

Volvo Group announces \$1.1 billion second-quarter profits, after telling Virginia workers it could not afford wage and benefit improvements

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On Tuesday, Sweden-based Volvo Group announced strong profits of over a billion dollars for the second quarter of the year. The earnings report comes shortly after the conclusion of a five-week-long strike at the conglomerate's New River Valley heavy trucks plant in southwestern Virginia. Last week, the company, with crucial assistance provided by the United Auto Workers union, imposed a six-year contract that substantially raises workers' health care costs and keeps wage increases for many below inflation, among other concessions.

While the aim of Volvo and the UAW has been to crush opposition through the shutdown of the strike and enforcement of the contract, workers have returned to the plant in an angry and defiant mood, telling the *World Socialist Web Site* that production has proceeded only haltingly since Monday.

In its earning statement, Volvo reported roughly \$1.12 billion (9.7 billion Swedish kronor) in adjusted operating income, a key measure of corporate profit, for April through June. Combined with its first-quarter earnings, the company took in approximately \$2.5 billion in profits for the first six months of the year.

The company also reported a second-quarter operating margin of 10.7 percent, near the upper end for the automotive manufacturing industry, albeit down from the first quarter's high of 12.6 percent.

Although Volvo's operating income for the quarter grew sizably compared to the amount for the same period last year, nearly tripling, it narrowly missed financial analysts' projections of 9.84 billion Swedish kronor, sending Volvo's share price down 2.9 percent for the day.

The response by analysts at some giant banking firms was nevertheless still favorable, with a research note by JP Morgan stating, "Volvo printed a good set of results, slightly below street estimates."

Revenue also grew substantially, with net sales for the quarter of approximately \$10.4 billion, a rise of 43 percent from the same period last year, when taking into account Volvo's sale of

Japan-based UD Trucks. But despite the growth in sales and profit compared to the second quarter of 2020, which was during the still-early stages of the pandemic and widespread economic disruption, the figures remained down in relation to two years ago, when Volvo reported roughly \$13.9 billion in sales and \$1.7 billion in adjusted operating income.

CEO Martin Lundstedt, in the company's earnings statement, said that although Volvo faced "short-term challenges," it is still "maneuvering from a position of strength."

Lundstedt's assertion of financial strength and Volvo's continued billion-dollar earnings contradict the dishonest argument implicitly advanced by both the company and the UAW over the course of the past three months, namely, that there was simply not enough corporate money to meet workers' demands and reverse the long-term decline of wages and benefits, and that workers would, in fact, have to accept even further sacrifices.

Commenting on Volvo's profit report, a veteran Volvo worker said, "Goes to show you they have plenty of money and could have easily paid us what we were asking. They are looking out for the top investors and piss on the employees."

In its earnings reports, the company largely sought to pretend as though the strike at New River Valley had never happened, referring only to "substantial production stoppages" due to semi-conductor shortages and other "disturbances in the supply chain." The strike was referred to explicitly only once during a conference call with investors Tuesday, when an analyst for Goldman Sachs asked what profit margins would have been were it not for the walkout, to which Volvo's chief financial officer, Jan Ytterberg, gave an evasive answer.

However, the ongoing semi-conductor shortage, which has plagued both the auto industry and other global manufacturers, presents a real problem for Volvo, and was the focus of much of the comments by Lundstedt.

"The global supply chain for semiconductors as well as for other components remains unstable and with low visibility,"

Lundstedt said in a statement accompanying the earnings report. “There will be further disruptions and stoppages in both truck production and other parts of the group in the second half of the year.”

CFO Ytterberg told investors during the call that the ongoing shortage of semiconductors and other supply chain challenges means the company will “need to have continued focus on cost discipline and cash cautiousness going forward.” The attacks contained in the recently imposed contract are thus viewed by its executives as only the initial offensive in a broader campaign to restructure its operations, imposing the costs of supply chain shortages and the transition to electric vehicle technologies onto workers.

