# Volkswagen boss Diess commits management to mass layoffs

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2019 ended with the announcement of the loss of tens of thousands of jobs in the German auto industry. The year 2020 began with a fiery speech by the CEO of the world's largest auto company, Volkswagen, in which he announced a "radical restructuring of the group" and the "slaughter of sacred cows."

CEO Herbert Diess opened VW's so-called "Global Board Meeting," a gathering of 120 managers and executives, last Thursday with the words: "A turning point is ahead—equivalent to the industrial revolution."

Electro-mobility, he said, aimed at reducing vehicle emissions to the legal limit, has increased the pressure to innovate, while digitalisation had fundamentally changed the auto as a product. The company could not rest on past achievements, according to Diess. Even if sales, turnover and profit were acceptable last year—and he could quote the positive comments of financial analysts—he wanted to be honest. This also meant saying clearly: "The storm has just begun."

Diess offered his vision of transforming the auto concern into a technology company within a few years. He repeatedly drew comparisons between VW and California-based Tesla, the specialist in electric car manufacturing, whose share price had risen far more dynamically than VW's. Both companies were now almost equal in terms of market value. "Ladies and gentlemen, we are valued like an auto company, Tesla like a tech company." He wanted to change that.

According to Diess: "In future, the auto will be the most complex, valuable, mass-produced Internet device." And the car would become the most important "mobile device," thereby outstripping the smartphone.

This was the only way to understand "why Tesla is so valuable from an analyst's perspective." "This is precisely where we want to be with VW," Diess said. When asked "the big question" as to whether VW had moved fast enough to do this, he replied: "Maybe, but it is becoming increasingly critical." The current pace was too slow.

He went on to recall the example of mobile phone manufacturer Nokia, the Finnish multinational, which "went under in the fight against Apple." This is "exactly the situation that is being repeated in the auto industry." The age of classic car manufacturers is over, the future of Volkswagen lay in the sphere of digital technology—"and only there."

The boss of more than 660,000 employees worldwide said the company lacked the "courage to do something forceful, when it came to radical change." The conversion into a technology company would go hand in hand with an increase, or at least the maintenance of current profits. "The profit margins in 2020 must at least be maintained." The goal was to increase the market value of the company to 200 billion euros [$US 220.5 billion], i.e., to more than double the company's current value of 92 billion euros.

Such obscene levels of enrichment of shareholders are not possible without a frontal attack on the workforce of the entire group. Diess threatened: "We have the potential, if we grasp the seriousness of the situation as an opportunity to fully exploit the potential of this company and, where necessary, also slaughter sacred cows."

To be blunt, "sacred cows" mean auto workers' jobs, wages and working conditions. Diess preferred to use the terms "synergies" and increased "productivity." "We have to progress further in terms of productivity. Cost reduction programs are in operation for all our brands," he asserted. There was particular potential in German plants, "and they also have the greatest leverage."

The company's activities had to be checked regularly, VW had to ask itself: "What can be eliminated, what needs to be renewed?" The VW boss announced the slogan: "In order to achieve and permanently increase our target margins, we also need a fundamental rethink. Away from volume orientation and towards quality of results."

The luxury brand Bentley delivered 10,000 vehicles, but made no profit. "If I'm completely honest: I would prefer 5,000 deliveries and a return of over 20 percent. […] In future, we will focus even more on sales, profits and cash than what appears biggest on the company's reports."

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Diess was not concerned about the consequences for jobs if vehicle production were halved, as long as profit levels were right: “To this end, we need a radical restructuring of the company.” Without providing any specific figures, Diess clearly has in mind slashing the company’s workforce, with a concentration on the approximately 230,000 jobs in Germany.

Diess’ plans far exceed the job cuts previously announced. In 2016, VW management already agreed with the IG Metall union and the works councils to cut 30,000 jobs. Its top end, Audi, announced the loss of almost 10,000 jobs at the end of last year.

Diess intends to use the latest technological developments to wipe out workers’ past gains in the auto industry. Diess switched from BMW to VW in 2015, tasked with revamping the company and he can fully rely on the IG Metall (IGM) union and the company works council to back his plans to further enrich shareholders at the expense of the workforce.

When Diess moved to VW, the chairman of the company’s joint works council, Bernd Osterloh, told the *Handelsblatt* business newspaper that the new CEO was “his man.” Osterloh had been instrumental in his appointment. When Diess took over as head of the entire company in 2018, a second German business newspaper, *Wirtschaftswoche*, carried this headline: “A CEO reliant on Osterloh’s mercy.”

In collaboration with Osterloh, Diess plans to reorganise the company’s procedure for eliminating jobs. At the present moment, IG Metall is working with the German government and auto company representatives on plans for social measures to facilitate redundancies. To this end, both parties set up the “National Platform Future of Mobility” (NPM) two years ago. Under the aegis of the German Transport and Economics Ministries, representatives of the Merkel government, company associations and the unions are working together in six working groups.

Working Group 4, misleadingly named “Securing mobility and production sites,” is headed by none other than Jörg Hofmann, the national chairman of IG Metall. When union officials and works councils talk about “securing production sites,” this invariably involves job cuts, supposedly to keep facilities open. In the past few years, every job wiped out in the auto industry has been justified on the basis of “securing the site.”

The IGM and its works councils develop all the plans, the arguments (“securing competitiveness and competitiveness,” “increased productivity,” “securing the site”) and the mechanisms (social plans, severance, part-time retirement, early retirement) for job reduction.

In its January report published last week, IGM boss Hofmann’s working group drew up various scenarios for the upcoming workplace massacre and its consequences. One scenario, the “worst case,” predicted that 410,000 jobs would be lost in the auto industry over the next ten years—that is, one half of the current 820,000 in Germany.

The union suggests “cushioning structural change” involving retraining those auto workers due to be fired. Last year it presented its concept of a “transformation short-time allowance.” Corporations and the Federal Employment Agency would pay unemployed auto workers a greatly reduced salary, while they were “trained” for up to 24 months for work in other professions or industries.

Now the NPM writes that a central training concept is needed for the entire mobility sector. Just one day later, on Wednesday last week, the NPM report provided the basis for the meeting of government, company and trade union representatives held in the German chancellery. Heads of staff and works councils from the auto-industry met with chancellery head Helge Braun (Christian Democratic Union) and several ministers.

In reality, the hectic round of activity all boils down to finding ways to cut and maximise profits without triggering mass protests. Alongside VW, every other major car company has announced major job cuts, including Daimler, Opel and Ford.

The “transformation short-time allowance” proposed by IG Metall and the associated training concept are aimed at making this possible. The training centres, where companies linked to the unions can make a fortune providing training, would only have one function for auto workers: as a way station en route to the unemployment line. This was already the case with the “transfer companies” set up at Opel Bochum.

While modern technologies create previously unimagined opportunities to raise the standard of living and the cultural level of all humanity, the opposite is taking place under capitalism. Workers are losing their jobs and livelihoods, while social wealth flows into the pockets of a small minority.

Auto workers must prepare for major conflicts that will pit them against the big corporations, the federal government, trade unions and affiliated works councils. The WSWS and the Socialist Equality Party (SGP) support all workers who decide to organise independently, set up action committees and take up the struggle against the corrupt union and works council bureaucrats. Get in touch with us.

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