

Further job cuts at German-based Siemens

Elizabeth Zimmermann
19 May 2008

The German-based multinational Siemens is determined to implement a radical reorganisation plan involving mass redundancies decided by the company executive last year. It has justified its strategy by pointing to the international finance crisis and a big decline in profits.

At a press conference on April 30, 2008, Siemens Chairman Peter Löscher reported a 67 percent decline in profits for the second quarter of the financial year 2007/2008. The financial year begins for Siemens on October 1. In the same breath, he announced further sharp economic measures and the dismantling of jobs.

The decline in profits amounted to a two-thirds drop—from €1.26 billion (2006/2007) to €0.41 billion for the latest year. This was against a background of a 1 percent increase in overall turnover to €18.09 billion and a 12 percent increase in orders (€23.37 billion). At the same time, however, the company slashed 36,000 jobs. Internationally the company reduced its workforce from 471,000 to 435,000.

This drastic cutting of jobs is to be continued. Löscher told the press conference: “There can be no doubt that the world economic situation will deteriorate. We are assuming that the consequences of the financial crisis will make itself more clearly felt in the real economy in the course of the coming financial year.”

Under conditions where the company executive committee is determined to stick to its fixed goals for growth—which are twice as high as predicted growth for the world economy—and secure high profits for all sectors, Löscher declared, “It will inevitably be necessary to reduce personnel.” He gave no exact figures, but the order of magnitude can be estimated on the basis of the company’s drive to force down costs by €1.2 billion in the sectors of sales and administration alone. Such savings can only be made on the basis of destroying thousands or, more likely, tens of thousands of jobs.

Thousands of Siemens workers employed in the telephone system sector Siemens Enterprise Network (SEN) are already affected by the job shedding strategy. SEN is planning to reduce its workforce from 17,500 jobs to just 10,000. Redundancies will be severe in SEN plants in the US, Great Britain and Brazil. In Germany, 2,000 out of 6,200 jobs are threatened, particularly in Munich and Leipzig.

The company’s 20 strong supervisory board unanimously agreed to the comprehensive reorganisation plan last

November. The factory councils and IG Metall trade union functionaries, who have 10 seats on the board, also agreed to the plan, although it was clear that it would involve the destruction of tens of thousands of jobs. Both the joint factory council chairman Ralf Heckmann and the chair of IG-Metall, Berthold Huber, sit on the Siemens board—with Heckmann as deputy chairmen.

In the case of SEN in Germany, the IG Metall and factory council agreed behind closed doors to the axing of 600 jobs. When in February the executive committee increased this number to 2,000-3,000, union officials duly expressed their “dismay,” but then went on to agree to the slashing of more than 2,000 jobs.

Ralf Heckmann has personally intervened to argue for an even more rapid reorganisation of the company. When at the start of April factory councils at SEN failed to approve the reorganisation plan, Heckmann intervened together with Siemens personnel chief Siegfried Russwurm to accelerate an agreement over reducing personnel.

Russwurm told the *Süddeutsche Zeitung* on April 11: “Everyone is clear, 1,200 jobs in the section have to go.” His comments were echoed by Heckmann, whose salary at Siemens amounts to €250,000 per year: “We know that the jobs cannot be saved.”

In the middle of April the Siemens executive, the IG-Metall and factory council then put forward a social plan for its SEN group. The plan is similar to that used recently to break up the company’s mobile telephone section—BenQ. An initial 1,240 jobs are to be cut on the basis of early retirement, redundancy payments and transfers to a holding company. Similar conditions are then to apply to an additional 800 jobs, which will be slashed after the planned sell-off of the sector.

However, Siemens has problems getting rid of SEN. Originally SEN was to be sold off by the end of April. Prospective buyers in discussion were rival companies such as Alcatel Lucent, Nortel and the finance investor Cerberus. But no sale has been finalised and if no buyer is found by the end of June, Siemens intends to reorganise the loss-bringing sector itself, or close it altogether. This would then put the jobs of over 17,000 employees in jeopardy.

