Opel: Restructuring at the expense of the workforce

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On August 31, the European works council, the German engineering trade union IG Metall, and chief executive Nick Reilly signed a reorganisation plan for Opel-Vauxhall, the European subsidiary of General Motors. The board of directors of GM in the US has also given its agreement to the 150-page contract.

The head of the Opel works council, Klaus Franz (IG Metall), who also heads the European joint works council, praised the contract and declared: “The persistence of employees’ representatives in negotiations has paid off. With this contract system employees and their representatives in Europe and Germany have made their contribution towards a positive future for Opel-Vauxhall and received security in return.”

In fact, the contract means business as usual at Opel-Vauxhall: jobs are to be reduced step by step, and the remaining staff will pay for the provisional “rescue” of the company with drastic losses of income.

In signing the contract, the works council and trade union have sealed the destruction of one fifth of all jobs in the company plus income losses amounting to more than a billion euros. As was already agreed at the end of May, 8,000 of the approximately 48,000 workers in Europe will lose their jobs. If one includes part-time-employed elderly workers. then this total rises to 10,000.

In return, the company has promised there will be no further compulsory redundancies until 2014. Such an agreement on the part of the GM-Opel management, however, is virtually worthless. What is clear is that further layoffs are in the cards at the latest in 2014, and in the event of any new crisis, much earlier.

From 2011 to 2014, the pay of the workforce will be reduced by €265 million per year—i.e., a total of more than a billion euros over four years. Of this total, €177 million will be deducted annually from the workforce in Germany. Opel workers in Germany have already gone for half a year without an agreed pay rise of 2.7 percent and a one-time payment of €320 for workers and €120 for apprentices. Christmas and holiday pay has also been halved.

The latest deal means that the company works councils and the trade unions behind them are not only taking over responsibility for cuts to jobs and wages, they are also determining the future policy of the company to ensure profits and competitiveness.

Now, a new supervisory board is to be established for the company to determine the development of new products. This will mean that the works council and trade union will be integrated directly into managerial policy. According to the Bochum works council chairman Rainer Einenkel, the aim is to establish a new company “culture” based on “profit orientation, transparency, mutual respect and inclusion of the workforce”—although under “workforce” he evidently means only himself and other union functionaries.

Up until now, contracts between management and the trade unions were primarily concerned with employee issues, but the latest restructuring contract deals solely with managerial policy. The conversion of the works council and union officials into co-managers exclusively bound to the interests of the enterprise has now reached a new stage.

Originally the works council and IG Metall had demanded a so-called “co-worker participation company”, which would have assured the union bureaucrats of healthy receipts and closer participation in management. Instead, they are now to be integrated into the supervisory committee, combined with a profit-sharing scheme for staff. This last measure is aimed at fooling workers into believing they have an interest in ensuring maximum profits for the company.

According to the skeleton agreement signed by the European works council, Opel staff will receive 3.75 percent of pretax profits in 2014. Starting from 2015, this

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should then rise to 7.5 percent. These sums are allegedly equivalent to the reimbursement of wages deducted from Opel employees as a condition of the restructuring process.

However, this is all just smoke and mirrors. GM in the US had already introduced a profit-sharing scheme prior to the company going bankrupt. Due to the losses incurred by the company, however, the scheme failed to pay off. At the same time, it remains unclear what other conditions will be agreed to by the work councils at the expense of the workforce in order to ensure the company's return to profitability.

In any case, IG Metall and the European works council have enthusiastically welcomed the announcement by Opel boss Reilly that the company planned to return to profitability faster than originally planned. The German businesses paper *Handelsblatt* commented: "Workers' delegates at Opel are therefore demonstratively placing themselves behind their boss." In the middle of August, Reilly had announced that he planned to return to profit in 2011, one year earlier than the forecast in the original "restructuring plan."

"The sooner the company returns to the black, the better for its workers" was the comment made by IG Metall official and Opel supervisory board member Sabine Maassen, although the profit-sharing scheme for the workforce is only due to be paid out in 2015 at the earliest. The IG Metall district head in Frankfurt and Opel supervisory board member Armin Schild also supported Reilly, saying, "The strategic direction is correct," while Klaus Franz declared, "The pressure on Opel to be successful will only increase after the initial launch on the stock markets."

According to *Handelsblatt*, industry experts expect "that GM will look very carefully at its German subsidiary." Should Reilly prove unable to demonstrate progress next year, they regard "further downsizing and plant closures as once again on the agenda."

For their part, the works councils are currently negotiating job reductions on a local basis at individual plants.

Most jobs will be wiped out in Belgium, where the only Belgium Opel plant is to be shut down. Already in April, the works councils and trade unions had agreed with GM on the details of closing the plant in Antwerp with its 2,600 jobs. The 900,000-square-metre factory is to be sold off as fast as possible.

Job cuts are also planned at the remaining European locations. Four hundred jobs have so far been cut in Great Britain and Spain, and hundreds of jobs are to be shed in the German plants in Eisenach, Kaiserslautern and Rüsselsheim. The biggest loss of jobs after Antwerp, however, is due to occur at the Opel work in the German city of Bochum, where the closure of an entire transmission production plant in 2011 will result in the loss of more than 1,800 jobs.

The Bochum works council chairman Rainer Einenkel, who had personally agreed to the plans for the factory, now calls this figure "absolutely unrealistic" because very few workers have registered to quit the plant voluntarily.

The 1,800 jobs in Bochum are due to be shed via "voluntary" redundancy payments and alternative positions for up to a year in so-called transfer companies—a ruse supported by the trade unions that amounts in the vast majority of cases to a "transfer" into unemployment.

Any worker who agrees to switch to such a transfer company receives a redundancy payment and a reduced income for up to a year. The sum of the payments is dependent on age, seniority and former wage levels. Any redundancy payment is subject to the full rate of taxation, and it is already clear that the levels of payment will be substantially less than those paid out five years ago when the same factory slashed its workforce by half to 5,000.

So far, just 70 workers have announced they are prepared to accept redundancy compensation, although, according to plan, 654 jobs are due to be shed by the end of the year. Opel has only agreed not to implement compulsory redundancies if 1,800 workers quit work "voluntarily" by the end of 2011.

The head of the works council, Einenkel, has sought to placate the factory's restive workforce by claiming that he is convinced the company will agree to "a clear reduction of the downsizing." At the same time, he has made clear that the workforce must "be prepared to accept further painful decisions."

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