Germany’s IG Metall trade union establishes fund to eliminate “overcapacity” in auto parts industry

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The IG Metall trade union established its own private equity fund earlier this summer to finance the restructuring of Germany’s auto industry. The fund, named “Best Owner Group” (BOG), is headed by the former head of the Federal Work Agency, Frank-Jürgen Weise, and Bernd Bohr, who previously headed the vehicle division at Bosch.

For the start-up capital, IG Metall invested “a few hundred thousand euros of union funds” with the IG Mining, Chemical and Energy (IGBCE) union. Weise and Bohr are now seeking further investments from wealth managers, private investors and hedge funds, as well as from “foundations, producers, business families and the government,” according to a report from IG Metall.

The trade union has set an initial goal of acquiring €500 million. Last week *Manager Magazin* reported that, in addition, this capital will be leveraged to acquire “a portfolio with a turnover of between €5 billion and €7 billion.”

The BOG is supposed to partially or fully take control of parts suppliers threatened with bankruptcy. On the one hand, this will ensure the maintenance of the automakers’ supply chains, while on the other facilitating the elimination of “overcapacity” or the shutdown of entire businesses.

The BOG fund, in its own words, is “striving” for a “regulated downsizing process for the portfolio companies.” According to IG Metall, a parts supplier that “due to its portfolio will inevitably have to reduce its size in the future and where alternatives such as further training within the company cannot be realised, can be taken over and actively managed until the expiration of the products that are not to be renewed.”

The fund will also be able to issue loans to provide companies with capital at reasonable rates, *Tagesspiegel* reported following discussions with IG Metall leader Jörg Hofmann.

If a company is successfully restructured, i.e., a large portion of the workers are laid off, it will be sold off for a profit. *Manager Magazin* wrote approvingly, “The long-term rate of return sounds decent considering the modesty of the portfolio: around 5 percent, according to one participant.” The trade union writes on its website, “This operation turns a profit, because many overheads, development costs and new investments are eliminated.”

To date, IG Metall and its works councillors served as co-managers, helping to draft plans for restructuring and layoffs, and imposing them on the workers. Now they are going a step further and dismantling companies independently. *Manager Magazin* therefore humorously titled its report on the fund “The good vultures of IG Metall.”

The trade union will now be independently finalising all of the meagre social supports, transfer and training companies, part-time working for elderly employees, “voluntary” redundancies, and all the other techniques used to force workers out of a job.

BMW, one of Germany’s largest automakers, has already welcomed “the fund’s basic idea.” Stock purchasers from the company are already “in contact” with the BOG, BMW reported.

With the founding of its own equity fund, IG Metall is preparing for a jobs massacre in Germany, the likes of which has not been seen since World War II. Automakers and their suppliers are ruthlessly exploiting the coronavirus pandemic to put longprepared restructuring plans into practice.

Hundreds of thousands of jobs are at risk. Hardly a day passes without an automaker or parts supplier announcing new job cuts. Further announcements were made over the past week.

Opel, for example, which has already said it will cut 2,100 jobs by the end of next year, threatened to impose involuntary redundancies. The works council and IG Metall had originally agreed for the plan to be implemented by means of a “voluntary” programme. But after only about 500 workers “voluntarily” registered for the programme, the company has vowed to impose the job cuts regardless. Anyone who refuses to go “voluntarily” will be thrown out. The main location impacted is the headquarters in Rüsselsheim.

Mahle has already cut 400 jobs in Stuttgart and 770 in Luxembourg. One French and two Italian plants are currently being shuttered, axing 700 jobs.

The Stuttgart-based parts supplier has now announced a plan to lay off 7,600 workers worldwide, including 2,000 in Germany. This equates to almost one in six jobs in Germany, and more than 10 percent of the global workforce of 72,000. Mahle spokesman Ruben Danisch explicitly admitted, “The coronavirus pandemic is not the cause of the measures now announced, but it has certainly acted as an accelerant.”

Mahle is only one of many parts suppliers that have seized on the pandemic to cut jobs. All major automakers have announced the elimination of tens of thousands of jobs, including the truck and bus manufacturer MAN. Within the framework of the “company’s new orientation,” the VW subsidiary intends to lay off 9,500 of its 36,000 workers worldwide. Major parts suppliers like Continental (30,000 jobs), ZF Friedrichshafen (15,000 jobs), Bosch and Schaeffler have announced a wave of job cuts.

Many announcements of job losses at small and mid-sized companies are not reported beyond the local media, even though this is where the bloodletting is at its worst.

In June, for example, parts supplier Hella announced the loss of 900 jobs at its headquarters in Lippstadt. In mid-August, motor manufacturer Deutz announced the layoff of 1,000 workers, which amounts to 20 percent of its global workforce of 5,000. Eisenmann, a manufacturer of automotive textiles based in Böblingen, is to close entirely. The 650 workers will be unemployed as of December.

A wave of bankruptcies and job cuts is anticipated among small and medium-sized companies this autumn. “Over 80,000 workers at 270 companies are at a high or acute risk of bankruptcy. And these figures continue to rise,” Hofmann told the *Tagesspiegel* in June.

IG Metall officials and works councillors are already ensuring that these layoffs take place without any opposition. They typically organise several toothless protests, which are always kept small and isolated.

Last week, more than 300 employees at the parts supplier Norma protested against job cuts in Maintal with a motorcade. In June, the company announced the “liquidation” of the Gerbershausen plant in Thuringia with the loss of 160 jobs, the loss of 250 out of 520 jobs at the Maintal plant, and the cutting of monthly wages by up to €1,000. IG Metall is also demanding a social collective agreement and a “future concept,” meaning it has already accepted the layoffs.