Germany: BMW announces 8,000 job cuts

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28 December 2007

On December 21, Bavarian auto manufacturer BMW announced plans to implement several thousand redundancies in the coming year. The slashing of jobs is part of an extensive savings programme aimed at boosting the company's profits. Between now and 2012, BMW plans to achieve savings amounting to approximately €6 billion.

According to *Der Spiegel*, 8,000 workers are to lose their jobs in 2008, although BMW was not prepared to confirm or deny this figure. Industry experts regard this number of job losses as "not implausible."

The main group of workers to be hit are temporary employees. There are currently about 8,000 such workers in the 108,000-strong BMW workforce in Germany. In addition, 1,000 full-time workers are expected to lose their jobs.

Particularly affected will be the company's site in the eastern German city of Leipzig, where half the workforce in the local factory consists of temporary hire workers. The company's plants in Munich, Dingolfing and Regensburg will also suffer cuts in production and manufacturing personnel.

The company plans to compensate for the job cuts by placing increased production demands on the remaining workforce, which will be called upon to work longer and harder for less money. The chairman of BMW, Norbert Reithofer, explained management's goals at a factory meeting in Munich. Because "competitors have clearly become more productive and more efficient within a short time," he said, BMW has to follow suit. "In future we will have to work longer for the same money," Reithofer explained. Workers will be denied paid breaks and overtime bonuses. In addition, production levels are to be increased and sickness leave reduced.

BMW shares immediately rose by nearly 4.5 percent after the announcement of the plans—the biggest rise on the German stock market last week. Although company boss Reithofer had declared just a few months ago that jobs would be safe, economic analysts had predicted the rationalisation measures, with some sources acknowledging that the loss of 8,000 jobs was no surprise.

As early as last September, management had submitted a new strategy paper, which referred to the necessity for "enduring increased levels of profitability." Business analysts then reacted with disappointment to the company's third-quarter earnings announced in November. BMW share prices fell by 3.7 percent after it was made known that profits had risen to only €765 million instead of the anticipated €900 million.

This is what lies behind the current round of radical economic measures. The company is not responding to sinking turnover figures or rising production costs. Quite the opposite: turnover in 2006 was more than 8 percent higher than in the previous year. BMW has the highest level of sales of all German auto producers in the US, and the company's turnover in China is also increasing continuously.

Rivals such as Volkswagen, Ford, Opel and Daimler have reacted to the crisis in the auto industry with tens of thousands of redundancies. Despite continuously increasing turnover, BMW declares it has a "cash crisis." In fact, at the heart of this "crisis" is the drive for increased profits by the company management and major shareholders. "We are aligning the BMW Group for consistent profitability," Reithofer declared.

Daimler, another Germany auto manufacturer, was able to clearly increase its profits after implementing job cuts and savings programmes in recent years. Daimler's profits are nearly twice as high as BMW's. It is already clear that the latest measures announced by BMW will be unable to bridge this difference in profit levels, meaning that the proposed round of job cuts is just the start of a more extensive rationalisation programme.

Anyone expecting the German trade unions to object to this planned loss of jobs would be making a big mistake. Not only did they refrain from any criticism, they explicitly lined up behind Reithofer and the company management.

Matthias Jena, spokesman for the industrial union IG Metall in Bavaria, declared, “We are not worried in the slightest.” The fact that changes were in the pipeline had been known since May. “It is completely normal when changes in production mean fewer people are employed,” Jena said.

With this statement, Jena made clear that his union would not lift a finger to defend those confronting dismissal. “Temporary workers are employed at times of peak production,” Jena told the *Süddeutsche Zeitung*. “If these peaks no longer exist—as is currently the case with BMW—then these jobs will simply be cut.”

Jena’s statement is just as cynical as that of a BMW spokesperson, who declared that nobody would be affected by the job cuts because the temporary workers affected are employed by an external agency.

It is clear that IG Metall and the company works council were informed about BMW’s plans a long time ago. Behind the scenes, management, the trade union and works council negotiated and decided upon the job cuts months ago.

This is why the head of Bavarian IG Metall, Werner Neugebauer, was not prepared to disturb his Christmas vacation to issue a statement or criticism of the job-cutting plans. Neugebauer sits on the BMW supervisory board and had been informed by the executive last May of the planned cuts.

At the beginning of December—i.e., six months after being informed of the proposals to sack virtually all of the company’s temporary workers—Neugebauer sat alongside deputy works council head Hans Haumer to cynically explain to the press that the union had successfully organised wage increases of up to 50 percent for agency workers as part of its campaign. “The same wages for the same work,” they said—i.e., wage increases for precisely those workers who will now lose their jobs!

Regensburg works council head Werner Zierer also admitted, “In the context of the announced improvement of efficiency goals the works council was informed by the company that this would lead to the dismantling of jobs among agency workers.”

IG Metall and the works councils have worked hand in glove with BMW management for a long period. Not only did the works council greet Reithofer’s takeover as chairman a year ago, although he long had a reputation as a ruthless rationaliser. It also unreservedly supported management’s strategy paper submitted last September.

A short time later, in October, the head of BMW’s works councils, Manfred Schoch, demanded that pressure be increased on BMW suppliers such as Conti and Bosch to lower their prices in order to increase BMW profits. He was well aware that these same companies had implemented their own rationalisation measures and job cuts over many years, but nevertheless stressed the necessity for further cuts.

The close collaboration between management, the works council and the trade unions is a hallmark of industrial relations in Germany, but it is particularly well established at BMW. Not only were savings measures agreed to by the unions—they made the proposals! The introduction for most employees of a thoroughgoing system of work-time flexibility—which places enormous strains on personal and family life—was worked out and introduced in the 1990s by the works council and its chairman Schoch. Alongside Saturday work, the company also introduced a work-time account, which means that employees can work up to 200 hours overtime without overtime compensation. The works council proudly declared that these measures had contributed an extra 4 percent profit for shareholders.

Arising from the logic of such corporatist schemes, trade unions in Germany and across the globe are now supporting massive job cuts in order to maximise company profits and are no longer prepared to make even the slightest criticism of management dictates.