Volkswagen to cut 20,000 jobs

Ulrich Rippert
11 February 2006

Volkswagen chief Bernd Pischetsrieder on Friday announced plans to eliminate 20,000 jobs over the next three years. He called the massive downsizing a "deep-going restructuring program" aimed at slashing labor costs at the company's West German passenger car production facilities.

Volkswagen employs a total of 100,000 workers at its six West German plants. No details of the cost-cutting measures were provided in Friday's statement, but Pischetsrieder suggested they would include a "reorganization of component manufacturing" as well as assembly production.

At present, the company produces auto parts such as motors, axles and transmissions at its own works in Salzgitter, Braunschweig and Kassel. In particular, the factory in Braunschweig is considered to be under threat. There is also a possibility that individual plants will be sold off.

At the press conference, the chairman of the board said company turnover had increased over the past year by 7 percent, to €95.3 billion. Despite large losses in North America and China, Volkswagen sold more cars than ever—5.24 million vehicles worldwide.

VW's operational profit rose by 70 percent, to €2.79 billion, exceeding analysts' expectations. The large increases recorded by the company over the past year are largely due to its current savings program. Volkswagen acknowledged that results had improved by €3.5 billion annually due to the program.

After the job-cutting announcement, Volkswagen shares rose steeply on the stock exchange. At one point the share price was the highest recorded since June 2002. Shortly before the end of trading on the DAX exchange, VW shares were listed at €54 euro—an increase of 6.6 percent.

"While savings will be extracted from workers, dividends are to be raised for the shareholders," wrote *Spiegel-online*,adding, "In 2005, the dividend rose €1.15 per share, after a rise of €1.05 the year before."

In an initial statement, Germany's largest industrial trade union, IG Metall, said, "In view of the difficult situation in which the enterprise finds itself, IG Metall recognizes the necessity for measures to improve efficiency and overcome productivity deficits."

The union drew attention to the fact that it and the factory-based works council had always "stressed in the past the optimization of processes and the significance of innovative labor organization."

At the end of September last year IG Metall agreed a 20 percent wage cut for a section of the staff. Management had announced that a new Volkswagen jeep would not be produced at the company's main plant in Wolfsburg, but rather in Portugal, where the Palmela plant has lower production costs amounting to around €1,000 per vehicle. Only if wages were drastically lowered would the jeep be produced in Germany, the executive committee declared. IG Metall not only buckled to this extortion; the union celebrated the agreement as a "success in the defense of the jobs."

The cave-in by the union only encouraged management to step up its attacks on the workers.

The new job-cutting announcement by VW must be seen as part of a wave of layoffs and plant closures being carried out by German enterprises. German Telekom plans 32,000 dismissals and some 8,000 jobs are due to go at DaimlerChrysler, with another 8,000 slated to be cut at Siemens. Karstadt-Quelle plans to axe 5,700 jobs and the HypoVereinsbank has announced 2,400 layoffs.

Virtually every week brings new announcements of mass redundancies in Germany.

For several weeks workers at the AEG factory in Nuremberg, which has a long history as an industrial enterprise in Germany, have been fighting to prevent the closure of the factory. In the middle of December, the management of the Swedish-owned electrical company Elektrolux announced plans to close the plant and switch production to Poland. Some 1,750 jobs are directly threatened by the closure. A host of additional jobs will be lost at ancillary production and distribution facilities.

Parallel to the strike by AEG workers, public service employees in the states of Baden-Württemberg and the Saarland have stopped work to oppose plans to extend their workweek without compensation. Some 90 percent of workers at local enterprises and public authorities in other states have expressed their readiness to support strike action. An expansion of the strike by public sector workers in other states is due to begin next week, making this the biggest public service strike in 14 years.

Instead of consolidating the combativity of millions of workers in a single powerful movement, the unions are endeavoring to isolate the strikes and disputes and sell them out one after the other.

Volkswagen’s announcement of mass layoffs is part of a global attack by auto companies on jobs, wages and working conditions. In the US, General Motors and Ford have announced tens of thousands of layoffs and demanded unprecedented cuts in pensions and health benefits.