

VW hands out massive bonuses to company executives

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The granting of millions of euros in bonuses to top executives at Volkswagen illustrates how the management of the auto concern is reacting to the exhaust emissions scandal, which has resulted in massive losses and potential fines. It is not board members and big shareholders, but rather workers and their families, who are to pay for the crisis.

The same criminal energy that gave rise to the exhaust emissions fraud is now being directed against the workforce. To defend their profits and million-euro incomes, the VW bosses are preparing a massive cost-cutting program involving rationalisation measures and job cuts.

Behind the company's aggressive defence of board members' salaries, of which the bonuses represent only a small part, stands the determination of the entire ruling elite to defend its profits and privileges at all costs.

A glance at the facts is revealing:

Martin Winterkorn has headed VW since 2007. During this time, the incomes of board members have been systematically hiked. In 2014, he received €16 million euros as board chairman. That is €1.3 million a month. Later, it emerged that he had known about the manipulation of diesel emissions test results in spring 2014.

In September last year, Winterkorn resigned as VW chair, but demanded that his contract, set to run to the end of 2016, be honoured. Until then, the ex-head of VW, responsible for the greatest crisis in the firm's history, continues to receive his salary plus bonuses. Since the latter are based on the results from the previous year, Winterkorn will receive a sum of several million euros, according to the *Frankfurter Allgemeine Sonntagszeitung*. In addition, he will receive pension entitlements amounting to €28 million.

Another example of the orgy of enrichment on the VW board is former Chief Financial Officer Hans Dieter Pötsch.

Under the headline, "The ten-million-man," business daily *Handelsblatt* wrote a few days ago: "The VW diesel affair has many losers—and one winner: Hans Dieter Pötsch. The ex-CFO was handsomely rewarded for the change at the head of the supervisory board."

In return for leaving the lucrative post of chief financial officer—annual salary in 2014 of €7 million—and taking over the chairmanship of the Supervisory Board—annual salary of "only" €1.5 million—Pötsch demanded and received a severance payment. In the press there is talk of up to €10 million as a "special bonus."

In the past, the IG Metall union functionaries and works council representatives on the Supervisory Board invariably gave the nod to such million-euro bonuses. But now they fear that the unrestrained enrichment of top management will incite workers' anger, and drastic cost-cutting measures will provoke resistance in the workforce.

With hypocritical hand-wringing, works council leader Bernd Osterloh is demanding that board members make at least a symbolic contribution and announce the reduction of part of their bonuses. Osterloh is backing the incumbent CEO Matthias Müller, who announced several months ago that everyone would have to "tighten their belts," including the Board.

The Supervisory Board, IG Metall and the works council are all agreed that the VW exhaust emissions scandal and increased competition on the world market require the mass shedding of jobs and attacks on working conditions for those remaining.

It is already clear that existing special payments for

the workforce will be abolished. Osterloh and Müller have agreed that there will only be a “token of appreciation” payment for 2015. How much this will be has not yet been decided.

But the planned cost-cutting measures go much further. The emissions crisis is to be used to achieve the specific objective of a significant increase in profit margins, which was set two years ago for the core VW brand.

To this end, former BMW Executive Herbert Diess was brought onto the VW board last July, where he took over responsibility for the core brand from Winterkorn. Diess, considered to be a ruthless business rationaliser, was “bought in” by Osterloh.

In an interview with *Handelsblatt*, works council leader Osterloh was gushing about his new man. “He is very business-like and decisive,” Osterloh said. “I am very pleased with how he assesses certain things,” he continued. “We have established much in common in the areas of complexity, keeping to processes and cost consciousness. He sees many things in the same way as the works council.”

In January, when *Manager Magazin* reported that more than 10,000 jobs were vulnerable, Osterloh made no protest. According to the magazine, Diess demanded a productivity hike of 10 percent for the current year in all areas, including production, administration, development and sales.

Diess and Osterloh have since ensured that over 1,000 contract workers lost their jobs, production of the Phaeton luxury brand was halted, and one in 10 administrative posts was slated to go by the end of 2017, amounting to 3,000 to 4,000 jobs.

In early March, VW announced that it was not extending the contracts of 250 contract workers at its Emden plant. On April 12, the *Ostfriesen-Zeitung* reported that the jobs of 300 workers on service contracts would also be cut.

On March 21, on the basis of statements by a VW executive, *Handelsblatt* reported that two VW production locations could be closed, one in Lower Saxony.

Notwithstanding media reports of growing conflicts between Diess and Osterloh, the two cooperate closely. The works council leader, however, is demanding that the restructuring and savings programme be based on his ideas. The VW General Works Council submitted

its own savings programme to the Board in October 2014. The 400-page paper contains proposals for savings of €5 billion in the core VW brand alone.

If the works council and IG Metall are now demanding that management do without a few million, they are primarily reacting to the growing anger of workers. They are afraid of losing control. The cronyism and corrupt relations of IG Metall, the works council and management are well known. Nearly two years ago, when it was revealed that VW CEO Winterkorn was the best-paid executive in Germany, Osterloh said, “Herr Winterkorn is worth every cent.”



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