Siemens to slash 4,000 jobs in its industrial sector

By Elizabeth Zimmermann
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Siemens plans to cut 4,000 jobs in its industrial sector worldwide in order to save €1.1 billion (US$1.3 billion) by 2014 and boost its profits by 14 percent. The proposals were announced by the company's industrial sector officer, Siegfried Russwurm, at the Hanover Industry Fair last Thursday.

The latest detailed plan follows the declaration by Siemens CEO Peter Löscher last November that the company intended to introduce an austerity program aimed at achieving savings of €6 billion for the entire group. The cuts were the response by the Siemens executive to a decline in orders by 10 percent and profits by 30 percent in 2012 compared to the previous year. With sales of €78.3 billion and a profit of €5.2 billion, Siemens nevertheless notched up the second-best result in its history.

The decline in orders for Germany's largest worldwide operating electronics group is a result of the deepening global recession and the austerity measures dictated by the European Union. This development has intensified in recent months.

In November 2012, CEO Löscher gave no details of the planned austerity program. Now Russwurm has made clear that the company plans to cut 1,700 jobs in sales, 500 in central administration and 500 in its transmission business. The latter includes many jobs in the state of North Rhine-Westphalia.

In India and Pakistan, Siemens plans to cut 300 jobs via plant closures. Two hundred jobs in the company's standard-production engine department are to be relocated from Bad Neustadt in Germany to the Czech Republic. Another 1,000 jobs will be lost following cuts in the company's solar and water technology departments, which failed to reach the minimum level of 12 percent stipulated for profits. Russwurm declared that the savings would enable the company to increase its profit margin by 12 to 14 percent in 2014.

Between 2009 and 2012, Siemens had already reduced its workforce in its industrial sector by 8,300. If one adds all the job losses in the manufacturing sector together, then more than 10,000 jobs will be lost in the course of implementing the "Siemens 2014" austerity program.

More than half of the savings prescribed by Löscher, €3.2 billion, are to made in the energy sector, but cuts are also anticipated in the company's Healthcare and Infrastructure & Cities Departments.

The reaction of the main trade union active in the company, the German engineering union IG Metall, is significant. On its Siemens web site it admits that the newly announced measures "were known internally for quite some time. These measures are, or have been, the subject of negotiations with employee representatives, such as the case of Drive Technologies in Bocholt involving 500 jobs."

While Siemens employees have just learned of the loss of 4,000 jobs, the officials of IG Metall and the works councils had evidently been informed some time ago about the company plans and are actively working on their implementation.

The union and its works council officials seek to keep the company proposals secret as long as possible in order to prevent opposition by workers to the job losses.

At the same time as jobs are gutted the company is increasing its dividends to Siemens shareholders. According to the *Handelsblatt*, Siemens will pay a stable dividend of €3 per share, even though profits fell somewhat in 2011/12. This corresponds to a payout of around €2.5 billion, or 56 percent of profit after tax.

In addition, Siemens shareholders will receive 80 percent of shares in the company subsidiary Osram bulbs, in which Siemens no longer wants to invest.

Osram was originally to be floated on the stock market last year but the move failed. Osram, one of the world's largest light bulb manufacturers, is expected to close down several plants, cutting 8,000 jobs from its total workforce of 39,000.