

Germany: Volkswagen pays works council members millions

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Volkswagen is paying its works council members millions of euros. Works Council Chairman Bernd Osterloh alone received over €3 million in the five years from 2011 to 2016.

The public prosecutor's office in Braunschweig has now brought charges against four VW managers for breach of trust or serious breach of trust. These four personnel managers are said to have paid more than €5 million in excessive salaries and bonuses to the works council members during the period under review.

The accused, however, is not VW. The accused are the four board members, or former board members, who are said to have caused VW damage amounting to €5 million by paying the works council members' salaries. The four are Horst Neumann (chief human resources officer of the entire group from 2005 to the end of 2015), his successor Karl-Heinz Blessing (2016 to 2018), Jochen Schumm (chief human resources officer of the core VW brand from 2008 to 2011) and his successor Martin Rosik.

The four are accused of a total of 29 individual offences in the period between 2011 and 2016. The public prosecutors regard the respective salary and bonus payments to the works council members as offences. Under the law, the office of a works council representative is an honorary office. Works council members should enjoy neither advantages nor disadvantages through the exercise of their office. This also applies to payments. If a works council member no longer continues in his or her original job, but are released full time—and this is the rule in large corporations—they should receive a salary corresponding to their qualifications and the internal career of a comparable employee.

The accused personnel managers are said to have deliberately used an incorrect group for comparison as a basis for determining the salaries of the VW works council members. The basic salary of General Works Council Chairman Osterloh had risen to €200,000 within a few years. According to finance daily *Handelsblatt*, however, the public prosecutor's office regards the bonus payments with the greatest suspicion. Here, the four seem to have been treated very generously. Osterloh himself had already confirmed two years ago that his highest annual salary was over €750,000

The four defendants rejected all the accusations and pointed out that they had adhered to the proposals of the so-called Works Council Remuneration Commission when deciding on the respective salary classification and increase. The Public Prosecutor's Office pointed out that the four were themselves members of this commission.

The biggest beneficiaries are said to have been the five works council representatives, above all the head of the works council, Osterloh. He alone is said to have received €3.125 million in the five years concerned. Significantly, he was also part of the remuneration commission that decided his salary. He is also under investigation for aiding and abetting embezzlement. However, he is not a co-defendant because his case was dealt with separately from the main proceedings against the four managers. It goes without saying that Osterloh has always rejected allegations of breach of trust. The trained office administrator considers it perfectly justified that he has become a millionaire through his work for the works council.

This is also the view of the company. After the high salary payments became public in 2017, VW had also dealt with the accusations internally. In the meantime, however, the case has been closed. In May of this year, the company reached a settlement with 15 works council members before the Braunschweig Labour Court. The settlement was based on the arbitration opinions of two former judges of the Federal Labour Court, Klaus Beppler and Burghard Kreft, financed by VW. These two judges had found payments to be occasionally too high, especially for Osterloh. But in general, they found everything had been aboveboard. The works council salaries, which were cut at the end of 2017 to media fanfare, are now essentially the same again.

Meanwhile, the public prosecutor's office in Stuttgart is investigating a similar case against five managers of the VW premium brand Porsche. Here, the long-standing works council chairman, Uwe Hück, had received disproportionately high compensation, up to €500,000 a year.

Anyone who believed that the corruption of the United Auto Workers union (UAW) in the United States was exceptional has now been taught better. The works councils and union officials in Germany, especially those of the IG Metall, are in no way inferior to their American counterparts.

While in the US, the UAW-GM training centres—jointly operated by the union and General Motors—are a source of corrupt payments to union bureaucrats, in Germany this is officially carried out through the system of “co-determination” (“Mitbestimmung”).

As part of the “social partnership,” co-determination regulates, among other things, that employees—i.e., the trade unions—place their representatives on company supervisory boards. There they sit together with the representatives of the company and shareholders and work out the attacks on the workforce in order to

defend the international “competitiveness” of the corporation. And for this they are paid princely wages. In addition to his lavish salary, Osterloh, for example, receives a further €200,000 a year for his membership of the VW Supervisory Board Presidium.

