Germany: Siemens-BenQ and the role of the unions

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At a works meeting last week, the insolvency administrators of phone manufacturer BenQ Mobile announced the immediate dismissal of nearly 2,000 of the approximately 3,000-strong workforce. The redundancy notices were dispatched straight away and workers were told not to come to work the following week.

One year ago, Siemens, one of the world's largest electronics and engineering companies with a history stretching back over 150 years, sold its mobile phone division to the Taiwanese company BenQ, which at the end of September stopped all payments to its German subsidiary.

At the firm's Kamp Lintfort plant in North Rhine-Westphalia, some 1,100 of 1,800 staff were fired, and 850 of 1,300 employees lost their jobs at a Munich facility. Many had worked for more than 20 years at the former Siemens works.

The future for those remaining was uncertain, insolvency administrator Martin Prager said. "The market will decide whether the slimmed down business concept has a chance or not," he told the shocked staff.

It is not only the ruthlessness with which long-standing staff were fired that is new. What has happened at Kamp Lintfort and Munich shows where the union policy of "small steps"—permanent compromises, new concessions, empty promises—leads. In the end, rather than saving jobs, it hastens their destruction. The reward for accepting all the concessions, including longer work hours and wage and benefit cuts, is a stab in the back.

The laments of the Betriebsrat (works council) and union officials, and their helpless appeals to the "social responsibility" of the former owner Siemens, cannot hide the fact that the sale of the mobile phone operations to BenQ last year was a stitch-up. The unions and works councils sit on the company's supervisory board and are well informed of all its plans.

The callous actions of Siemens and BenQ arise from the fact that they can rely on the cooperation of the IG Metall union and the works councils. The chair of the Siemens Central Works Council, Ralf Heckmann, sits on the three-man presidium of the supervisory board, together with the former board chairman Heinrich von Pierer and Deutsche Bank Chairman Josef Feldmann. There are reasons why the works council chair did not give any information about the behaviour of the so-called "workers' delegates" when the company's executive board agreed a salary increase for Siemens chief executive worth millions.

Two years ago, when the union and works council agreed an increase in the workweek from 35 to 40 hours without any compensatory pay rise, as well as cuts in Christmas bonuses and holiday pay for those working at the Siemens mobile phone division, they spoke of the inevitable sacrifices that were needed to save jobs and production sites. In reality, these cuts were the first step in selling off the division, a practice that the new management under Klaus Kleinfeld is carrying through in other areas.

Kleinfeld was appointed to succeed Heinrich von Pierer as head of Siemens in order to force through the restructuring of Germany's largest industrial enterprise in the interests of the shareholders, which had begun under Pierer. Kleinfeld cut his teeth for such an operation in the US, where management has single-mindedly pursued "shareholder value" for years.

"I assume personal responsibility for seeing to it that within the next 18 to 24 months all parts of the enterprise will be sorted out," Kleinfeld announced in April 2005, three months after he had taken on the CEO post. For Kleinfeld, "sorted out" means restructured in the interests of the shareholders. "Never before has a Siemens boss followed the demands of the capital markets so unconditionally—and linked his personal fate to this," wrote Germany's leading financial daily*Das Handelsblatt* at the beginning of the year.

The analysts are enthusiastic, the newspaper continued. "Kleinfeld has done a good job so far," one was quoted saying. Growth areas such as energy, medicine and industrial technology have been strengthened by acquisitions such as the Austrian VA Tech, the wind electricity generation specialist Flender, and medical technology company CTI Molecular Imaging.

Kleinfeld spent more than €4 billion on acquisitions in his first nine months as Siemens boss. "The dismantling of jobs in problem divisions such as Siemens Business Services (SBS) and the communications group is proceeding relatively easily," an analyst reported.

Kleinfeld announced target yields of 5 to 11 percent before interest and taxes. Those parts of the business that do not achieve this are to be sold off and then closed down, thus saving Siemens high redundancy costs.

