Germany: Klaus Ernst and the Left Party support drastic wage cuts

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At the end of last year, the Schaeffler family and their creditor banks made a speculative and disastrous takeover bid for the Continental Group, the tyre and auto supply company, landing the company with debts amounting to billions of euros. Now, the German engineering union IG Metall and its works councils are attempting to rescue the imperiled Schaeffler enterprise at the expense of the company's workforce.

At the end of July 2009, the company issued a memo declaring that its management had finalised a deal with IG Metall and its works councils securing the future of all Schaeffler plants in Germany. The deal includes company-wide savings of €250 million at the expense of employees via job termination agreements, expansion of short-time working and part-time work for older employees.

Wages have been frozen, and the 2.1 percent salary increase originally due to be paid from May 1 will be postponed until the end of the year. With remarkable frankness, IG Metall announces on its homepage: "The agreements at the plants are based on the agreement struck between the chairman of IG Metall, Berthold Huber, and the Schaeffler family in February of this year."

For the 28,000 people employed by the company in Germany—of whom about 20,000 are currently working short-time—the deal means average income losses of 17 percent. In addition, Schaeffler has already requested an extension of short-time working to mid-2010 and reserves the right to impose further dismissals and wage cuts should the economic situation worsen.

In a statement, the company declares: "Should this tentative positive prognosis prove untenable in the course of the year, management and the workers' representatives are agreed that further substantial measures will be necessary." These could include "the establishment of transfer companies and compulsory redundancies."

The role of the Left Party

Klaus Ernst, the secretary of IG Metall in the region of Schweinfurt where the company has its headquarters, described the agreement "as a quite acceptable solution in view of the situation of the company and the economy overall."

Ernst has been secretary of IG Metall in Schweinfurt since 1995. He has been a member of the union since 1972 and was a member of the Social Democratic Party (SPD) from 1974 to 2005. Together with other union officials, he founded the Initiative for Labor and Social Justice in 2004, which later fused with the post-Stalinist Party of Democratic Socialism (PDS) to form the Left Party. At the founding conference of the Left Party in 2007, Ernst was elected deputy party chairman, and he later became deputy head of the party's parliamentary faction. He continues to carry out both functions today and can be rightly described as a founder and central leader of the Left Party.

Not only does Ernst embody the close links between the Left Party and the trade union bureaucracy, he represents in person the cynical role played by the party. As the official secretary of the IG Metall district of Schweinfurt, one must presume that not only did he know of the attacks on employees planned by management, but actually collaborated in their elaboration. This does not prevent him, however, from continuing to sermonise in party speeches about the necessity for "fair wages," "social justice" and the necessity for "courage to realise one's own interests."

The Left Party supports the manoeuvres by union officials with Schaeffler, which—as is the case in many other factories—result in wage and benefit cuts for workers, but enable the bureaucracy to expand their own privileges by taking up posts in the company supervisory boards or via share holdings in the enterprise.

The head of the works council, Norbert Lenhard (IG Metall), who agreed to the wage cuts, now speaks of "future protection" and states hypocritically that "We have prevented compulsory redundancies.”

In fact, the guarantee made by management, to avoid redundancies until the end of June 2010, is aimed merely at pacifying the workforce. According to an August 4 article in the *Financial Times Deutschland*, the company anticipates a 15 percent drop in turnover in 2009 and expects “that markets will only reach the level of 2008 in 2012-13.”

“In the event of an emergency, transfer companies must be considered for some locations. That would amount to downsizing, but without directly resorting to compulsory redundancies,” writes the *Süddeutsche Zeitung*.

In return for their services, union officials have been guaranteed lucrative positions on the Schaeffler supervisory board, together with a “co-worker financial participation” (MKB). The “Future Agreement” reached by the union and management declares: “Both sides agree that the possibilities for financial participation by employees should be taken up. The partners of the Schaeffler group are therefore ready to allow workers to take shares in the company.”

As is the case with automaker Opel, the role of the MKB at Schaeffler is to chain the workforce to their “own” factories or workplaces. Workers are expected to invest their own savings and wages, but have no speaking or voting rights in exchange for their shares. The real beneficiaries are IG Metall functionaries and works councils who can expect to take up well-paid posts.

According to Werner Neugebauer, IG Metall’s chief in Bavaria, the money saved by the postponement of the pay increase until the end of the year could flow into a company share-holding scheme. Despite the problems involved in finalising such financial participation, Neugebauer is confident that an appropriate deal can be struck: “We continue to be convinced that an appropriate holding of shares by employees is the best way—also with regard to stabilising the enterprise.”

The posts sought by the IG Metall leadership on the supervisory board also appear to be finalised. Neugebauer added: “I assume that due to the advanced process of internal clarification that in a few weeks the family enterprise and IG Metall will be able to establish a supervisory board or committee, which will have the same tasks, structures and parity [i.e., half of the seats for the trade union] as laid down for such enterprises in the Codetermination Law of 1976.”

The crisis at Schaeffler

To recap: the family-owned Schaeffler company took over Continental, the tyre manufacturer and auto supplier three times its size, at the end of last year. The family borrowed €16 billion to finance the deal, with the shares acquired serving as security for the banks. The aim of the joint owners of the company, Maria Elizabeth Schaeffler and her son George, was to create the world’s second biggest auto supplier after the global market leader, Bosch.

The family, however, moved at the wrong time. As a result of the economic crisis, Continental shares lost three quarters of its value and overnight Schaeffler was burdened with billions of debt with the banks demanding repayment of their loans. According to financial circles, Schaeffler violated its repayment deadlines at the end of June 2009 and is unable to make its payments for the banks scheduled for 2009 and 2010.

Already at the beginning of August, *Handelsblatt*, the business journal, demanded that “The banks must take over the rudder at Schaeffler. In fact they should have done that a long time ago. Because the company belongs to them anyway.” So far, the banks have refrained from directly taking over Schaeffler because this would mean writing off billions of euros of their credits. The sword of Damocles, however, is swaying over the heads of the company’s workforce.

Those close to the company assert that following the implementation of the “strict austerity course” in February 2009, the company is currently able to make interest payments to its creditor banks. These interest payments are reckoned at €70 million per month—i.e., in four months a sum equivalent to the company’s entire savings programme of €250 million.

At a recent workplace meeting, the Schaeffler workforce was informed about the proposed cuts. On July 28, management and the work councils issued a joint declaration in Schweinfurt that at least €59 million savings were to come directly through cuts in staffing.