Spain: Auto unions agree redundancies at SEAT

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After months of talks and a series of militant strikes, unions at Volkswagen's Spanish subsidiary have agreed to hundreds of redundancies. Some 686 workers will lose their jobs at SEAT, which employs about 16,000 autoworkers, mainly at the Martorell complex in Barcelona.

The SEAT workers had previously rejected a company plan to cut their hours and wages by 10 percent and a subsequent demand for 1,346 redundancies—nearly 9 percent of the workforce.

On December 2, SEAT workers held their second strike in a month, supported by a majority of Martorell's 12,000 staff. Industrial action on November 10 had led to a demonstration in Barcelona that brought the city centre to a standstill and stopped production at Martorell and the smaller Zona Franca plant.

The SEAT dispute erupted in the midst of a strike wave that included lorry drivers, fishermen and miners. Other strikes were looming at the public radio and TV company RTVE and the Spanish national airline Iberia. The Socialist Workers Party government (PSOE) led by Prime Minister Jose Luis Zapatero was warned that it faced a "winter of discontent."

During the dispute, Matias Carnero of the PSOE-aligned General Workers Union (UGT) and president of the SEAT workers' committee called the job losses "barbarous" and condemned the "intransigent" stance of the SEAT management. The UGT threatened further strikes over the following weeks.

Now the UGT says it is "satisfied" with the deal and even called for the Barcelona-based not-for-profit pension and savings bank La Caixa to "take a stake" in Volkswagen. The bank is closely linked to but not controlled by the regional government in Catalonia that helped broker the deal when talks collapsed. "We don't rule out this formula," said Miquel Iceta, spokesman of the Catalan Socialist Party, a partner in the regional coalition government.

Most redundant workers will receive 45 days salary for every year worked, with a minimum of €12,000. Others will be forced to take a "leave of absence" for up to two years and receive 20 days wages for every year worked.

From the start of the SEAT dispute the union bureaucracy sought to isolate it and prevent the development of a broader movement that would threaten the labour reforms the Zapatero government has been discussing with the unions and the employers' confederation (CEOE). International financial institutions have been demanding the reforms, citing Spain's "loss in competitiveness" caused by the drying up of European Union (EU) subsidies and competition from poorly paid workers from the new EU member countries and Asia. The CEOE has advised Spanish companies to end all their production in Spain and relocate to these cheaper regions of the world.

At the heart of the labour reforms are the collective agreements and open-ended contracts—won as the Franco dictatorship collapsed in the 1970s—that guarantee wages will rise with inflation and protect other conditions and rights for 70 percent of Spanish workers. Attempts to carry out these attacks in the past have provoked several general strikes in Spain, including one in 2002 that caused the right-wing Popular Party government to back down and withdraw its proposals.

The SEAT workers were first called out on strike two days after the UGT and the Stalinist-led Trade Union Confederation of Workers Commissions (Comisiones Obreras, CC.OO.) ended a strike by miners. They accepted virtually all the proposals in the government's Mining Plan, which foresees coal production dropping from 12 million tons this year to about 9 million in 2012, and the number of jobs being cut over the same period from 8,600 to 5,800.

SEAT chairman Andreas Schleef welcomed the job cuts, saying, "The agreement that we have reached will allow us to considerably reduce forced layoffs." But he then warned that it was "unfortunate" that the agreement does not cover "all the staff surplus to requirement."

As a result of the agreement, Volkswagen says it will continue with its $750 million investment as part of a restructuring plan entitled "New SEAT," which involves the production of a new model of its Ibiza car and another new model at Martorell from 2008.

To what extent this investment materialises and car production continues is questionable in light of the crisis facing SEAT, its parent company VW and the auto industry globally.

Most of the major auto companies built production plants in Spain in the 1980s, attracted by its closeness to big European markets like France and Germany and its relatively cheap labour.

SEAT, founded in the 1950s by the Franco fascist government with help from Italy's Fiat, was bought by VW in 1990. The Martorell complex, which also houses a technical and research and development centre, was opened as a state-of-the-art production facility in 1993, making it one of the most efficient plants in Europe. It had a peak production quota of 2,250 units a day, equivalent to more than 800,000 vehicles a year.