The shareholders are pleased. In the last financial year, Siemens increased its dividend to €1.35 per share, handing over some €1.2 billion to its shareholders. The majority of shares are in the hands of international institutional investors.

The unions and works councils form part of this "consolidation policy" at every level. Even as the final chapter of the BenQ bankruptcy began, IG Metall was walking hand in hand with Siemens, assisting the liquidation of the mobile division.

The IG Metall chairman in North Rhine-Westphalia, Detlef Wetzel, demanded Siemens present a comprehensive emergency aid programme for the BenQ staff. The state governments in North Rhine-Westphalia and Bavaria are to bear half the retraining costs for those losing their jobs. Such "retraining," whose financing the insolvency administrators estimate could cost €100 million, is just a transition to unemployment.

Siemens is following the same pattern in other parts of the enterprise as in its mobile phone division. Management announced last week that the Siemens Business Services (SBS) subsidiary will be merged with other divisions into Siemens IT Solutions and Services (SIS). In the coming year, approximately €1.5 billion is to be saved on the backs of the 43,000-strong workforce. In addition, 5,400 jobs are to be cut worldwide.

For weeks, Siemens has been in negotiations with IG Metall to increase the workweek of 12,000 SBS employees in Germany by two hours and impose a 10 percent wage cut. This should bring Siemens about €100 million. The discussions have almost been concluded, but an announcement has been delayed because of the explosive mood of the Siemens workforce.

Parts of the SBS business have already been sold to Fujitsu Siemens Computers (FSC). Just as the subsidiary company FSC released its results, it announced it would be cutting jobs. Since the turnover and profits forecast for the next financial year are in danger, some 300 jobs will have to go this year.

Last summer, FSC boss Bernd Bischoff called for the 35-hour week at the German FSC works in Augsburg and Soemmerda to be raised to 40 hours, and for a cut in Christmas and holiday bonuses. Negotiations with the works council are continuing.

Also up for sale is Siemens Home and Office Devices (SHC), which manufactures cordless telephones in Bocholt, with 2,000 of the 3,000 employees affected by the sell-off plans.

At the Bosch Siemens Domestic Appliances (BSH) plant in Berlin, which is threatened with closure, the union and management have reached an agreement that follows the same pattern. In May 2005, the company announced the closure of its manufacturing facility in Berlin by the end of 2006.

BSH is considered to be the industry leader in Europe. Since 2001, its turnover worldwide has climbed nearly a quarter to €7.3 billion, with a surplus of €386 million. Despite this growth, personnel costs did not rise even 5 percent.

BSH management, like the entire Siemens corporation, want to shift production to low-wage countries. In Berlin, a worker earns approximately €1,600 a month. Just a few kilometres away, in Nauen in the former East Germany, staff at the BSH plant work 43 hours per week and wages are 25 percent lower, all with the agreement of the union.

It is even more profitable for BSH somewhat further to the east, in the factory in Lodz, Poland, where the wages amount to approximately €400 a month. In Wuxi in China, where BSH manufactures washing machines, workers earn less than a tenth of those in Berlin.

The unions reject any international struggle. They are not even prepared to advocate solidarity between east and west Germany. Nevertheless, the workforce in Berlin is determined to defend their jobs and have taken strike action since September 25 to preserve their factory.

IG Metall has now agreed with management that 220 of 570 manufacturing jobs will be cut. A further 80 will continue working in development and at other locations of the parent company in the German capital.

On the basis of the well-worn argument of "securing jobs until 2010," the remaining workers must bear the brunt of a 20 percent cut in personnel expenditure, including reductions in Christmas and holiday pay. The 40-hour week is being introduced in some areas.

The union is anxious to prevent any common fight of Siemens workers at the company's various locations. This was shown by the fact that a protest demonstration of all affected Siemens plants—with some 10,000 workers expected to participate—was called off last week after the union reached its agreement with management.