While such “discipline” is relentlessly imposed on workers, it does not extend to Volvo’s treatment of investors, whom it has handed nearly \$6 billion in dividends and payouts this year. Nor does “cash cautiousness” preclude multimillion-dollar pay packages for the company’s executives, in their view, with CEO Martin Lundstedt receiving compensation of around \$5 million in 2020.

Volvo has repeatedly sought to reassure investors that it will now attempt to dramatically ramp up production to fulfill its backlog of orders. Lundstedt said that “the short-term priorities in all parts of the organization” are to meet demand “as quick and precise as possible as order books are full” for the rest of the year.

As with other employers, Volvo is seeking to insulate its profits from the impact of the chip shortage by driving down labor costs, containing wages, shifting more health care expenses onto workers, and generally increasing the exploitation of its workforce. These were the primary objectives of each of the pro-company contracts pushed by the UAW, and which workers repeatedly rejected, the first two times by 90 percent.

After workers defeated a third, essentially identical, tentative agreement by nearly two thirds on July 9, the UAW announced that Volvo would move to impose its “last, best and final” proposal the following week. The union proceeded to facilitate this blatant corporate strikebreaking, forcing a revote on the deal one week ago, which the UAW dubiously claimed resulted in ratification by just 17 votes.

Summing up the experience of the struggle, the Volvo Workers Rank-and-File Committee, which led the struggle against Volvo and the UAW’s concessionary demands, wrote in a statement Sunday, “The fight continues. Opposition and anger are inevitably going to reignite as the full reality of this new contract comes to light, and as the company tries to enforce speedup to make up for lost production.”

“The mood is tense. Over 200 quit yesterday,” a worker at the New River Valley plant told the WSWS Tuesday. “Now, not only do they have to place people in the open positions they already had, but Volvo is going to have to replace those who left because they felt unheard.”

Referring to the UAW’s collusion with the company, he said, “The UAW officials don’t seem to care about us as much as greasing their pockets. Anything Volvo sent them they just agreed to and brought it back.”

Another worker added, “These bastards are making record profits and forcing us to pay more for our insurance. Once people see what the UAW gave away, they are going to be mad. It’ll happen when they go to a doctor for some routine treatment and find out it’s going to cost them an extra \$1,000.

“Volvo wants to ramp up production, but they’ve pissed people so much it’s not going to happen. We worked out asses off last year to make them their money. No one is going to take one for the team anymore when the team is against them.”

While the working class and broad sections of the population have suffered immensely since the onset of the coronavirus pandemic and the attendant economic crisis, the ruling class has parlayed the devastation into a historically unprecedented bonanza of wealth, driven by the multi-trillion-dollar bailout of corporations and inflation of the stock markets engineered in March 2020, backed by all the major political parties.

On Tuesday, the *Wall Street Journal* wrote that there were “brightening expectations for corporate earnings,” and that investment analysts expected profits for companies in the S&P 500 to have risen 71 percent in the second quarter compared to last year.

Significantly, the *Journal* stated that an increase in corporate profits would help maintain current stock prices, which have reached stratospheric levels, and delay growing concerns over a massive financial bubble. The run-up in share prices and growth in frenzied speculation have been driven in large part by the cheap money policies of the Federal Reserve and other central banks, which have implemented ultra-low interest rates and other cash infusions of equity markets.

“You really need the fundamentals, the earnings, to really pick up, and that’s really what we’re seeing,” said Larry Adam, chief investment officer at financial services firm Raymond James, according to the *Journal*. “If you get that momentum, then people get less worried about the valuations.”

In other words, the overinflated share prices can be maintained only through a relentless increase in the exploitation of the working class. The battle at Volvo is one sign of the response workers in the US and around the world will give to this ruling class policy.

Volvo workers can contact the Volvo Workers Rank-and-File Committee at volvowrffc@gmail.com or by text to (540) 307-0509.



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