German chemical company BASF cuts 6,000 jobs

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Last week, chemical company BASF announced it was cutting 6,000 jobs, half of them in Germany. The moves were in reaction to the demands of the financial markets and investors to drastically reduce personnel costs and increase profits in the face of growing trade-war measures

In a press release, the company said the “organizational reorientation” was creating “more profitable growth” for BASF. The administration will be streamlined and processes simplified. The company, which has around 122,000 employees worldwide, wants to achieve “savings of €300 million”.

The so-called “excellence program” is aimed directly against blue and white collar workers and should significantly increase profits. By increasing synergies, “from the end of 2021, an annual contribution of 2 billion euros will be achieved.” Immediately after the announcement of the job losses, BASF’s share price rose significantly.

The majority of the jobs being cut in Germany will affect the company headquarters in Ludwigshafen, where 40,000 people are employed. BASF CEO Martin Brudermüller wants to implement massive savings in all areas—in production and logistics as well as in research and development—and to sell off BASF subsidiaries.

Management is justifying its action by pointing to the first signs of a general economic downturn, declines in sales in the auto industry and the negative effects of the trade dispute between the major BASF sales markets of the United States and China. BASF is using these developments to drastically intensify the exploitation of the workforce and to maximise profits.

BASF after-tax profts amounted to 4.7 billion euros over the past year. But the investors and financial oligarchs were not satisfied. They said the billion-dollar gains were 20 percent below the average of recent years and demanded a radical cost-cutting program.

Last autumn, CEO Martin Brudermüller, who had been in his post for about a year, announced a significant reduction in staff as part of a comprehensive restructuring of the company. But that was not enough for the shareholders. At the BASF shareholders’ Annual General Meeting (AGM) in early May, they demanded the job cuts be extended and accelerated.

The *Frankfurter Allgemeine Zeitung* (FAZ) reported that investor representatives at the AGM said the company had “a growth and profitability problem” which needed to be addressed. The FAZ commented, it was “a warning shot that should not be ignored”.

The company’s main rival, Bayer, has demonstrated what activist investors can achieve. Last week, the notorious American hedge fund Elliott announced that it now holds a stake of about 2 percent in Bayer. The hedge fund, managed by US billionaire Paul Singer, “only has to play with the idea of a break-up and already the share price increases,” writes the *FAZ*. The newspaper regards the recently announced job cuts at BASF as a “flight forward”.

This is not an isolated case. In recent months, the industry competitor Bayer has announced the reduction of 4,500 jobs, Thyssenkrupp wants to reduce 6,000, Siemens 2,700.

A study by the Friedrich Ebert Foundation (FES) last autumn concluded that a hasty conversion of production to electro-mobility in the German auto industry would endanger 600,000 jobs and ruin a large proportion of the suppliers, including the chemical industry. Last week, Ford announced the reduction of 12,000 jobs in Europe. General Motors has announced 14,000 layoffs, Volkswagen 7,000, Jaguar 4,500 and Tesla 3,000.

But these measures still do not go far enough for the shareholders. In an article, the magazine *Capital* calculates that the reduction of 6,000 jobs at BASF is far from sufficient. BASF CEO Brudermüller has already signalled that he can imagine many further measures to “increase synergies, reduce interfaces and achieve more flexibility and creativity”.

A central element of the new corporate structure should be a “Corporate Centre” in which nearly 1,000 specialists analyze all areas of the company and advise the Executive Board in its decisions. In parallel, a unit called “Global Business Services” is to be set up, which aligns all corporate divisions even more closely with the financial interests of investors.

As a first step to reassure investors, Brudermüller promised a noticeable increase in dividends at the Annual General Meeting in May. The company said it is committed to its “ambitious dividend policy of increasing the annual dividend” and is paying 2.9 billion euros to its shareholders this year.

The BASF board received its most important support from the trade unions. The IG BCE union and the works council are ready to support the cuts program and justify it to the employees. They merely demand they be involved in all decisions at an early stage.

The chairman of the works council and deputy chairman of the BASF Supervisory Board, Sinischa Horvat, announced that he, together with his works council colleagues, would immediately start negotiations with the management board in order to “continue the existing site agreement.” He emphasized that the current works agreement excludes redundancies until the end of 2020. But everyone knows that the phrase “excludes redundancies” is code for accepting job losses.

The IG BCE in the Ludwigshafen district also spoke immediately of an “entrepreneurial decision”, that is to say, a decision that is not objectionable and that is implemented in partnership with the company management, the union and the works council.

BASF is also receiving support from the parties in the Bundestag (parliament). This was made clear by Kerstin Andreae, economic policy spokeswoman of the Greens in the Bundestag. A month ago, she called CEO Brudermüller a “role model for other managers”. For this reason, for several months he had also been a member of the party’s economic policy advisory board. “The verve with which he campaigns for climate protection” made Brudermüller unusual, said Andreae, “even if he, like any CEO, is driven by the shareholders’s claims.”