Volkswagen autos to implement drastic savings program

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Management at Volkswagen autos has announced that in future the 100,000 workers employed at its German sites at Wolfsburg, Hannover, Kassel, Braunschweig, Emden and Salzgitter will be required to work 35 hours per week instead of the current 28.8 hours, with no compensation in wages. In those areas of production with higher capacity, such as product development, the number of hours worked per week may even be increased to 40. At the same time, one fifth of the workforce is to be made redundant.

The news was announced by a speaker for Volkswagen, the biggest European auto producer, at a press conference held April 20 following a meeting of the company's supervisory board. The speaker declared that plans for the reorganization presented by the Volkswagen executive committee had been "noted with approval by the supervisory board." The board called upon the executive committee to begin negotiations with the company works council and the main trade union involved—the IG Metall engineering workers union.

The site to be most affected by the reorganization is the company's main plant in Wolfsburg, where nearly half of the workforce is employed. Five thousand jobs are to go at the site in cooperation with the factory works council and IG Metall. A report in the magazine *Focus*—which stated that the Belgian Volkswagen works in Brussels, with a workforce of nearly 5,000, faced "complete closure"—was disclaimed by the management. Nevertheless, there are persistent rumors that the Wolfsburg works council is urging management to switch production of the Golf model from Brussels to Wolfsburg.

The announced measures are in line with the proposals made by VW executive board member Wolfgang Bernhard for a radical austerity course. Bernhard has a history of implementing job cuts. Before moving from Mercedes to Volkswagen in February 2005 he was responsible in Detroit for the reorganization of the US section of the Daimler company—Chrysler. The 45-year-old cut 26,000 jobs overnight, sold several manufacturing plants, closed others and dictated harsh terms to suppliers, resulting in billions in savings for DaimlerChrysler. At the start of this year he took over responsibility for the Volkswagen brand and its associated subsidiaries—Skoda, Bentley and Bugatti.

Stock markets celebrated when Volkswagen boss Bernd Pischetsrieder announced the appointment of Bernhard last year to head the Volkswagen brand. According to analyst Lars Ziehn from West LB, "Bernhard is well known as someone who undertakes radical measures and drives down costs." The share price of Volkswagen rose 6 percent on the news of Bernhard's appointment. Characteristically, the chairmen of the VW works council at that time, Klaus Volkert, raised no objections to the appointment of Wolfgang Bernhard. A short time later Volkert resigned his posts due to a corruption and sex scandal.

The recent announcements by Volkswagen make clear that the scandals revealed in the course of last year—involving trade union leaders flying round the world for pleasure trips, expensive prostitutes flown in regularly to Germany at the firm's cost, and wheeling and dealing behind the scenes, all heavily covered by the media—were part of the preparation for drastic wage and job cuts.

The management had known for years about the corrupt activities of some of the works council members, together with personnel executive committee member Peter Hartz and other managers. After all, it had financed trips to brothels, monthly maintenance payments and travel expenses for the union leaders' Latin American "girlfriends." As a result, management had the union delegates in the palm of its hand. A quiet reference to such corrupt practices was sufficient in order to make the union bosses comply.

That VW management waited until last year to drop the bombshell was bound up with the fact that the present attacks go far beyond past "restructuring measures." Volkswagen had already lowered production costs last year with an optimization program ("For Motion"), with savings of around €3.5 billion, exceeding even the planned savings of €3.1 billion.

In addition, the works councils consented last year to transfer the substantially worse working conditions of the "Auto 5000" program—involving longer work times and around 20 percent lower wages—to the production of the new Marrakesch jeep, thus ensuring that production remained in Germany instead of the Portuguese factory in Palmela.

Now these conditions of work are to be transferred to all German sites. This means violating the Volkswagen collective pact agreed with the unions, which was set to run until 2011.

For many decades the Volkswagen company was considered a shining example of what is variously known as the "German participation model," "Germany Incorporated" or "co-management," involving the closest possible collaboration between the company executive committee, trade unions, works council and political interests.

The head of IG Metall, the world's largest industrial trade union, traditionally officiated as deputy chair of the company's supervisory board, assisted by the works council, which also had several members on the supervisory board—in line with German industrial law. From 1990 to 2003, a period in which the Social Democratic Party (SPD) governed continuously in the state of Lower Saxony (seat of the Volkswagen concern), Volkswagen was dominated in practice by a triumvirate consisting of the trade unions, works councils and SPD.

A glimpse at the company's history makes clear that the close relationship between management, political circles and trade unions has a long tradition at Volkswagen. From the founding of the concern in May 1937 up to the end of Nazi rule the company not only sought to realize the promise made by Adolf Hitler: "In future, a car every German afford"—it was also heavily involved in the manufacture of armaments. The triumphant rise of "Volkswagen," which Hitler had turned over to the Austrian engineer Ferdinand Porsche, only began in the 1950s. With sales exceeding 21 million, the "Volkswagen beetle" became the symbol for Germany's postwar "economic miracle."

From 1949 to its transformation into a corporation in 1960 the concern was held in trust by the German government and the state of Lower Saxony. Following partial privatization, the federal and state administration still retained over 20 percent of the shares respectively and the so-called "Volkswagen law" of June 1960 assured that the government still had extensive rights to influence the development of the company.

Following the passing of the "workers' participation" law in 1972, works councils and trade unions sit alongside political representatives and management on the supervisory board, although in the event of a tied decision the chairman of the supervisory board has the decisive vote.

Workers have long since failed to benefit from this form of "social-partnership cooperation," which has done nothing to protect them from the worst effects of company decisions—despite the fact that the Volkswagen tariff agreement envisages wage levels which are nearly 20 percent more than the tariff paid to other industrial workers.

While Volkswagen management has exploited cheap wage competition and has continuously opened up factories in low-wage countries—including three works in China, three in Poland and one each in India, Slovakia, the Czech Republic and Hungary—the works councils have undertaken the task of playing off one factory workforce against another.