Germany: Job destruction at Siemens heralds a new stage of social attacks

Elisabeth Zimmermann, Ulrich Rippert
22 July 2008

At the beginning of July, Siemens chief Peter Löscher announced the destruction of 17,200 jobs worldwide at the engineering multinational, with 6,400 being slashed in Germany. His announcement was followed by workers launching protests at several locations, and the IG Metall union has called a national day of action for July 23.

However, the defence of jobs and social conditions calls for much more than a few loud protests and some militant talk by union bureaucrats. The primary concern of union officials is to cover up their own role as co-managers—the 10 union representatives who sit on the Siemens supervisory board have so far agreed to all the company's restructuring measures and the associated job and welfare cuts.

The close collaboration of the executive board, the works council and the IG Metall has played a key role in pushing through company decisions. Chief executive Löscher, supervisory board head Gerhard Cromme, IG Metall leader Bertold Huber and Siemens works council chairman Ralf Heckmann form an inner circle that meets regularly and agrees on important decisions.

Many Siemens workers are surprised and shocked about the extent and speed of the job cuts. By the end of August, lists of names of those affected are to be drawn up, which will then be nodded through by the works council.

The slashing of 6,400 jobs in Germany will above all affect those working in administration. One in five of the 900 jobs at the company headquarters in Munich are to go, with Bavaria hardest hit by the cuts. A total of 1,020 jobs are being cut throughout Munich, with 1,300 to be shed in Erlangen and 560 in Nuremberg; 350 jobs also being destroyed in Berlin. All three cities were previously central to the company's administration.

When Löscher announced the "restructuring programme" at a press conference, he said the company needed to "clear away the loam"—a formulation that has since been taken up and commented upon several times.

In the *Süddeutsche Zeitung*, Ulrich Schäfer writes that in using the term "loam," the Siemens chief has coined a similar phrase to one used 14 years earlier. In 1994, then-Deutsche Bank head Hilmar Kopper used the expression "peanuts" to describe what had happened to dozens of craftsmen who were not paid and faced ruin when the building contractor Jürgen Schneider went bankrupt. Kopper's remark made clear that the top bank manager was thoroughly disinterested in the concerns and precarious situation of small firms and self-employed craftsmen.

Schäfer notes that use of the phrase "loam" is a similar case today, and comments: "The loam: these are those people at Siemens (as well as in other enterprises) who one generally does not see, the ordinary employees in the administration, the advisers and specialists, the lower and perhaps also the middle leadership level. They sit in air-conditioned offices, not in stuffy factories; they deal with the paper work, which has since become computerised; they book travel and do the accounts; they sit in the heart of Siemens, quite close to where the power is, but often far away from where production takes place, far from the factories and the markets."

This "loam" exists in almost all large-scale German enterprises, and its existence is not only important for the smooth running of the business, but is also an "important part of the layer that forms the heart of German society," Schäfer writes. He concludes: "If Löscher wants to clear away this layer, this has consequences far beyond Siemens."

In other words, the present job cuts are not only the most comprehensive and most radical in the 160-year history of the company; they are also a matter of smashing apart company structures, working relations and social conditions that have developed over one-and-a-half centuries. In addition, the term "loam" as a metaphor for cohesion, tenacity and impermeability can also express the resistance of this layer of administrators, technicians and specialists to the planned cuts.

Since the establishment of the "Telegraphen-Bauanstalt von Siemens & Halske" in Berlin in 1847 by Werner von Siemens and Johann George Halske, the Siemens company was characterised by two things: firstly, by a very rapid process of internationalisation and, secondly, by a business culture that sought to bind all those the firm employed into the enterprise through continuing professional development, as well as through activities such as sport, culture and diverse social programmes.

Siemens was one of the first German enterprises to operate abroad, launching a subsidiary in London just three years after the firm was established. Five years later, the next subsidiary was launched in St. Petersburg, and in 1923, the first non-European subsidiary was opened in Japan. At present, Siemens has approximately 600 manufacturing plants in 50 countries, with research establishments in approximately 40 countries and sales in nearly all countries of the world. According to its own figures, Siemens presently employs 400,000 workers worldwide, with approximately 126,000 in Germany.

In his history of the company, *Siemens—From a Workshop to a World Enterprise*, Wilfried Feldkirchen writes about the great significance in the business philosophy of Siemens of continuing workforce training and social programmes. In the nineteenth century, the company developed new training courses, with their own career development paths, which were not at first subject to examinations run by any state training or educational bodies. These apprentice and advanced training facilities were above all dedicated to the training of three occupational groups: technicians and sales staff, as well as engineers and physicists.

By the mid-1970s, the company had established its own training facilities in several locations, spending nearly €500 million annually in recent times on this division—colourfully named the "Learning Campus." In addition to Germany, such training centres exist in the US, Portugal, France and China.

