German auto supplier ZF: IG Metall, works council and management agree on job cuts and wage reductions

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Last week, works councils and the IG Metall metalworkers and engineering union held a vote of the more than 50,000 employees of auto supplier ZF Friedrichshafen on the job cuts and wage reductions package agreed by the union with the company's management. The result of the vote will be announced on Monday.

The company had already announced 14,000 job cuts last year. The board threatened to spin off and sell the group's drive division, known internally as Division E. This division employs 30,000 people worldwide, 20,000 of them in Germany. The workforce responded with nationwide protests.

The company agreed to retain its Powertrain division, but at the cost of massive job and wage cuts. The agreement presented last week provides for the elimination of 2,200 jobs over the next two years. According to the company, savings in wages and salaries will bring in half a billion euros by 2027. However, the deal includes no job security or protection against compulsory redundancies.

The working hours of employees in the Powertrain division (20,000) and all employees at the Schweinfurt (8,600) and Friedrichshafen (4,300) sites in administration, research and development will be reduced by 7 percent to 32.5 hours per week until December 31, 2027, with a corresponding reduction in salary.

For all 50,000 workers employed in Germany, the 3.1 percent agreed wage increase will be postponed from April to October 2026.

Additional payments under the collective agreement (T-ZUG A, T-ZUG B) must be converted into additional days off over the next three years; no money will be paid out. Other wage components, such as a special payment known as a transformation component or payments made as part of performance reviews, will also be eliminated during this period.

However, these cuts and the job cuts in 2025 will not fully compensate for the 7,600 job cuts in the Powertrain division demanded by the executive by 2030. A further 2,200 jobs will therefore be cut over the next two years. Since the beginning of 2024, a total of around 5,700 jobs have already been eliminated in Germany. This year alone, at least 1,800 jobs have been cut at the Saarbrücken site and almost 1,000 in Schweinfurt.

The jobs in Division E are to be cut in a multi-stage process. First, a severance programme will be implemented—departing employees under the age of 60 will receive 1.25 months' salary for each year of employment. Older employees will be offered partial retirement programmes. In addition, placements within the group, training and further education opportunities and, if necessary, a transfer company will be offered.

The first voluntary programme will begin on October 15, 2025 and end on December 15, 2025. If not enough workers quit then, with the target numbers being set by local works councils and management, they will meet and "discuss whether compulsory redundancies can still be prevented by alternative capacity adjustment options within the target corridor."

If they cannot find a solution "within four weeks," another advisory body will be called in, known as SteerCo (short for Steering Committee). This consists of two members of the executive, the chairman of the General Works Council and a representative of IG Metall. If this body also fails to find a solution, the "ultima ratio" will be applied: compulsory redundancies.

CEO Mathias Miedreich, who succeeded Holger Klein as head of ZF on October 1, emphasised at a press conference that day: "It is important to say that this is a real alliance in which all parties involved have really pulled together." The other attendees, Labour Director Lea Corzilius, Works Council Chairman Dietrich and Friedrichshafen IGM representative Helene Sommer, daughter of former DGB boss Michael Sommer and wife of Dietrich, all agreed.

Dietrich wrote to his "dear colleagues" in a brochure summarising the “alliance paper”: “With the alliance, we have an opportunity to lead ZF into a secure future—with our colleagues in Division E as an integral part of the Group. To achieve this, we will have to make some painful concessions.” Nevertheless, he is convinced “that we should take this path together.” “For a secure future for ZF, its employees and our families.”

It is the same timeworn approach. A corporation announces the elimination of a large number of jobs, in ZF’s case 14,000 by 2028. The IGM apparatus then complains about the unilateral approach, organises protests, only to subsequently save the costs required by the job cuts in other ways. As a result, the cost reductions that would have been achieved by cutting 14,000 jobs at ZF will be almost completely implemented by the end of 2026, rather than 2028.

Further cuts in the coming years cannot be ruled out. Decisions are pending in numerous areas that have not been cancelled, but only postponed. There is talk that the spin-off of the entire Division E is “off the table.” However, spinoffs for parts of Division E (e.g., e-mobility) are still being discussed between the executive, the trade union and the works council. “There will be no ... spin-off until a potential partner and a corresponding economic concept are in place.”

“The relocation of products and production volumes to so-called best-cost countries, as envisaged in the executive’s strategic planning,” refers to relocation to low-wage countries, “is not part of this agreement and must be negotiated at the plants concerned by 15 December 2025 without any predetermined decisions.”

The in-house development and production of electric motors and inverters, which convert direct current from batteries into alternating current for electric motors, will also be examined separately “without prejudice.”

At all “locations of the other divisions, the operating parties are working on target scenarios,” i.e., on ongoing cost-cutting programmes.

The agreement between the company and the trade union states: “The common goal is to establish ZF as a focused and debt-free technology leader with strong ecosystem partnerships where appropriate and to continue DIV[ision] E at the core of ZF.”

In terms of jobs, the phrase “at the core” is very vague and could mean the loss of most of the 20,000 jobs in Division E. In terms of the debts plaguing ZF, the agreement is very precise: “debt-free.”

The company’s net debt is expected to amount to around €10.5 billion by mid-2025. This is now to be saved at the expense of the workforce.

ZF’s high level of debt stems mainly from previous acquisitions, in particular the US automotive supplier TRW in 2015 and the brake specialist Wabco in 2020, which were taken over during the low interest rate phase before the coronavirus pandemic. The subsequent interest rate reversal has led to a significant increase in interest costs, resulting in several hundred million euros having to be paid to creditors each year.

Because the works councils and trade union officials defend this entire capitalist framework, they are also working out the mechanisms and conditions for collecting the debts from the workforce and ensuring ZF’s profitability.

They describe attacks as “painful concessions” and claim there is no alternative. But this only applies as long as business and capital interests are given priority over the interests of the workforce.

This chain must be broken. The several hundred million euros that ZF pays to creditor banks every year must not be the primary goal of production. Production and the economy as a whole must be placed at the service of the working population—in the case of ZF at the service of the more than 50,000 employees in Germany and 160,000 worldwide. The Friedrichshafen gear factory has been built up over 110 years by generations of workers; the employees are the source of all income.

The WSWS and the Socialist Equality Party therefore propose the establishment of action committees based on the principle: workers’ interests before capital interests. Due to the international division of labour and the networking of production, it is necessary to fight for this principle with colleagues at factories, workshops and locations around the world—together with those from other corporations and industries.

From the outset, this excludes trade union and works council officials from these action committees. They vehemently defend capitalism and the primacy of profit interests. Their ultimate goal is “competitiveness.” They therefore reject any cross-border measures and instead work to divide the workforce and push costs below those of the “best-cost countries.” This means the attacks continue unabated.

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