But the trade union bureaucrats can really cash in when they are offered a position on the Management Board. A not-insignificant element of the co-determination regulations concerns the personnel directors or labour directors. The trade unions have the last word on their appointment. They therefore come almost exclusively from the union’s own ranks, and in some cases even long-term works council chairmen are rewarded with the position of labour director or personnel director. In the case of large corporations, this means that a trade union official can rise from having a high five- to six-figure income to be an income millionaire.

And it is precisely these former union officials who are then responsible for determining the remuneration of the works council members. This unpalatable system, which is like a self-service shop for time-served trade union officials, first came to public notice in 2005. At that time, it came out that VW personnel director Peter Hartz, a former IG Metall official and labour director of Dillinger Hütte and Saarlouis, had kept his works council members happy not only with a lot of money but also with air travel, luxury hotels and high-class prostitutes. Hartz, who had also worked out the draconian labour market laws named after him, had to step down because of this sex and corruption affair.

The VW managers now accused all enjoyed the unrestricted support of the IG Metall. Horst Neumann had worked in the economic department of IG Metall until 1994. He was also a member of several supervisory boards. In 2005, he succeeded Peter Hartz as head of personnel at VW. In 2015, when Neumann retired, the Supervisory Board approved a pension of 23 million euros for him with the votes of the IGM and SPD functionaries, who have a majority on the VW Supervisory Board.

His successor, Blessing, had started his professional career on the management board of the IG Metall as office manager of the then union chairman Franz Steinkühler. In the SPD, he was, for a short time, Federal Managing Director under Chairman Björn Engholm. Blessing is a close confidante of former IG Metall boss Berthold Huber, who headed the VW Supervisory Board from April to October 2015, i.e., exactly at the time when all important personnel decisions were made following the diesel emissions scandal.

Schumm, a member of the management board responsible for Human Resources at VW, had already started his training as an industrial clerk at Volkswagen in Hanover in 1964. He remained with the group, where he was responsible for Human Resources at the VW brand in Wolfsburg from 1997 and throughout Germany from 2008. Schumm moved to the VW subsidiary MAN in the summer of 2012 and retired in 2015.

His successor, Martin Rosik, took over as head of Human Resources at Audi in Neckarsulm in 2003. He joined Thyssen-Krupp Lifts as labour director. In 2010, he then moved to the parent company VW in Wolfsburg.

All four are or were income millionaires thanks to the IG Metall. Personal corruption and greed play an important role in the IG Metall, as in all trade unions. The fact that the trade union

functionaries who have cashed in are sitting at the same table as the hedge fund managers, company representatives and bankers, also explains the pretentious behaviour of the trade union functionaries. IG Metall boss Huber even celebrated his 60th birthday in the Chancellery, at the invitation of Angela Merkel, together with top politicians and economists.

But the starting point of the corruption and greed of the union officials, the betrayal and sell-out of the workforce, is the political programme of the unions. Their conception of social partnership is based on the supposed common interest of employees and the companies in which they work. When the economy still largely operated within a national framework, the trade union officials lived well by wresting a few crumbs from the companies for the workers, including through strikes and protests if necessary, and under pressure from the workers.

But with globalization, that time is inevitably over. Production can be relocated worldwide without further ado. But instead of also responding with international organization and resistance, the unions defend capitalism, the nation-state and private ownership of the means of production. They have transformed themselves from reformist organizations into the extended arms of management. Nowhere is this so clear as at VW. While the attacks on workers are being formulated on the supervisory boards, where the unions enjoy parity with management, and on the executive floors of the IG Metall, the army of works council members and shop stewards ensure their implementation within the company and suppress any opposition.

The trade unions are not workers organisations, but company organisations. Anyone who says that these rotten organisations must or could be reformed in the interests of the workers is either a barefaced liar or hopelessly naive. What is needed are new independent organizations of struggle that unite workers from all factories across national borders and industries, to put an end to capitalism and its enrichment of a few at the expense of the majority.



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