Siemens axes 7,000 jobs worldwide

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On Tuesday, the German-based Siemens company announced plans to axe nearly 7,000 jobs at its subsidiary, Siemens Enterprise Communications (SEN), which operates worldwide. SEN provides telecommunications support for businesses.

Approximately 3,000 jobs are to be cut with a further 4,000 redundancies made in connection with selling off the company. In Germany alone, 2,000 jobs are to go, with an additional 1,200 following a sell-off. This constitutes the slashing of more than half of the company's workforce in Germany (currently 6,200). SEN has 17,500 personnel worldwide, including 1,900 in the US, as well as 1,500 in Great Britain and Brazil, respectively.

The plan at SEN is for the company to cease the manufacture of telephones, modems, cables, etc., and instead concentrate on providing software solutions for enterprises—like many of its competitors. The departure from manufacturing will affect the SEN work in Leipzig, Germany, where there are approximately 530 workers. The factory is either to be sold off or a "solution found with a third party." The same fate awaits the SEN production plants in Thessaloniki (Greece) and Curitiba (Brazil), where an outright closure of the plants "is not excluded."

Siemens has sought to free itself from SEN for a long time. The axing of jobs is now aimed at paring down the company for a sell-off, making it more attractive for possible bidders. Negotiations with three prospective buyers are said to be well advanced. On the basis of information from an "insider," the press has listed as potential buyers the German enterprise Nortel, the US finance investor Cerberus and the US-French telecommunications company Alcatel Lucent

SEN has its origins in the Com division of Siemens, which was implicated in a recent bribery scandal. In 2006, the Com division was divided into the independent companies Siemens Networks and SEN. Then, in April 2007, Siemens Networks was absorbed into the joint venture Nokia Siemens Networks (NSN).

On a global level, SEN cooperates primarily with the US telecommunications company AT&T, the IT enterprise IBM, the chip manufacturer Intel, British Telecom and the software giant Microsoft. SEN manufactured telephone systems for enterprises that, in the period of the Internet, are now considered outdated.

According to the company's financial head, Joe Kaeser, SEN made an annual loss of €602 million (pre-tax) on the basis of a €3.2 billion turnover. The cost of the job-reduction programme—euphemistically referred to as "restructuring costs" by Kaeser—is expected to be in the low three-figure-millions range, and the stock exchange correspondingly welcomed the plans for job cuts and gave a boost to Siemens shares.

Those faced with losing their jobs regard the current round of cuts as a final blow to the company. The *Frankfurt Rundschau* cited one of those affected, who said, "With this operation the patient is not expected to recover." After years of continuous reorganisation and a constant loss of know-how, the current total of 17,500 employees represents the absolute minimum for further operation of the company. Any further loss of jobs would be fatal.

Telecommunications technology was at the heart of the growth of Siemens 160 years ago, and the selling off of SEN means the loss of one of the last areas that characterised the company's existence. Today, Siemens is especially active in the spheres of general industrial production, energy and the health sector.

Two and a half years ago, Siemens sold off its mobile phone division to the Taiwanese company BenQ. Later, BenQ announced a massive programme of job cuts and then went bankrupt with the loss of 3,000 jobs in Germany.

Siemens's withdrawal from the telecommunications industry is only the start of a fundamental reorganisation of the company. All divisions must furnish proof that they can reach their profit targets of around 15 percent respectively, and there has already been public speculation that a number of sections would not fulfil their quotas.

The *Süddeutsche Zeitung* concluded that further sell-offs of major parts of the company were possible. It cited as one example Osram, the second largest manufacturer of lamps in the world, which has been part of Siemens for the past 30 years. “Despite public assurances in favour of Osram its continuance appears less than safe,” according to the newspaper.

At the end of November 2007, the Siemens executive supervisory board decided upon a radical reorganisation of the company—with the unanimous approval of those workers’ delegates who share seats on the board. The head of the industrial IG Metall union (IGM), Berthold Huber, who sits on the executive board of Siemens, justified the agreement of trade union and works council officials at the time by declaring that it was necessary for Siemens to remain “a worldwide leading integrated company with all of its main divisions.”

“Siemens will not be smashed up or cannibalised by financial investors. The decision secures the retention of all relevant divisions,” Huber stated. At the same time, he was forced to admit that the question of job cuts had not come up at the executive meeting.

However, it is now clear that the trade union and works council representatives have been discussing precisely the issue of job cuts at SEN with the Siemens executive committee behind closed doors. When details emerged of the company’s plans, one IGM representative declared he was “dismayed” about the level of cuts. Up until now, the figure of just 600 jobs had been bandied about, he blurted out.

The chairman of IGM in the state of Bavaria, Werner Neugebauer, declared his readiness to immediately negotiate about “solutions with genuine perspectives,” while Siemens finance head Kaeser stressed that the job cuts would be implemented immediately and in as socially acceptable manner “as possible.”

The pledges by the executive committee, trade union and works council that there would be “no repeat of BenQ” should be dismissed as utterly unserious and serve as a warning to the workforce.

Siemens personnel chief Siegfried Russwurm declared that the company was striving to find alternative jobs inside the enterprise. At present, a total of 3,000 jobs are vacant at Siemens, but these jobs will be filled by highly qualified engineers and software experts; in fact, employees at the SEN plants can expect the same fate as the workers at BenQ. Russwurm has already announced the setting up of a so-called holding company—i.e., the same trap prepared for the BenQ workforce to pave the way for unemployment.

IG Metall has also called for a “sustainable strategy” from any potential investors aimed at the securing of jobs on a long-term basis. “We hope that Siemens has learned from the disaster with BenQ,” IG Metall leader Neugebauer declared. This is also hogwash. In the case of other former Siemens subsidiaries sold off to so-called “respectable” investors, the destruction of jobs has continued unabated. In the case of NSN, 9,000 of the company’s 60,000 positions worldwide are to be eliminated by 2010 to achieve “synergy effects.”

Just three months ago, the automobile supplier Continental AG took over the Siemens auto supplier division VDO and last week announced further cuts in personnel in Germany, despite record financial results and good business prospects. The chairman of the board, Manfred Wennemer, did not exclude the possibility of compulsory redundancies.

Continental bought VDO (which employs 60,000) from Siemens for approximately €11.4 billion. The immediate axing of 500 jobs was a prerequisite for the takeover, and a further 1,800 jobs have been lost by “natural fluctuation” and the non-filling of vacancies. An additional 450 workers at the VDO factory in Wetzlar will lose their jobs because of a lack of orders, and management is currently negotiating a further 1,500 job cuts with the works council.