Volkswagen and IG Metall union plan massive job cuts

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While most German Volkswagen workers are leaving for their summer holidays, the firm’s management, the IG Metall engineering union and the works council are plotting the reorganisation of the largest industrial group in Europe and, with its 600,000 employees, the second largest car company in the world. The aim is to improve profits at the expense of the jobs, living standards and work conditions of the company’s employees in Germany and around the world.

In addition to VW CEO Martin Winterkorn, the main architects of the cost-cutting plan are former IG Metall leader and current supervisory board chairman Berthold Huber and Bernd Osterloh, the VW Group works council chairman.

Huber took over the supervisory board chairmanship, and thus the leading position in the concern, on April 25. On May 4 and 5, he headed both the supervisory board meeting and the shareholders’ meeting—a first in the union’s history.

During last spring’s confrontation between the previous supervisory board chair and majority shareholder Ferdinand Piëch, on the one hand, and executive board director Winterkorn, on the other, works council head Osterloh positioned himself demonstratively behind the latter. When family patriarch Piëch—grandchild of VW founder Ferdinand Porsche—then stepped down, the board chairmanship was temporarily transferred to the IG Metall top official Berthold Huber, with the express consent of the board’s shareholder representatives. These three—CEO Winterkorn and the union bureaucrats, Huber and Osterloh—are now chiefly devoting their efforts to restructuring the business.

Above all, their aim is to boost the VW brand’s profit yield above the current 3 percent, particularly since US-based General Motors and Ford are making 10 percent profit margins in North America. Works council head Osterloh recently told *Handelsblatt* business newspaper the company was seeking “a return of eight percent”.

Over the past nine years, sales have almost doubled to 10 million, ranking VW with General Motors and Toyota as one of the three largest automakers in the world. Volkswagen’s rise was due, among other things, to its focus on the Chinese car market. Nearly half of all the VW core brand cars sold last year went to Asia, resulting in more than one in three of its cars being sold in China. However, with the economic slowdown in China sales are declining for the first time since 2005. In the first half of 2015, VW sold 3.9 percent fewer vehicles in the once hot Chinese market than in the same period last year.

VW also saw sales plunge 41 percent in Russia and 30 percent in Brazil over the first six months of the year. Globally, VW’s deliveries declined 0.5 percent to 5.04 million cars and trucks.

When it came to the question last October as to how VW could become more efficient, the works council submitted its own 400-page paper to the executive board detailing proposals to reduce production costs for VW’s core brands by €5 billion.

The *Süddeutsche Zeitung* newspaper described Osterloh as the “most influential moderniser in the (VW) group”. To achieve its cost cutting plan, the newspaper advised, VW should collaborate with the works council rather than trying to circumvent it. The best course would be for the board to discuss important steps with the works council in advance, according to the *SZ*, which added, “Without Osterloh and a participating works council, VW won’t be able to get any further”.

At a recent Berlin conference titled, “Change”, Winterkorn told 350 staff members responsible for the company’s internal communication to prepare for radical changes. “The real, the big test” was yet to come for VW, he said. Toyota and General Motors would no longer be the only major competitors. Digitalisation also made Apple, Google and Baidu part of the game, he said, adding that he had no doubt the automotive world stood on the brink of an “historic upheaval”.

The new structure, which is expected to be approved by the supervisory board in October, provides for the bundling of the 12 brands under the VW corporation umbrella, similar to the new lorry (truck) holdings operated by MAN SE in Munich and Scania AB in Sweden. New holdings, or brand groups, carrying the names “Mass Market” or “Volume” (VW, Skoda, Seat), “Premium” (Audi, Lamborghini) and “Luxury” (Porsche, Bentley), are to reach decisions and engage in trade more independently from VW’s corporate headquarters in Wolfsburg.

The consequences for workers can be foreseen from the business model of the lorry holdings. MAN has announced the dismantling of an initial 1,800 jobs—1,400 in administration and 400 in the factories. According to media reports, more job cuts

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are expected in purchasing, research and production departments.

