

Sweden: Saab announces more layoffs as unions agree to wage cuts

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Saab announced 750 job cuts at its main plant in the south-western town of Trollhättan on March 12. Trollhättan has been the main hub of the automaker throughout its existence, currently employing a total of 3,700, in a town with a population of just 45,000. The layoffs come three months after 350 workers were made redundant through the elimination of the evening shift in December.

Saab made clear that it felt no responsibility towards its workforce, declaring, "This is a necessary action to increase liquidity, and the top priority for Saab at the moment is to reorganize efficiently in order to attract new investors."

Responding to the layoffs, the trade unions, rather than mounting any challenge to the cuts, sought to stoke tensions between Saab workers and their counterparts at Volvo. Referring to loan guarantees from the European Investment Bank (EIB), which Volvo had just secured, Chairwoman Anette Hellgren for the trade unions at Trollhättan complained, "If we had gotten support from there, we would have gotten by without the redundancy notices. Congratulations, Volvo; but they would have managed without the loan guarantees."

Earlier in the month the trade unions came out in favour of a proposal sanctioning wage cuts for workers. The IF Metall union announced an agreement with the Association of Swedish Engineering Industries (Teknikföretagen) on March 2, which stated that wages could be reduced by up to 20 percent. Insisting that current conditions represented an "economic emergency," union leaders declared that the agreement would remain in place until the end of March 2010. IF Metall leader Stefan Löfven commented, "This is no normal reshuffling within the industrial sector, this is an emergency situation."

A statement by Teknikföretagen made clear the aim of

the agreement was to boost the financial position of corporations at the expense of working people. "This is a way for us to try to reduce the need for layoffs and at the same time reduce costs for the companies," said Anders Narvingen.

The unions' willingness to collaborate with management in imposing pay cuts is entirely in keeping with their nationalist orientation. In the case of Saab, the unions have sought to promote the illusion that the problems are mainly of General Motors' making. They have held negotiations with government to attempt to come to terms on a support package and find an alternative buyer, defending the position that a takeover by Swedish-based capital offers a viable alternative for workers.

Like their counterparts in Germany and throughout the world, the unions have made every effort to divide auto workers along nationalist lines, rather than calling for the unity of European workers with their colleagues in North America in a common fight to guarantee jobs.

The first targets will be workers at Saab and Volvo who have already been hit by mass layoffs and production cuts due to plummeting auto sales. Saab, which filed for bankruptcy protection last month, faces the most immediate problems, with statements in recent weeks confirming that without a buyer it could cease to exist within months.

GM Vice Chairman Bob Lutz, attending the auto show in Geneva earlier this month, commented that his favoured solution would be a merger of Saab and Volvo. Thus, he commented, "both we and Ford get rid of a problem."

Such a move would inevitably result in another round of mass layoffs for autoworkers, as well as threatening jobs in related industries. Unemployment has been rising sharply in Sweden since last summer, up 14 percent in January from the previous month. February's figures, released last week, showed unemployment of over 8

percent.

Lutz also commented on the difficulties facing Saab in finding a buyer. "I think it will be hard. Buyers also look at the figures. Just like the Swedish government has done. Who wants to buy a firm that has reported losses, year after year?"

Recession will make it extremely unlikely that a buyer will be found. As Peter Schmidt of consultancy firm Automotive Industry Data put it, "I really can't see anybody coming up with a reason to pump money into Saab. GM couldn't turn it round during the best of times, and now we're in the worst automotive crisis since World War II."

The gravity of the crisis was illustrated on March 5 when auto parts maker Platål declared itself bankrupt. The Göteborg-based firm supplies both Volvo and Saab and employs 6,000 workers across Europe in 28 factories. It noted in a statement, "We've tried to save and sell parts of the company. We've negotiated with the banks and we got a 250 million kronor (\$27 million) capital injection from our major owner Nordic Capital in January. But it hasn't been enough."

Saab CEO Jan Ake Jonsson claims that a number of parties have expressed interest in buying the ailing carmaker. Media reports have linked two Chinese automakers with a possible deal.

In the meantime, GM has agreed to pay Saab's growing debt to its suppliers, which currently stands at approximately 1.4 billion kronor (\$100 million). But beyond the end of 2009, the US carmaker is set to end financial support as it seeks to cut costs.

During the last week in February, Saab was forced to suspend production due to unpaid bills.

Announcing that it would pay Saab's debts, GM Purchasing Chief Bo Andersson accepted that the amount allocated would not even be sufficient to last the three month restructuring period. "Think of it as a 'get-started' fee. We'll have to see how long the money lasts," he told business daily *Dagens Industri*. He then acknowledged the growing problems being faced by GM itself in its relations with its suppliers, stating, "Many suppliers are dragging their feet on deliveries due to the threat that GM could file for bankruptcy."

Speaking from Geneva, GM Chief Operating Officer Fritz Henderson made it plain that without state aid GM's entire operation in Europe could collapse, threatening the destruction of 50,000 jobs directly. Explaining that GM Europe could run out of cash as soon as the second quarter of the year he added, "We would try to stay alive,

but there's no guarantee we could."

The rate of the decline in car sales continues to accelerate. In February just 14,000 vehicles were sold in Sweden, down 31 percent from the same period a year earlier. It was reported that Toyota was forced to lease a cargo ship in Malmö in order to store at least 2,000 surplus vehicles. According to port authorities, around 30,000 cars of all brands are currently stored at the port.

The rapid fall in demand prompted Volvo Group to announce that it would be reducing production at its plant in Göteborg. The truck maker, which has already cut over 5,000 jobs in recent months, was forced to ditch plans to increase the bonuses of 250 top executives after public outcry at the move.

The government is still refusing direct aid to Saab, maintaining that in the event a new buyer is found it may be prepared to give backing to an application for a loan from the EIB. In comments at the European Union summit in Brussels at the beginning of March, Prime Minister Frederick Reinfeldt denounced state bailouts for the auto industry, insisting that it was necessary to downsize due to reduced demand.

The government is in no position to provide financial support. Every set of new statistics shows a rapid worsening of state finances as unemployment rises, tax receipts fall and the government's privatisation programme remains halted. The latest forecast for the budget deficit for 2009 was a six-fold increase from the previous outlook in November. The predicted deficit for the coming year is now 130 billion kronor, down from a 130 billion kronor surplus last year. A large part of this deficit consists of the funds made available to prop up the banking sector, which has been hit hard by the economic crisis, in particular the economic collapse of the Eastern European countries, where banks like SEB and Swedbank have extensive interests.



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