Volkswagen plans 30,000 job cuts

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Over the course of the next nine years, Volkswagen will cut 30,000 jobs at its core VW brand, including 23,000 in Germany. This was the announcement by the works council and management at a joint press conference on Friday at the company headquarters in Wolfsburg.

As part of the so called Pact for the Future, VW and the works council agreed to the destruction of more than one in seven of the company's current 200,000 jobs worldwide. The billions in fines and charges incurred through the diesel emissions scandal--the scale of which has still not been established as ever new offences keep being uncovered--as well as the cost of investment in electric vehicles and digitalisation are being pushed onto the backs of the workforce.

VW brand head Herbert Diess, supported by the main VW works council chair Bernd Osterloh, said, "With the Pact for the Future, Volkswagen is making a big step forward." The finalisation of the "Pact for the Future" was the precondition for an investment plan up to 2021, which the Supervisory Board discussed yesterday. This involves the disposition of around 100 billion euros worldwide.

According to the Pact of the Future, VW operating profits should rise to 3.7 billion euros a year by 2020. In addition to the savings contained in the last cuts programme, three billion euros are to be saved in Germany and 700 million euros at international locations. There are still some 2.5 billion euros of savings outstanding from the previous cuts programme.

Works council head Osterloh not only gave the job-cuts his blessing, but called them a success. The Pact for the Future meant that the uncontrolled destruction of jobs was no longer on the table, he said, and stressed that all VW plants in Germany would remain in operation. Compulsory redundancies for the core workforce were now excluded for the next years, he said. Those to go were only agency workers. That amounts to 3,000 at the Emden plant alone, who will lose their jobs by the end of the year, as the *Ostfriesen Zeitung* reported.

Instead of compulsory redundancies, the job cuts would take place through early retirement. That was to be welcomed, Osterloh said. The IG Metall union, works council and company are agreed that the positions vacated by those taking retirement will not be replaced. Additionally, the regulations governing part-time retirement and early retirement would serve to push workers out of the factories.

"Volkswagen must start earning money again quickly and arm itself for the coming storm", Diess said at the press conference. Productivity at the German plants in Wolfsburg, Hannover, Braunschweig, Emden, Kassel, Salzgitter, Zwickau and Chemnitz should rise by 25 percent.

The core VW brand, which produces models such as the Golf and Passat, has been accused in the past by shareholders of realising too little profit. Every 100 euros turnover should produce around 1.6 euros profit, from which interest and tax is then levied. With the help of the Pact for the Future negotiated with the works council in the last months, VW wants to raise its profit rate in the next four years to four percent.

The negotiations over the massive job cuts were mainly conducted between the VW personnel director Karlheinz Blessing and the works council chair Osterloh. Volkswagen boss Herbert Diess was also involved in support of Blessing. Diess and Blessing have put the component plants in Braunschweig, Kassel and Salzgitter up for closure. The engine plant in Salzgitter has been specifically targeted to be closed down and production outsourced.

Along with Blessing and Osterloh, representatives of the Social Democratic Party (SPD) and the IG Metall were sitting on both sides of the table. Personnel Director Blessing began his professional career on the

IG Metall executive--where he headed the office of the IG Metall chief Franz Steinkühler--and in the SPD, where he was federal manager for a short time under the SPD chair Björn Engholm.

In 1994, Blessing moved to the Dillinger smelter and Saarstahl AG as labour director, following Peter Hartz, who switched to VW. In 2011, he then took over the chief post and imposed a rigorous programme of cuts. Blessing is a close confidant of former IG Metall chairman Berthold Huber, who, until recently, also sat on the VW board.

In the negotiations with Osterloh, Blessing, as the representative of the company, called for thoroughgoing measures and blamed workers in the component factories for the low profits. Diess called for a clearer orientation on the production of electric cars. Recently, CEO Matthias Müller was also involved in the negotiations.

What emerged was the decision to cut 30,000 jobs. The three component plants received commitments to produce electric motors and batteries. New electric cars are to be built at the main plants in Wolfsburg and Zwickau. The battery system for the modular transfer matrix will continue to be assembled in Braunschweig, and the plant will also take over the development and manufacture of the battery system for the so-called modular electric toolkit (MEB). Kassel will develop the MEB-drive and as well as assembling the E-Gearbox take on responsibilty for the assembly of the overall system. The MEB-drive component manufacturing is to be passed to Salzgitter. In addition, a pilot plant for battery cells will be built.

Moreover, the majority of the 23,000 jobs to be eliminated in Germany will be cut at these three plants, which currently employ around 30,000. This will have serious consequences, especially for younger workers. If not enough older colleagues take retirement, they could be forced to work in other plants.

Moreover, a smaller workforce increases the danger that it could fall victim to the next round of cuts. Given the tense international political and economic situation, this might come sooner than expected. Even now, the media is criticisng the pact as too weak. *Spiegel Online* called it a "half-hearted rescue plan", since no plants were being closed and wages for the core workforce were not being cut.

While the workforce is being made to pay for the costs of the diesel emission scandal as well as the reorganisation of a large part of production, those on the board are safe in their seats. Apart from the former CEO Martin Winterkorn, who had to give up his place as a result of the emissions scandal, while keeping his salary, hardly anyone from the top management has been held responsible for the billions of losses.

This has been made possible by the close collaboration between the corporate management, the IG Metall and the works council. These have always collaborated more closely at VW than elsewhere, since along with the trade union and works council representatives, the SPD state government of Lower Saxony also sits on the Supervisor Board as a major shareholder. However, this has further intensified in the last eighteen months.

When information about the emissions scandal began to emerge, the long-standing Supervisory Board chair Ferdinand Karl Piëch resigned his post on April 25, 2015. His position was taken on by IG Metall chair Berthold Huber, who had also been the VW Supervisory Board deputy chair for years. It was the first time in German corporate history that a union functionary was appointed the supreme controller of such a large concern.

In September 2015, during Huber's term in office, the exhaust emissions fraud became known. The IG Metall, works council representatives and SPD have a majority on the supervisory board and could have held those responsible to account. However, under the aegis of Supervisory Board chair Huber, the directors not only remained secure in their posts but were given record bonus payments.

Meanwhile, the IG Metall and main VW works council were developing measures to shift the full cost of the emissions scandal onto the backs of the workforce. Only when everything was ready was the leadership of the Supervisory Board transferred to Hans Dieter Pötsch, VW's long-standing finance director.