The Siemens transport division TS (Transport Systems) is also directly affected by savings and job cuts. According to a report in the *Süddeutsche Zeitung* at the end of April, a

company reorganization team was exploring the possibilities for savings. TS has a turnover of €4.5 billion and manufactures main-line trains and streetcars. Siemens boss Löscher is demanding that TS achieve its planned profit target goal of at least 7 percent by 2010 at the latest. Nearly all other sectors have two-figure profit targets. TS is currently struggling with a profit return of 2.1 percent. In September the first results of the reorganisation team will be announced and many SEN workers are fearful that their jobs will be amongst those affected.

The IG Metal and factory councils have insisted that Siemens will only sell off its sectors to “respectable investors” and there would be no further repetition of the fiasco at BenQ, but the practice of Siemens in the recent past tells a very different story. In April last year subsidiaries of the former Siemens communication section (COM) were transferred into the hands of the company Nokia Siemens Network (NSN). Just one month later NSN announced substantial job cuts in Finland and Germany. A total of 9,000 jobs are to go by the year 2010. The company currently employs 60,000.

Another case is the former auto supplies section VDO with a workforce of 60,000, which Siemens sold off to Continental AG at the end of last year. So far 2,000 VDO jobs have been lost with more redundancies in the pipeline.

Fearful for their jobs, workers from the VDO works in Wetzlar (Germany) and a Continental tyre factory in San Luis Potosi in Mexico demonstrated at the Continental AG general meeting held in Hanover at the end of April. In Mexico the company wants to cut wages by about 50 percent, although food prices in the country are exploding. Last year 250 workers at the Mexican factory lost their jobs and further dismissals have already been announced. In Wetzlar, half of the workforce, i.e., 450 of 900 workers will be made unemployed as part of the factory’s production is shifted to the Czech Republic.

In Dortmund two thirds of the VDO workforce are due to lose their jobs. Only 350 of the total workforce of 1,250 will retain their jobs after so-called “structural adjustments” due to take place over the next few months. Continental has also been posting high levels of profit. By 2009, all sectors are pledged to obtain profit rates of at least 10 percent.

Siemens personnel also fear for their jobs, wages and working conditions following the eruption of a corruption scandal, which was made public in the press in November 2006 and has featured widely in the media since. The scandal involves the paying of huge bribes by leading managers to secure contracts for Siemens. So far the company has paid out nearly €2 billion in fines and legal costs. The legal firm Debevoise & Plimpton, which specialize in such cases and was hired by the Siemens board, has already pocketed a half billion euros: in comparison the social plan for the 1,250 SEN workers who will lose their jobs costs a fraction of this amount.

The Siemens management has sought to play down the corruption scandal by references to new business practices and

modern business ethics but, at the same time, the company is genuinely afraid of punitive fines ranging in the billions from the US stock exchange supervisory committee SEC, which could create serious difficulties for the corporation—adversely affecting its stock market value.

The company’s current calls for “transparency” and “renewal” are aimed at persuading the US stock exchange committee that the corrupt practices at Siemens now belong to the past. In the financial year 2006/2007, 470 employees were punished or given warnings for the violation of internal guidelines. The executive has been virtually replaced.

The resolution passed by the executive to examine claims for damages against former members of the board and leading managers should the allegations of corruption be confirmed recalls the saying: “Closing the stable doors after the horse has bolted!”

The system of bribery was widespread in the company and for decades regarded as official policy. Until September 1998 it was even possible in Germany to obtain tax relief for bribes paid abroad. Now it is clear that Siemens continued with such practices after this date.

Investigations into the affair began in the company’s communication section, but have now spread to include fields such as power station, transport and medical technology. According to a report submitted by Debevoise & Plimpton at the end of April, evidence of corruption was found “in nearly all of the examined divisions and in numerous countries.” The public prosecutor’s office in Munich is currently investigating 270 leading Siemens managers on suspicion of involvement in the corruption affair.

The IG Metall union and the company’s works council, who have 10 representatives on the company supervisory board, have declared they know nothing of the bribery system—but this is difficult to believe. They regard themselves as co-managers on the supervisory board and work intimately with the executive committee and company leadership.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact