

Top Volkswagen executives on trial for corruption in Germany

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The trial of the former Volkswagen human resources executive Peter Hartz ended on Friday, January 26, with Hartz receiving a two-year suspended sentence and a fine. His case has drawn crowds of journalists and camera teams, with angry workers also protesting outside the court in the town of Braunschweig. Hartz was a former top Volkswagen manager and is still a member of the IG Metall trade union and the Social Democratic Party (SPD). As special advisor to Chancellor Gerhard Schröder (SPD), Hartz had devised the draconian labour market reforms that bear his name. As he went into court he was greeted with calls of “scoundrel,” “traitor” or “put Hartz in jail.”

The proceedings against Hartz have been conducted at rapid speed. Although the indictment against Hartz included 44 criminal offences, among them bribery, undue influence and breach of fiduciary duty to the tune of €2.6 million, his initial appearance in court only lasted a matter of hours. After a brief deliberation the chairman of the judges, Gerstin Dreyer, declared that the court had reached a prior agreement with all involved: on the basis of a credible confession, Hartz’s punishment would be limited to a two-year suspended sentence and a fine of approximately €300,000. This decision was then ratified on Friday.

Under no circumstances did Volkswagen want details of the corruption of the long-standing works council chairman Klaus Volkert and at least a further 23 works council members to be aired in open court. A full court hearing might have raised the question: what did Volkert do in return for receiving “special bonuses” totalling €1.9 million between 1995 to 2005—not including payment of €399,000 to his Brazilian lover?

“It would have been quite interesting to discuss in the courtroom, or possibly later before the High Court, the question whether the alleged bribing of a works council boss harmed or benefited the enterprise. Perhaps the money paid was worth it. Since every day of industrial peace is worth a great deal of cash,” wrote Hans Leyendecker in the *Süddeutsche Zeitung*.

There had been far less media attention at the beginning of January, when the same Braunschweig district attorney indicted SPD parliamentary deputy Hans-Jürgen Uhl. Along with Volkert, Uhl is one of the key figures in the intrigues and mafia-like structures of the Volkswagen Works Council. The district attorney’s office had indicted him on seven counts, including breach of fiduciary duty and swearing a false affidavit.

As a former Volkswagen Works Council member, Uhl is accused of consorting with prostitutes paid for by VW in

Barcelona and Seoul. According to the investigation, Uhl is said to have participated in at least 10 sex parties, including on journeys to Mexico, Shanghai, Pamplona and several times in Hanover. A further eight charges are barred by the statute of limitations.

According to statements by the former Volkswagen manager Klaus Joachim Gebauer, who was responsible for the payments that funded the Works Council members pleasure trips, Uhl not only received regular payment for prostitutes he used personally, Uhl and he had also undertaken “scouting trips” to Barcelona and Budapest to seek out the best places to find prostitutes. For the Volkswagen Works Council “everything had to be right, and everything had to be the best,” Gebauer said in his statement.

Moreover, Uhl, according to the indictment, had given five depositions in which he said he had never used prostitutes at the firm’s cost. The district attorney now has 21 witnesses, beside Gebauer and other Volkswagen employees there are also several prostitutes. Files full of evidence with extensive statements and reports from the red light milieu have been presented to the court, while Uhl continues to deny all charges.

In December 2006, Uhl, who is a deputy for the constituency of Helmstedt-Wolfsburg in the area where VW has its main plant, had his parliamentary immunity lifted.

Significantly, Uhl received support from the SPD. Federal Environment Minister Sigmar Gabriel, who is also chair of the SPD district party in Braunschweig and who as a former premier of Lower Saxony sat on the VW supervisory board, rejected demands that Uhl resign his parliamentary seat. For Gabriel, Uhl had done “excellent work” in Berlin. SPD party head Peter Struck also supported Uhl.

The 55-year-old Hans-Jürgen Uhl is a prime example of the social democratic careerists who succeeded in rising to the top inside the trade unions and Works Councils in the 1980s and 1990s. A former teacher, Uhl assiduously accumulated various offices in the SPD. In 1990, he switched to Volkswagen where he became the works council executive director. He was also tapped to become the general secretary of VW’s European Works Council.

The corruption affair at Volkswagen, which brings to light the squalid nature of the works councils and union officials, has been met with contempt and disapproval, and not just from VW workers. It may be a new feature that works councils can be bought off by the management in such an obscene way, but since the 1980s at the latest, when the globalization of production

developed with increasing speed, the trade unions and the works councils have been transformed into corporate co-managers.

