

Almost 20 percent real wage cut at VW agreed by IG Metall union

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The agreement between Volkswagen and the IG Metall union, announced shortly before Christmas, is unprecedented. More than one in four VW jobs in Germany, a total of 35,000, will be destroyed, the equivalent of three large plants. Wages will be cut by up to 18 percent in real terms.

The IG Metall is trying to cover up this total sellout with a tangled web of lies and distortions. In doing so, it is obviously proceeding according to the principle of the “Big Lie.” The IG Metall praised the agreement as a “Christmas miracle in Hanover” and headlined it as “Averting a cutback.”

But what does this “miracle” look like? What has actually been agreed, and how are the union and its works council under Daniela Cavallo trying to whitewash the cutbacks?

At the beginning of September, the group’s management had terminated an agreement on job security which was supposed to last through 2029. It demanded the closure of three plants, 30,000 job cuts and a 10 percent reduction in wages. That was the company’s starting position. The union and works council had declared that they would accept neither plant closures nor compulsory redundancies. However, the reality is different.

Job cuts and plant closures

Instead of the 30,000 demanded by the company, 35,000 of the 120,000 jobs in Germany will be destroyed in the next few years. Nevertheless, the IG Metall contract bargaining commission headed by Thorsten Gröger is selling this as a “success.” It now claims after the fact that the company had demanded a reduction of 55,000 jobs. The agreed reduction of 35,000 jobs was therefore painful, but the union claims the worst has been avoided. The union has not provided any information as to where and when the company raised its original demand so radically.

The job cuts are to be carried out in a supposedly “socially acceptable” manner. However, the union is not concerned

about how “socially acceptable” the cuts are for all those who depend on VW—from suppliers to logistics companies, to retailers and service providers at the various locations. And as for the VW employees themselves, it is not “socially acceptable” for them to be forced to take up jobs at other locations, for example, commuting from Zwickau to Wolfsburg (over 160 kilometres or 100 miles). But that seems to have been of secondary importance in the negotiations.

As far as plant closures are concerned, formally all current facilities will remain open. But in the balance of things, the company has gotten its way completely. Thirty-five thousand jobs is the equivalent of the workforce of the three plants in Kassel, Emden and Zwickau or the six plants in Emden, Zwickau, Braunschweig, Salzgitter, Osnabrück and Chemnitz. The technical capacity at the German sites will be reduced by over 730,000 vehicles, which is almost the capacity of the largest VW factory, the main plant in Wolfsburg.

VW boss Oliver Blume was therefore able to state with satisfaction in the *Frankfurter Allgemeine Zeitung*: “The solution that has now been agreed, with a reduction in capacity at various locations, corresponds to the production volume of two to three large plants.”

Even though IG Metall, the works council and the group’s management board have not announced how many jobs will be cut at which locations, it is certain that no plant will be spared. The agreed production cuts will also raise the possibility of plant closures in the next year or two.

The closure of the Gläserne Manufaktur (Glazing Manufacture) production plant in Dresden, where only 300 people were employed at last count, is a done deal.

After that, the plant in Osnabrück, which employs 2,200 people and will continue to produce the T-Roc Cabriolet model until summer 2027, is at the greatest risk. After the deal was done, IG Metall claimed to be “developing an economic future for the site,” with employees told an investor from the defense industry had expressed interest. But this promise has already vanished into thin air after a week.

At the company’s headquarters in Wolfsburg, thousands of jobs in administration, research and development are being cut. While the plant continues to build the Tiguan and the Tayron, the production of the Golf is being moved to Puebla in Mexico.

If all goes according to plan, several unspecified “SSP flagships around the ID.Golf” are to go into production in Wolfsburg in four to five years’ time. The Scalable Systems Platform (SSP) is a modular vehicle platform for electric cars that VW is developing for the entire group and its brands.