However, estimates suggest the company will only produce 386,200 vehicles in 2005, nearly 60,000 less than the target for the year and 13 percent lower than last year. It is expected to lose $118 million in 2005, twice as much in 2006, and $590 million by 2008.

SEAT workers are being forced to compete with workers in plants owned by VW and Skoda (another VW subsidiary) in Eastern Europe, where wages are just a fraction of those in Spain.

Not only have sales at SEAT declined drastically, but so too have those at VW and in Europe as a whole, its most profitable region. The high profits the company secured in 2001 and 2002 were followed by heavy losses. In North America, the company lost $1.1 billion in 2004, and similar losses are forecast for 2005 and 2006. The rise in the value of Brazil's currency, the Real, has severely affected the profitability of VW's Fox city-car, which was being shipped from Latin America to Europe. In China, VW is expected to make a loss of $118 million in 2005, and twice that in 2006.

New VW boss Wolfgang Bernhard, who rose to prominence by ruthlessly streamlining Chrysler in the US, wants to save $8 billion annually. This can only be done by cutting tens of thousands of jobs and closing entire factories. Bernhard is expected to announce a new restructuring plan in early 2006.

According to a report by Citicorp analysts, "VW should be the most fertile field for auto restructuring, with capacity utilisation of 72-73 percent in Europe, and in our view a labour force 15,000 to 20,000 too high being paid 20 percent above engineering norms."

This view was echoed by the automotive analysts B&D Forecast, who said, "We estimate that there is an excess of 15,000 too many jobs (in Germany, Spain and Belgium) and that Bernhard will take the tough decisions necessary to restructure the brand and make black numbers in the future." Their report said Bernhard will force "the unions to fall into line and make the needed concessions over wages and headcount."

As part of the restructuring, the SEAT brand could be discontinued or absorbed into other VW subsidiaries such as Audi or Skoda.

In advance of Bernhard's restructuring plans, the VW board has been reorganised, using the pretext of a corruption scandal earlier this year. The decades-old "VW system"—considered the epitome of what was called the "German model of workers' participation," with its cosy relations between the board of directors, the works council and the trade unions—has now become an obstacle to the drastic restructuring the company wants.

Works Council Chairman Klaus Volkert and Director of Personnel Peter Hartz (author of the hated labour market reforms in Germany that carry his name) resigned and several leading managers were dismissed after legal proceedings for corruption were instigated. Hartz and current chairman Ferdinand Piech were appointed following a sharp drop in sales and profits in 1992-93, at the instigation of former German Chancellor Gerhard Schröder of the Social Democratic Party, the then-state premier of Lower Saxony, where VW has its headquarters, and Franz Steinkühler, former chairman of the IG Metall union. Together they managed to significantly reduce wages, introduce flexible working hours, initiate gradual job cuts and pay new workers at substantially lower rates, thus further dividing the workforce.

Abroad, the company has a reputation for the brutal treatment of its workers. In Nigeria and Brazil in 1987, company security guards joined with military police to suppress striking workers. In 1992, at VW's Mexican plant in Puebla, all 14,300 workers were sacked after taking strike action, as were 1,300 striking employees at the VW South African plant in Uitenhagen in 2000. Hartz justified the decision by claiming that the strike was illegal under South African labour law. When the workforce at VW's Sao Carlos plant in Brazil held a go-slow action to prevent the introduction of flexible working and a reduction in paid work time, 22 strike leaders were summarily sacked.

The restructuring at VW is part of a worldwide onslaught against autoworkers by the corporations, aided and abetted by the trade union bureaucracy. Delphi and Visteon management in the US are demanding the slashing of jobs and unprecedented wage cuts and Ford intends to announce its downsizing plans in January 2006.

The SEAT dispute once more shows it is impossible to conduct any serious struggle today without advancing a programme for the transformation of society that places the interests of working people—the vast majority of the population—above the drive for profit by the corporations and the financial oligarchy.This means the reorganisation of economic life along socialist lines.

The globalisation of production has robbed the unions of the possibility of negotiating social compromises within the national framework. Under the pressure of global competition and the constant threat of transferring jobs to low-wage countries, the UGT bureaucracy regards its task as defending Spanish factories—a development that can be observed in all trade unions throughout the world.