Further job cuts in European auto industry

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The current downsizing of the European auto industry is hitting workers not only at the assembly plants owned by the major global automakers, but also at the corporations that supply the parts. In an effort to slash costs, Volkswagen, BMW, Daimler and other auto companies are demanding lower prices from suppliers, which in turn are eliminating jobs and attacking working conditions.

Over the next four to five years, suppliers in Western Europe will slash 75,000 jobs, according to projections made last year by the Ronald Berger Consulting Firm. "The business of suppliers will be shaped by two developments in the coming period: internationalization and innovation," Stefan Bratzel, an auto industry analyst, told the *Frankfurter Rundschau* newspaper.

Because of the intense cost-cutting environment on the recession-bound continent, many European automakers and their suppliers are shifting production to Eastern Europe and Asia. In 2007, the year before the worldwide financial crisis began, a total of 16 million vehicles were produced in Western Europe. By 2016, after the shutdown of plants in Germany, France, Britain, Belgium and Spain, the number is expected to fall to 13 million.

Increasingly, major manufacturers have spun off parts production to supplier companies. Industry analysts estimate that suppliers now generate about three quarters of the value of an automobile. When auto production is outsourced in search of lower wages, the suppliers follow. In China alone, 15 new auto plants are planned, in addition to three in Russia and four in Romania.

"For the past two years, auto companies are demanding that suppliers provide parts out of Eastern Europe," Frank Iwer of the union IG Metall in Baden-Wuerttemberg told the daily newspaper *die Welt.* "They suggest opening a brand new plant in Romania in their price calculation and say: on this basis, you can calculate your prices."

Workers in Romania produce automobiles at near-starvation wages. According to the Center Automotive Research (CAR) at the University of Duisburg-Essen in Germany, hourly labor costs are 48.80 euros (US$60.90) compared to 4.80 euros (US$5.99) in Romania. In the US, labor costs are 25.60 euros (US$31.95) per hour, while in Mexico they are 7.40 euros ($9.24). In Poland, hourly labor costs are nearly equivalent, at 7.50 euros ($9.36).

Deloitte claims the outsourcing of production by suppliers is "unavoidable" if costs—above all wages—are to be reduced. The shifting of production to lower wage areas will be accompanied by a worldwide shakeout in the parts industry, with an expected wave of bankruptcies, mergers and takeovers consolidating the industry even further.

According to the German Statistical Office, there were 874 automobile suppliers in Germany with about 300,000 employees in 2013. However, about a quarter of these suppliers had fewer than 50 employees, and their revenue stood at an average of 10 million euros. At the same time, the 52 largest suppliers in Germany—including global giants like Bosch, ZF Friedrichshafen and Continental—each generated more than a half a billion euros. These corporations are now aiming to generate the largest share of their revenue from locations outside of Germany.

With increasing frequency, large suppliers are merging with other firms. ZF Friedrichshafe, for example, bought the US company TRW for 9.6 billion euros.

Ferdinand Dudenöffer, head of the CAR Institute, estimates that in the next five to seven years, up to 20 percent of the medium-sized suppliers in Germany will lose their independence. He was not able to say how many jobs that will cost.

The suppliers shifting production from Germany to lower wage countries include:

• **Harman Becker** in Karlsbad, with 180 employees, which plans to transfer production to Hungary.

• US auto supplier **Inteva**, which is cutting 95 jobs—about 40 percent of its workforce—at its Gifhorn location and shifting some work to Slovakia.

• **Bosch**, which intends to cut at least 400 jobs at its Hildesheim plant by 2018 and send a large portion of production to its sister plant in Hungary.

• **Valmet**, which plans to cut 230 positions at its Osnabrück plant by 2017. Convertible roofs for Bentley, BMW and Mercedes will move to Poland.

• **Johnson Controls** in Bochum, will eliminate 220 positions and, by 2018, possibly close the entire plant with more than 600 positions. The US-based supplier is, at the same time, building new plants in China and Eastern Europe.

The decimation of jobs and conditions in the auto and auto supply industries has been made possible by the treacherous role of IG Metall and the other trade unions in Germany and across Europe. Far from uniting workers across the continent in a common struggle to defend jobs and living standards, the unions have helped the global automakers force workers into a race to the bottom over who will work for the lowest wages and worst conditions.

The development of a struggle against this requires a break with the pro-capitalist and nationalist trade unions and work councils and the building of new organizations of struggle, controlled by rank-and-file workers, and guided by an international and socialist strategy.