Short-time working introduced at Opel

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Last week, German automaker Opel celebrated its 150th birthday. On August 23, 1862, Adam Opel began the production of sewing machines in Rüsselsheim. Opel built cars beginning in 1899 and since 1929 has been part of the US company General Motors (GM). It is questionable whether Opel will ever celebrate another significant anniversary; the future looks more uncertain than ever.

On the day of the anniversary, Opel announced the introduction of short-time working in order to counteract a massive slump in sales. Almost 7,000 employees in Rüsselsheim are affected (3,500 in production and 3,300 in administration), along with 2,500 in Kaiserslautern, where the production lines will be halted for 20 days up to the end of the year. In Eisenach, in September alone, 10 shifts will disappear. There, the subcompact Corsa is produced, which, as well as being sold in Germany, is popular in the southern European market.

But the short-time working is only the beginning of another wave of mass layoffs. This is the claim in a report in *Bild* newspaper, which was then vociferously denied by the top management and the IG Metall union. Citing an anonymous "insider," *Bild* reported that the short-time working was "only the beginning of massive staff cuts, at the end of which almost one in three Opel workers would lose their jobs."

The next step in the "secret strategy agreed with the US parent General Motors" would be "the terrible news that short-time working is not enough to save Opel. People have to be sacked." There was the "clear example from the United States of a 30 percent staff reduction. Almost one in three will go in Germany." That would be more than 7,000 workers.

Stephen J. Girsky, who is currently in charge of Opel for GM, immediately denied this: "There is no such secret strategy. It is not true that Opel has such plans for job cuts in Germany."

The works council chair Wolfgang Schäfer-Klug called the report "nonsense, a canard." There were contracts that precluded layoffs until 2014. There were currently negotiations with Opel and the US parent GM about an extension until 2016.

The IG Metall union leader for the state of Hesse, Armin Schild, spoke of "irresponsible sensationalism." He claimed that "IG Metall knows of no secret plans, is not negotiating secret plans and will not do so in future."

In reality, the works council, IG Metall and GM management have been in negotiations for months behind closed doors over wage cuts and job losses. The works council chairs from the various plants have been meeting for months with Opel managers. Schild and Schäfer-Klug also meet regularly with the GM top managers. All involved are keeping quiet about the content and progress of negotiations.

However, GM manager Girsky has confirmed that this is about rationalization. "It is correct that we are working to streamline our structures in order get out of the red and back to our former strength more quickly. We are taking all the necessary measures in close coordination with IG Metall and the works council," he told *Bild*.

The "anonymous insider" had also told *Bild* how the Schäfer-Klug contract could get round the issue of redundancies: "The spectre of bankruptcy is threatened."

Three years ago, GM had used bankruptcy threats to cut 10,000 jobs, half of them in Germany. The Antwerp plant in Belgium was then closed, with the loss of 2,500 jobs, and the remaining workers in the European plants lost €265 million in wages and salaries each year. Schäfer-Klug's predecessor Franz and IG Metall had played along and supported staff and wage cuts.

It is therefore possible that the "insider" report in *Bild* comes directly from the executive floor of GM or the works council. It would not be the first time that the works council and union have painted a nightmare scenario, only then to celebrate the realization of a not quite so dire scenario as a great “success.”

The works council and IG Metall know that Opel is having sales problems because of the euro crisis and, as in the past, is ready to shift the burden of the crisis onto the backs of the workers.

Opel and Vauxhall sales in Europe collapsed in the first half of 2012 by 15 percent, a loss of €500 million. According to *Stern* magazine, the losses of the last 12 years have amounted to €13 billion. Such figures should be treated with caution, however, since a global company like GM can easily manipulate its balance sheet.

The pan-European sales decline has triggered a price battle in the auto market. According to the trade press, the Opel Astra and Ford Fiesta could be bought in August with a 35 percent discount, followed by the Opel Corsa and the Fiat Punto with a 30 percent reduction. The average saving for all new cars was 21 percent. According to a study by the “Centre for Automotive Research” (CAR) at the University of Duisburg-Essen, Opel is having a nearly €1,000 loss on every new car sold.

So far, the union and works council have not said anything about the content of the negotiations with GM. But the direction they are taking is clear, however. In June, IG Metall had presented its own restructuring plan for Opel—its ??so-called “Germany Plan”—which includes wide-ranging rationalization measures including job cuts, cuts in social spending and wage cuts. (See “IG Metall prepares further job cuts at GM-Opel“)

In recent months, GM has made ??it clear that Opel/Vauxhall is facing a drastic remedy following the American example. In the US in the last two years, GM has closed several plants and drastically reduced wages, health and pension benefits in close collaboration with the United Auto Workers union.

Stephen J. Girsky and the president of the UAW, Bob King, were placed on the Opel Supervisory Board by GM to work together with IG Metall and the works council leaders to enforce this strategy in Europe and Germany.

The recent appointment of the previous strategy director, Thomas Sedran, as the new Opel chief points in that direction. Sedran is a close confidante of Girsky and like him has a reputation as a tough re-structurer.

Sedran had previously worked for years for the US consultancy Alix Partners, where in 2008-2009 he developed a savings plan for Opel that was crucial for GM in continuing to operate Opel under its own control, not selling it off as originally planned. Since then, 8,000 jobs have gone, and the plant in Antwerp closed down.

Sedran is also the initiator of the alliance between Opel and PSA Peugeot Citroën, which will also result in a reduction of jobs through so-called “synergies.” The new Opel boss enjoys the unanimous support of the works council and IG Metall, who have taken on the task of implementing the downward spiral in jobs and wages.