From the outset, occupational training was closely linked with social measures that strove to bond qualified workers to the enterprise. Early on, the company instituted profit-sharing for all employees, and a pension, widows and orphans fund. Before the First World War, Siemens built housing for its employees in north Berlin, also providing the necessary urban infrastructure. The “Siemens City” in Berlin grew very rapidly.

After the Second World War, the company shifted its headquarters from Berlin to Munich. Again, a Siemens housing development was established, giving its name to one of the city districts—Traunreut. Still led by the founding family, Siemens became the flagship of the German *wirtschaftswunder* (economic miracle) and the symbol of a “social free-market economy.”

Even today, a close relationship exists between management and the local and regional political elite. A good example of this can be seen in Erlangen, north of Nuremberg, where the majority of the Siemens administration and research operations are concentrated. One in four of the city’s 100,000 inhabitants works at Siemens. Including company pensioners, more than half all inhabitants have links to Siemens.

Members of the town council, regardless of which party they belong to, look back in one way or another to a career at Siemens. Mayor Siegfried Balleis (Christian Social Union—CSU) was for several years an operations manager at Siemens and has described the close cooperation between the city administration and company management. Decisions regarding infrastructure and on sports, culture and educational facilities were made in close consultation with the company. Every Siemens chairman of the board was received as a guest in the mayor’s office on the 14th floor at city hall. But when Löscher became the new company chairman one year ago, all that fundamentally changed.

The change, however, is not simply a result of the furious restructuring measures of the new chairman. Löscher began his career at management consultants Kienbaum. He studied and practiced US-style management methods as a board member of Siemens’s competitor General Electric. He is driving a development that is taking place in corporations around the world.

Löscher’s attack on the “layer of loam” serves to smash apart a company structure that assumed high quality could only be guaranteed by a well-trained, culturally engaged and, to a large extent, socially secure and relatively content workforce. When Siemens AG was launched on the stock exchange in the US in 2001, its management finally abandoned this orientation and concentrated on only one factor: profit maximisation.

Löscher has been aggressively driving this development forward. He demands that each section of the company return a high net yield, and sets his priorities according to what is happening in American companies. Last autumn, he confronted the management with figures that showed Siemens’s industrial businesses had “only” achieved an 8.5 percent yield on turnover in the first nine months of 2007, while General Electric had attained 14.7 percent.

Löscher demanded that all areas of Siemens had to increase their share of the world market by winning over market influence from its competitors. At the same, administrative and general costs were to be lowered by up to 20 percent by 2010. The recently announced cuts in jobs and wages and the accompanying increase in productivity are to serve this end.

At the company’s annual general meeting at the end of January of this year, Löscher summed up the financial year 2007 as the “most operationally successful” in company history. Nevertheless, he announced a goal of increasing net yields within the following divisions: industrial sector from 11 to 13 percent; energy from 13 to 15 percent; and the healthcare sector from 15 to 17 percent. Most of the increase in profits flows directly into the pockets of the shareholders, who received a 10 percent increase in their dividends, corresponding to a windfall profit of €1.5 billion.

Löscher’s attacks on social measures do not stop at the factory gates. His scorched-earth approach is a component of a policy that seeks to subordinate everything in society to the maximisation of profits and the enrichment of a business and political elite. The struggle against this cannot be based on a few toothless trade union protests, but requires a socialist perspective, at the centre of which stand two things.

Firstly, the struggle cannot be limited to the framework of the existing capitalist society; otherwise, it is not possible to conduct an uncompromising and principled opposition to the Siemens board. Decisions affecting the company must be subject to the democratic will of the workforce. It cannot be permitted that a management, which was not elected by anyone, takes decisions that destroy modern manufacturing plants and effective administrative structures developed by generations of employees, and thereby ruins the prospects of huge numbers of workers and their families. The interests of the workforce and the general population must be placed above the principle of capitalist profit and the private enrichment of the shareholders and speculators.

Secondly, the international unity of Siemens employees at all locations is a necessity. Like all large-scale enterprises, Siemens tries to play off the workforce at one location against another, and in one country against another, by threatening to relocate production. This international corporate strategy of social dumping must be opposed by the international solidarity and a common struggle of Siemens workers at all locations.

This is the only basis upon which to oppose the cynicism of the works councils and union bureaucrats, who in their protest speeches rant against an “irresponsible management” but have agreed to the cutbacks in the supervisory board and the works council. Löscher’s attacks on the so-called “layer of loam” make clear that the union conception of social reformism and the partnership between labour and capital have failed.

The union officials are reacting to this development with a clear move to the right. As co-managers, they stand on the side of the company against the employees and are compensated accordingly—according to press reports, works council leader Ralf Heckmann receives an annual income of €250,000.