IG Metall and the MAN works council have been instrumental in forcing through these job losses. In early May, MAN works council chairman Jürgen Dorn wrote that there could be no talk of the fear of a "collapse of MAN". "Rather, we are at the beginning of something big and new", he added.

Just a few days later, he again went into print to announce, "I will take up an executive position in Volkswagen's human resource management on June 1". He did not say exactly where he would be employed. The soon-to-be millionaire is expected to move from Wolfsburg to join Renk, MAN's vehicle components subsidiary in Augsburg. Uwe Hück, head of the works council at Porsche, replaced him on the VW supervisory board.

Dorn's transformation from a works council chairman into a corporate executive is far from exceptional. It underscores the decades-long integration of IG Metall and other unions in Germany and internationally into the structure of corporate management. Works council doyens and trade union functionaries advance from erstwhile co-managers, who advise the executive board, to senior managers—with corresponding million-euro salaries—who participate in the development and enforcement of company policies.

This is especially true for VW. The company has always played a vanguard role in the transformation of the unions. It was regarded for decades as the epitome of what is alternately referred to as the "German co-determination model", "Germany PLC" or "co-management". Nowhere is the relationship between executive board, trade union, works council and the world of politics so close as it is at VW.

There was no surprise in rumours that Osterloh would also be moving onto the VW board, where he was to take over from personnel director Horst Neumann who received a salary of €6.5 million last year. Neumann is due to retire at the end of the year.

Osterloh has refused to join the board—at least for now. Works council sources claim he is "where he is needed today", according to the *Süddeutsche Zeitung*. He regards himself as "an anchor of stability", especially "with respect to the current period of transition".

Osterloh and Huber are pulling the strings behind the scenes regarding the changes in top management. The 67-year-old Winterkorn (with an annual salary of €16 million) may move to the head of the supervisory board. The position of VW CEO could pass to former BMW manager Herbert Diess who assumed executive board responsibility for the core VW brand from Winterkorn last month. Diess is considered to be remorseless when it comes to restructuring.

Osterloh replied to *Handelblatt*'s recent assertion that the VW leadership must have a transition plan, saying, "We do have one. We don't just talk about it". He added that Winterkorn was ideally suited to take over the chairmanship of the supervisory board from the former IG Metall boss. And in any case, Diess was "his man". As he said himself, Osterloh was instrumental in Diess's appointment, according to a *Handelsblatt* report last spring.

In the *Handelsblatt* interview, Osterloh gushes on about his "detailed" talks with Diess. "He seems to be very realistic and decisive. I'm very impressed with how he assesses certain things. We found we had a lot in common when it came to issues about complexities, adherence to processes and cost consciousness. He sees many things the way the works council does".

The *Handelsblatt* rejoices that "The alliance between labour and capital is an important signal for what is soon coming for 600,000 employees". How the "huge VW group progresses through the next few years", will depend on Diess and Osterloh, according to the paper. This does not bode well for the Volkswagen workers, as the MAN-Scania example demonstrates.

Stefan Bratzel of the Centre for Automotive Management (CAM) at the Business College of Applied Sciences in Bergisch Gladbach commented on the role of the trade union and works council at VW, saying, "The IG Metall union now faces a huge responsibility. It is part of the management and has to satisfy both sides, that is not easy".

As part of management, IG Metall is in fact mainly interested in keeping the shareholders satisfied and the workers quiet.

The largest union in the world—as IG Metall likes to call itself—serves the corporations as a consultant, restructuring specialist and labour police force. In contrast to earlier "business streamliners" like the consulting firms McKinsey and Roland Berger, the unique selling point of this anti-working class organization is not only that it is better acquainted with operational conditions and can propose more detailed savings plans. It has something else, which no other consulting company has, making it extremely valuable for corporations: its well-organised network of works councils and shop stewards, deployed to keep the workforce under control. This network functions like a seismograph, directly sensing any discontent and even the slightest ripples of protest on the part of workers, in order to corral opposition and stifle it.

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