Siemens management and union close ranks in Germany

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Headlines such as "Employment Pact at Siemens" appeared last week in most German newspapers. It would seem that the electronics company and the union IG Metall had signed an agreement to secure jobs and production locations indefinitely.

The real situation, however, looks very different. The pact, signed September 22 by Siemens CEO Peter Löscher and IG Metall head Berthold Huber during a supervisory board meeting in Berlin, merely establishes that corporate management and the union will cooperate closely in the future. It does not exclude job cuts and plant closures, but, on the contrary, creates the conditions to carry these out as smoothly as possible.

The Siemens group, with €77 billion in annual revenues and 405,000 employees worldwide (including 128,000 in Germany), is one of the largest German industrial corporations. It is engaged in a fierce global competition, which it carries out at the expense of its employees. To this end, Siemens management relies on close cooperation with IG Metall.

Such management-union collaboration is not unique to Siemens. A third of German companies with more than 500 employees, including car manufacturers Daimler and Volkswagen and the chemicals group Bayer, have agreed to similar agreements ostensibly regarding employment security. "The German model of corporate governance, characterised by *mitbestimmung* [union-management co-determination] is superior to the Anglo-Saxon hire-and-fire mentality," the *Süddeutsche Zeitung* noted in a comment on the Siemens pact.

This German model works as follows: The union officials, who by law sit on the company supervisory bodies, are given advance information by the board regarding the strategic plans of the corporation. They then take on the task of preparing the necessary changes and enforcing these upon employees.

This has a threefold advantage for the company. Firstly, it saves some of the costs of middle management. Secondly, the union officials know better than any manager how to pit employees against each other and nip any opposition in the bud. Thirdly, employees are left without any representation; in fact, they even have to pay the union co-managers through their membership fees.

At Siemens, this model has worked well. Thanks to the support of IG Metall, CEO Peter Löscher, who has been in the post since summer 2007, has been able to reposition the company, which had been beset by bribery scandals and economic difficulties. Since Löscher took office, the number of jobs at Siemens worldwide has shrunk by 45,000. Some 20,000 jobs were lost last year alone, 3,000 of them in Germany.

In August 2008, Löscher agreed on a production location and job security pact with IG Metall that would enable a radical reduction in operating and administrative costs and the elimination of 17,200 jobs worldwide (6,400 of them in Germany).

When it came to protests against the plan at several locations, IG Metall intervened. At short notice, the union called off a nationwide protest rally, which had been planned in Krefeld for July 23, 2008. Instead, it negotiated a "social plan" that enabled the company to get rid of the workers it no longer needed "voluntarily", through such measures as voluntary redundancies and early retirement.

Although IG Metall boasted that it had thus ruled out compulsory redundancies, and every employee was free to accept or reject a termination agreement, blue- and white-collar workers who did not want to "voluntarily" resign came under considerable pressure. If they found themselves on lists on which they were redundant, which had been worked out by the plant and sector managers in cooperation with the relevant works council members (who are all from the trade unions), they quickly found out they could only continue to work if they accepted a longer daily commute and/or worse working conditions.

The ruthless implementation of these restructuring and savings measures was the basis for ensuring Siemens was able to increase its profits in 2009, despite a massive drop in sales as a result of the international economic crisis. Although losses in its medical sector and write-offs to cover the restructuring of the IT division resulted in a net loss of almost €2 billion, the company expects to see an operating profit of at least €7.5 billion for the year ending September 2010.

Also contributing to the increase in profits is the extensive use of short-time working, which has encompassed tens of thousands of workers in the current and last year, especially in the production plants. At a joint meeting with Angela Merkel in the chancellery, Siemens CEO Löscher and IG Metall leader Huber had personally campaigned for the extension of the state-subsidised short-time working scheme. In a communication in March, IG Metall boasted that here too it had played a “pioneering role” in the close cooperation between corporate executives, union leaders and government.

The same communication quoted Löscher saying it was a “prime example” of the benefits of joint union-management cooperation in global competition. IG Metall cites the Siemens CEO, saying, “Confidence starts with us in the personal cooperation between Berthold Huber of IG Metall, who is also deputy chair of our supervisory board, and me, and between the Central Works Council and the board in general”.

The recently agreed-on employment pact essentially means an extension of the Employment Security Agreement, signed two years ago, which expired at the end of September. IG Metall and works council members will be collaborating even more closely than before on the plans for investment, restructuring and decisions about production locations. “The key to the agreement is that the board, works council and trade unions will work more closely together on strategic issues”, said Birgit Steinborn, deputy chair of the Central Works Council.

Löscher and Huber stressed the importance of the pact for Germany. “Mitbestimmung and [union] involvement have proven once more to be a positive factor”, said Huber. And Löscher described the agreement as a commitment to Germany.

The new employment pact continues the restructuring of the company and the job cuts. Even IG Metall has not dared to claim that the remaining 128,000 Siemens jobs in Germany are now safe.

In the “Siemens Dialogue with IG Metall”, published on September 23, it writes: “The core of the agreement is that Siemens is committed not to close any locations or to relocate, or to impose compulsory redundancies. A quick look at the company and the framework of the globalised economy at the same time makes clear that this does not exclude further restructuring or portfolio changes—Siemens will not remain stuck in its present form.

“This also applies to the numbers of employees, which is also not frozen at 128,000. Just as there may be acquisitions and probably will, so are reductions possible on the other side. The agreement does not exclude such movements categorically; however, it stresses the view that other alternatives are preferable to compulsory redundancies and makes these dependent ultimately on agreement with IG Metall and the Central Works Council.”

The *Süddeutsche Zeitung* commented briefly: “CEO Peter Löscher has provided a permanent protection against compulsory redundancies; but the promises do not go so far as it appears at first glance.... In future, Siemens could get rid of jobs, and, when push comes to shove, terminate employees for operational reasons. The new agreement provides enough loopholes.”

One of the loopholes applies to all those employed by Siemens SIS (Siemens IT Solutions and Services). From October 1, this division is to be decoupled from the Siemens group and sold off as soon as possible. Some 4,200 jobs are to go worldwide at SIS, with 2,000 lost in Germany. SIS is expressly excluded from the employment pact.

Moreover, a clause in the contract permits the board, in case of crisis, to abandon the pact and strike new agreements with IG Metall and the Works Council.