BMW axes 8,100 jobs to increase profits

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On February 27, German auto manufacturer BMW confirmed its plans to shed 8,100 jobs. Shortly before Christmas, the company had announced the cutting of several thousand jobs but had not given any concrete figures. In December of last year, *Der Spiegel* magazine raised the figure of 8,000 jobs in danger, but BMW refused to comment further.

Now, BMW personnel executive committee member Ernst Baumann announced that most of the 8,100 redundancies are to take place in Germany in the form of unemployment for 5,000 agency workers and 2,500 members of the permanent staff. An additional 600 employees will lose their jobs at the company's international locations.

BMW currently employs a total of 108,000 workers, including around 80,000 in Germany. In addition, the company employs 8,000 agency or temporary workers in Germany. According to personnel chief Baumann, 2,500 of these workers have not had their contracts renewed. The remaining 2,500 jobs are to be shed in the course of the year.

The elimination of jobs amongst full-time staff is due to take place through the implementation of part-time work for older workers and redundancy payments. Although BMW is prepared to pay out millions to this end, Baumann assured shareholders that the "synergy effect" would result in a reduction in personnel expenditure amounting to €500 million per year starting from 2009.

The job cuts are part of an extensive savings program aimed at increasing the company's profits and rewarding shareholders. "We are working to improve our profits in order to achieve the required premiums" was the reason given by Baumann for the job cuts. The current rate of profits—5 percent—is to be increased to between 8 and 10 percent by 2012, while the net yield on assigned capital is to be increased to more than 26 percent.

At present, BMW profit levels are less than its main competitors. Therefore, the company plans to save a total of €6 billion in material and personnel costs by 2012 and increase annual productivity rates by 5 to 10 percent. "This is simply laid down by the competition," Baumann insisted.

In order to double profits, it is unlikely that the present measures will suffice, and it is likely that the current round of job cuts is just the start.

On Wednesday, Baumann announced plans by BMW for further cutbacks in other areas alongside the cuts in personnel expenditure. The company has been affected by the high costs of raw materials and development, and, in order to minimise costs, BMW is increasing its pressure on suppliers. At the start of this year, Herbert Diess, on behalf of the BMW executive, demanded that a number of suppliers agree to a discount of between 15 to 20 percent. In addition, Diess cut payments usually made by the company to suppliers to help with the costs of raw materials.

Baumann also claimed that BMW was forced to save because of the weak dollar. While BMW still produces a majority of its vehicles for domestic consumption, its most important sales market is now the US. A euro worth US$1.50 for any lengthy period of time would constitute a "critical" level for BMW. "Then we need to take further measures with regard to personnel," Baumann threatened.

Despite increases in the prices of raw material and development costs, as well as the weak dollar, both 2006 and 2007 were record years for BMW, with the company selling more cars than ever before. All three of its brands—BMW, MINI and Rolls-Royce—announced record turnover at the start of the year, and overall turnover increased by 14 percent to €56 billion. In January, chief executive Norbert Reithofer also announced that current profit levels would exceed those of last year (€3.75 billion). The exact profit level for 2007 is still to be given.

In total, BMW delivered 1.5 million vehicles worldwide, 9.2 percent more than the previous year. The biggest single market for BMW was the US, with 336,000 units sold—an increase of 7.1 percent. This was the company's best result ever in the US, making BMW the most successful European brand on the US market.

German sales of 284,000 new vehicles were somewhat less than previous year (296,000), but BMW still fared better than the general trend—with sales dropping by 4.2 percent compared to an overall new vehicle sales decrease of 9.2 percent.

BMW assumes that increases in the rate of value-added tax were behind this decrease on the German market. The super-rich, however, remain unconcerned about such changes in commodity taxes, and luxury brand Rolls-Royce was able to sell 1,010 vehicles in 2007—increasing sales by 25.5 percent.

The main auto trade union, IG Metall, and the BMW factory council have supported all of the job-cutting measures implemented by BMW since the 1990s, while at the same time the central works council only recently agreed on new worsened conditions with management for those employees retaining their jobs.

The factory council gave its stamp of approval to shorter breaks and the abolition of premiums and shift payments for the 80,000 workforce in Germany. The remaining workers would also have to make "a contribution," Baumann declared approvingly. And although profits are continuously increasing, the company profit-sharing scheme would not yield any increase for its employees this year.

It is now clear that the current range of job cuts was a done deal, worked out some time ago between the union, BMW management and the factory council.

When *Der Spiegel* reported on the planned job cuts three days before Christmas, IG Metall and the BMW factory council barely reacted. Both bodies avoided any criticism and expressly lined up behind BMW board chairman Norbert Reithofer.

"We are not at all concerned" was the comment of Matthias Jena, speaker for IG Metall in Bavaria, just after the Christmas break. The plans for changes in production—particularly in the 7 series—have been known since May 2007. "If production is reorganised, then fewer people are needed. That is completely normal," Jena said.

The head of the Bavarian IG Metall, Werner Neugebauer, who sits on the supervisory board of BMW, had already been informed by the executive in May 2007 on plans for dismissals. When *Der Spiegel* printed its report in December, Neugebauer saw no need to interrupt his Christmas holiday or make a statement. After all, the dismissals were a component of the strategy paper the company had submitted in September. This strategy paper had received the unconditional support of IG Metall and the factory council.

By refusing to lift a finger to oppose the dismantling of the jobs of agency workers, the union and factory council are driving a wedge between the company's 80,000 full-time staff and its 8,000 temporary workers. The cynical message to the full-time staff is clear: "Keep calm, those hardest hit are the temporary workers, and we will do what we can for those permanent staff who lose their jobs."