

Germany: Kickbacks for union bureaucrats at Opel

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It is no secret that German trade unions and works councils have a long record of intimate collaboration with company managements within the framework of the system of “co-determination” that has characterised German industrial relations since the Second World War. It is only rarely, however, that one catches a glimpse into the intricate mechanisms by which members of works councils are brought into line, disciplined or simply bribed.

Such a case emerged in the summer of 2005—the so-called Volkswagen scandal. It was revealed that the personnel director of Germany’s largest auto maker, Peter Hartz, the namesake of the Hartz laws, had made millions available to the company’s works council for sex holidays and other gifts. In addition to his generous allowances and salary, works council chairman Klaus Volkert is alleged to have received nearly €2 million in bonuses. When the case came to light, Hartz and Volkert were both sentenced to prison and large fines.

A report in the *Frankfurter Allgemeine Zeitung* (FAZ) of October 15 reveals the extent of the bribery system at the Opel auto company.

Opel is significant for two reasons. Firstly, the works council has actively collaborated in wiping out thousands of jobs in recent years at the European subsidiary of General Motors. Secondly, the methods employed at Opel are duplicated in many other large companies.

The chairperson of the Opel works council, Klaus Franz, played a key role in the destruction of the jobs of no less than one fifth of the workforce. He also gave his signature to the gradual decommissioning of the Opel plant in Bochum, Germany, where the number of employees fell within six years from 10,000 to 3,000 today. Franz also ensured that the Opel plant in Antwerp, Belgium, could be effectively closed down by management.

As vice chairman of the Opel Supervisory Board, Franz frequently assumed the role of corporate spokesperson, when it came to begging the government for funds or finding a new

buyer for Opel. The *Financial Times Germany* wrote recently that “due to the frequent change in managers Franz has increasingly become the recognisable face of the company” and has been described by sections of the workforce in derogatory fashion as the “co-manager sitting on the workers bench”.

Despite this publicity, Franz’s wheeling and dealing inside the company remained somewhat obscured. The report in the *FAZ* sheds light on this process.

Over a period of years, the chairman has built up a system for himself and his family in which he personally determines the salaries paid to his factory flunkies. Franz thereby functions as the official Opel supervisor for the company works councils and oversees their personnel management. When a member of the works council wishes to take holiday, he applies to Klaus Franz. The Opel works council also picks up mail from his office, where according to one insider, the *FAZ* reports: “He had accidentally opened some letters”.

Of central importance, however, is the system of salary determination. “Performance reviews, salary changes, etc.,” reside with “the council chairman,” the *FAZ* states, quoting from an agreement sealed between the Opel works council and staff director Christian Möller a few days ago. According to the agreement, Franz “assesses their performance, receives requests for salary increases, makes recommendations to the Personnel Department regarding who should receive how much.”

The salary of individual works council members remains one of the best-kept secrets of the Opel company. According to the Factory Constitution Act, works council members continue to receive their ordinary salary when they are freed up to conduct union work. The law states that this salary cannot be less than that paid to comparable workers with the same number of years of employment in the factory.

In practice, however, works council members are reclassified into a higher pay grade. According to the *FAZ* report, the salaries of most council members at Opel rise by several tariff levels—thanks to its chairman.

Franz justified the salary increases by claiming that they are “comparable to those in the same working environment.” It should also be borne in mind, he argued, that the councils are responsible for many workers. Thus, the responsibility of a works council member is also a factor. According to his own arguments, Franz must pocket a six-figure salary, because he is ultimately responsible as chairman of the European Opel-Vauxhall works council for more than 40,000 workers.

Opel spends a great deal on its works council. Instead of the legally required 14 works council members in Rüsselsheim and 6 in Bochum, the company subsidises no fewer than 72 council members in both locations—all of whom are exempted from regular factory work. In addition to their salaries, they also receive regular allowances from companies whose names remain undisclosed.

According to the *FAZ*, ordinary works council members receive a monthly basic subsidy of €300, while stewards sitting on the Personnel Committee or Factory Executive receive €1,500. The Factory Executive is the management committee of the works council; the Personnel Committee is involved in all company decisions regarding staff (transfers, dismissals, remuneration, etc.).

The monthly subsidy of Klaus Franz is not known. When asked, he replied, “I am not likely to broadcast it!” He justified the subsidies by claiming they paid for overtime undertaken by works council members.

But while every worker has to prove exactly how much overtime he has worked, the works council members face no such obligation. The subsidy is a fixed part of their monthly salary.

Employment lawyer Gregory Thüsing from the University of Bonn considers these allowances to be a “crystal clear breach of the statutory requirement that council work should be undertaken free”. According to the law, works council members should not be able to profit from their mandate; otherwise they make themselves susceptible to influence by management. However, this is precisely what has taken place at Opel.

If one puts together all the perks enjoyed by works council members—freedom from regular work, lavish salaries, monthly subsidies, company vehicles and supervisory board incentives—they are clearly privileged compared to the ordinary workers they are supposed to represent.

At the same time, the works council members are completely in the hands of Franz, who not only determines their incomes, but also—along with the trade union IG Metall—selects who

should be appointed to the works councils in the first place. This makes the council the ideal instrument to implement layoffs and pay cuts.

The *FAZ* reported an interesting detail in this respect. The monthly allowance for the Opel works council was last increased in the autumn of last year. At that time, the allowance for an “ordinary” works council member was increased from €276 to €300. Shortly before, in August, the council had undersigned a deal for the elimination of the jobs of 20 percent of the workforce in Europe and large wage cuts for those retaining their jobs.

At a time when ordinary Opel workers are expected to accept massive wage reductions, the salaries of their union representatives are hiked. The increase in the subsidy for works council members was a bonus for the successful reduction in wages for the rest of the workforce.

At Opel Bochum, works council chairman Rainer Einkenkel, who has in the past occasionally criticised his colleague Franz, has defended the “perks” for the works councils, but criticised the fact that works council members in Bochum receive only about 50 percent of their equivalents in Rüsselsheim, the headquarters of the company.

An unnamed former council member told one newspaper online site: “In 1992 we decided at Opel Bochum that we would no longer make secret treaties, we would make it public.... Whoever was elected for a second term received an income based on the next highest salary group.”

The chairman of the Opel plant in Eisenach, Harald Lieske, has remained silent regarding the latest revelations. “I will say nothing in public,” he said. Other works council members in Eisenach told a local newspaper they did not receive subsidies.

Under pressure, the Opel management has now instructed lawyers to examine whether the subsidies paid by the company are legal. Pending completion of the legal review, the company is to cease making the payments.

As soon as the news of the extra payments at Opel emerged, bureaucrats at other companies immediately rushed to defend their own system of subsidies. William Segerath, works council chairman at Thyssen-Krupp Stahl (TKS), immediately defended similar regulations at his own company.



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