Globalization made it possible for companies operating all over the world to shift their production at any time and to constantly lower labour costs. This completely undermined traditional union policies based on the national state. The unions, which in the 1960s and 1970s had put pressure on the corporations to grant improvements for workers, at least in some areas, began increasingly to put pressure on workers to accept concessions in the form of cuts in wages and social conditions. This was always done with the argument that it was the only way to defend production in Germany against international competition.

This development heralded the worldwide decay of the trade unions and their transformation into corporate co-managers.

Uhl and his colleagues in the trade unions were no strangers to this development. In 1991, as a works council adviser, he wrote about this dilemma and thereby provided the theoretical justification for his own career development. As he says in his own words:

“The goal of the Works Council and trade unions cannot be to impose on another country our own models of industrial participation; there are no ready-made solutions when it comes to representing interests. Nevertheless, in developing a trade union strategy we can look back to the experiences of the 1970s in the Federal Republic.

“At that time, two paradigms confronted each other. The one lies in the works council strategy of rejecting management decisions, with the retrospective criticism ‘we told you so.’ The other paradigm is described as shaping the organization’s orientation and seeks early influence on management concepts. Today it is clearly the second paradigm that has become generally accepted. It also has the advantage of being really able to influence management concepts. However, this kind of co-management can also exact its own toll, because it implies taking joint responsibility and in cases of unpopular decisions can lead to problems of legitimacy for the works council. Therefore there needs to be a process of mutual exchange between the representatives of the various interests.”

Uhl, former works council boss Volkert and his successor Osterloh are typical representatives of this trade union strategy of seeking “early influence on management concepts.” It is no surprise, therefore, that Volkert demanded Hartz raise his income to the level of a top manager. Management agreed to his terms—including bonuses and super-bonuses.

As the Volkswagen board found out, this form of co-management and the few million euros it costs in salaries for the works council members, pays off in full. Under the direction of VW head of personnel and IG Metall member Peter Hartz and his partners Uhl and Volkert, Volkswagen was able to push through all the plans against the workforce that board chairman Ferdinand Piech required. Working conditions were continually worsened through implementing various new work-time and remuneration models.

Last year, this included increasing working hours without any corresponding increase in wages. In return, the works council demanded production of the Golf model be concentrated in

Germany and tacitly accepted the closure of most of Volkswagen’s Brussels plant—which did not prevent it expressing commiserations for the 3,300 sacked Volkswagen workers in Brussels in longwinded telegrams.

There is a long tradition of such cynicism among Volkswagen works council members. During his tenure as general secretary of VW’s European Works Council, Hans-Jürgen Uhl played a despicable role in isolating militant Volkswagen workers in other countries and stabbing them in the back.

The example that follows demonstrates a lack of political scruples that is hard to match.

Seven years ago in January 2000, some 6,000 VW workers launched a spontaneous strike at the company’s Uitenhage plant in South Africa. The workers’ anger was directed against a clear worsening of their working conditions being sought by the Wolfsburg corporate management. After two weeks, management posed an ultimatum and sacked 1,300 workers who opposed their dictates.

Together with VW’s central director of personnel, Dr. Schuster, Hans-Jürgen Uhl was also in Uitenhage at that time in order to break the strikers’ resistance. In a statement, the Volkswagen Works Council tried later to justify the behaviour of Uhl and its own actions.

“The situation had become untenable. A continuation of the strike would have meant the complete volume of exports from the plant would have been lost. A group obviously acting illegally were risking the livelihoods of thousands of employees and their extended families.

“The company had no other choice than to pose a new deadline: Only the employment contracts signed by workers from the beginning of the early shift on February 3 would be valid. The overwhelming majority of the approximately 6,000-strong workforce seized this opportunity. The fact that nevertheless almost 1,300 workers did not take up this offer greatly depresses Hans-Jürgen Uhl. But neither the IG Metall union nor the VW Works Council felt they were in a position to ask the Volkswagen executive board to withdraw the dismissals.

“This group sabotaged the calls of the trade union, the democratic government and the Volkswagen management and bears responsibility for the unemployment of 1,300 colleagues. This was underlined by Uhl after consultations with the company’s Global Works Council, the IG Metall and the International Metal Workers Federation, to which the South African NUMSA belongs. The opposition group bears the responsibility for the bad outcome” (quoted from *labournet.de*)



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