Until then, production of the ID.3 and the Cupra will be moved from Zwickau to Wolfsburg. Production of the ID.4 ReSkin is scheduled to start in Emden instead of Zwickau from 2026. The largest plant in Eastern Germany is therefore particularly affected by the cutbacks.

The electric car factory in Saxony is only supposed to build the Audi Q4 e-tron. The 8,500 or so employees are being fobbed off with the promise of “entry into the circular economy (a trend towards recycling issues along the entire automotive value chain).” In Zwickau, old cars are to be dismantled instead of new ones being built.

In order to implement this, IG Metall told the Zwickau workforce that this was how the closure of the plant had been avoided. According to reports from the IG Metall shop stewards on the ground, at the end of the negotiations, a decision was taken to close another plant, and that was Zwickau. In this way, the union itself glorifies this devastation as a “success.”

Wage and salary cuts

The union glossed over the wage and salary cuts even more brazenly. Shortly before the contract talks, the company demanded cuts to labor costs amounting to €4 billion (\$4.16 billion) annually. Shortly after, it paid out a dividend of €4.5 billion (\$4.68 billion) to its shareholders. Wages and salaries were to be reduced by 10 percent.

Now the IG Metall’s bargaining committee claims that the company started negotiations by demanding 10 percent cuts in monthly pay, along with additional cuts in bonuses and other extra payments. It claims it has negotiated “a viable compromise” that avoids the 10 percent cut in collectively agreed wages and salaries.

In fact, IG Metall has agreed to freeze monthly wages for years to come, which means a significant reduction in real income. It has negotiated an increase of around 5 percent over 25 months, the same as in the industry-wide collective agreement for the German metal industry.

However, this money will not be paid into employees’ accounts for six years but into a fund with which the company pays for the “transformation.” Among other things, it is to be used to finance short-time working and retirement arrangements. In addition, IG Metall has agreed to a reduction in the annual holiday allowance of €1,290 (\$1,342) and the annual bonus paid out in May, which averages €2,500 (\$2,602).

In its special edition on the collective agreement, IG Metall has provided an overview that shows the annual cuts in the three pay levels—8 (general production), 13 (general administration) and 17 (engineers, specialists and experts with many years of professional experience)—using the example of gross annual income.

The examples start with a forecast for 2025 without cuts—“as if nothing had happened.” An assembly line worker on pay scale level 8 would then have an annual income of €56,898 (\$59,225). This figure does not include the 5.5 percent pay increase, which will not be paid out for six years. It also does not even cover the high levels of inflation since the last wage increase two years ago. If this had been taken into account, the worker’s annual income would be €59,609 (\$62,047), or nearly €3,000 (\$3,122) higher.

In 2026, the assembly line worker will receive only €53,108 (\$55,280) under the new agreement, almost 11 percent less than he would have received in the previous year, including the unpaid wage increase of 5.5 percent. In 2027, the wages will still be 10.5 percent below the amount to which he would have been entitled in 2025 if the wage increase had been paid out.

If we take inflation into account, the result is real pay cuts of 6.5 percent (2025), 14.5 percent (2026), 15.8 percent (2027) and an incredible 17.3 percent in 2029. In this calculation, we have assumed an average inflation rate of 2 percent per year, based on the very optimistic IMF forecast.

A specialist worker in pay grade 13 would earn 9.8 percent less in 2026. In 2029, the purchasing power of his or her salary would be more than 15 percent below today’s value.

Such is the reality of the supposed “avoidance of cuts,” the “Christmas miracle of Hanover.”

IG Metall knows what it is doing, and despite its mental gymnastics, it expects opposition. Indeed, the agreement includes not only cuts but a membership bonus to prevent people from leaving the union in disgust. From 2027, a bonus for IG Metall members will be introduced, starting at €254 (\$264) and rising to €636 (\$662) by 2029. From 2030, it will then amount to €1,271 (\$1,323) and will subsequently be linked to collective agreements.

With trade union “friends” like this, who needs enemies?

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