of transformers is to be moved to Hungary.

Moreover, Siemens is also withdrawing from training and development. The abandonment of the concept of “Zukunft durch Ausbildung” (securing the future through training) means the closure of Siemens training centres at Sachsen-Anhalt, Brandenburg, Mecklenburg-Vorpommern, Schleswig-Holstein and Saarland. The business college at Essen is to be closed. The 180 trainees affected are to continue their training at Berlin, Erlangen or Munich. According to IG Metall press statements, Siemens had already cut training by 25 percent in the previous three years. The number of trainees employed fell from 2,900 in 2001 to 2,200 in 2003.

Besides the thousands of jobs in manufacturing and production being sacrificed through mergers and relocation, more and more jobs in virtually all areas and departments of Siemens are affected.

According to a report by the chairmen of the leading trade union at Siemens dated April 1, 2004: “The relocation not only affects production workers, as was previously the case, but also employees in all areas of work, for instance in development and administration. In the service areas, a differentiation will be introduced between activities tied to the location and those independent of the location, the latter of which will be brought together into larger units to be relocated.” The relocation of 180 jobs from finance and accounting to Prague is likely to be just the start for the outsourcing of service areas to low-wage countries.

Last December, Johannes Feldmayer, a Siemens board member, who is also on the board for eastern European operations, gave an interview in *Financial Times Deutschland*, in which he stated that in the future up to one third of software development is to be carried out in low-wage

countries in eastern Europe. Siemens intends to use the eastward expansion of the EU in order to build up its software development, manufacturing and accounting operations in the new member states—in a big way. “We must follow this trend, like all of our competitors, and also partially shift our operations there.” As well as the growth expected in this region, as a result of the lower production cost, there is also the potential to recruit highly qualified software engineers. “We are coming across really fantastic employees with outstanding qualifications,” he said.

According to the FTD report, Siemens has more than 50,000 employees in the area of research and development, with approximately 30,000 in Germany and most of the others in high-wage countries. “Around 30,000 of the employees in research and development are software developers because Siemens uses software in all areas—from communications technology, industrial automation to information technology. Siemens has around 2,700 developers working at 21 locations in eastern Europe.” Feldmayer told the FTD that this area was expected to expand enormously. The proportion of programmers working for Siemens in India would also expand from about 3,000 to 10,000, according to the March 23 issue of *Spiegel Online*.

Last December, Feldmayer made threats similar to those now being made by Heinrich von Pierer: that these developments, the “offshoring” of research and development and especially of software development to low-wage countries, will increase the pressure for restructuring in Germany.

Feldmayer declared: “Ultimately, Germany will benefit, because we will become more competitive.” The message is clear: either employees in Germany, including highly qualified specialists and engineers, accept longer working hours, lower wages and the destruction of welfare provisions, or production, administration and development will be relocated. An example, cited repeatedly by von Pierer, is China, where the employment of 12,000 engineers costs the equivalent of 2,000 in Germany. In Russia, Ukraine, Vietnam or Cambodia, the costs could be even lower. Capitalism has no barriers in the race to the bottom.

Workers and employees who want to fight to defend their jobs must not let themselves be drawn into the stand-off tactics of Siemens management, nor the assurances of the unions and works committees, which are often motivated by nationalist considerations. In connection with the discussion on the relocation of jobs, several SPD politicians have accused Siemens of behaving “unpatriotically,” even “as though they had no fatherland.” To be sure, these comments quickly disappeared from public debate, as it is an indisputable fact that German industry and German companies were among the main beneficiaries of the EU expansion, and large areas of industry produce mainly for export.

The source of the destruction for the jobs lies not in the new organisation of production which extends across borders, but in an economic system which puts profits before the interests of the population—irrespective of nationality. The only effective answer is not to force enterprises back into the national framework but to unify workers of very country.



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