German union proposes cost-cutting plan to boost VW profits

By Dietmar Henning
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The works council at Volkswagen has presented a 400-page cost-cutting plan to the German automaker's executive board, which is designed to triple the company's profit rate from two percent to six percent by the end of 2017.

In an interview with the *Frankfurter Allgemeine Zeitung* on October 11, Bernd Osterloh, the IG Metall union official who heads VW's joint works council, declared, "We have to ensure reasonable returns for the cars. To do so, factory costs have to decrease."

Osterloh gave the plan to VW CEO Martin Winterkorn during a works council meeting at the company's main plant in Wolfsburg. This was IG Metall's response to Winterkorn's provocative speech in July, which demanded "clear, effective and painful" measures to boost profits.

In an effort to cover up his treachery, Osterloh claimed the proposals were based on a survey of VW workers, stating, "This is a detailed list of the things desired." If the Board implements the proposed measures, "it is possible to reach the 5 billion euros" in profits, Osterloh told the FAZ.

This "workers' leader," the FAZ gushed, had made a "clever move," by "shouldering the burden of his men." Rather than "freeze like a rabbit caught in the headlights waiting for the Board's cuts," Osterloh had taken the initiative and put forward workers' proposals, the news outlet claimed.

In reality, the works council is using the survey to force workers to compete against each other and also identify potential troublemakers and neutralize resistance before it develops.

In the interview with FAZ, Osterloh insisted that each sector of the company has to be profitable. Like Winterkorn, he calls the cost-cutting measures an "efficiency program."

"The currency fluctuations and the weakness of the markets in countries such as Russia, Turkey, Brazil, India and Mexico impair us as much as our competitors," said Osterloh speaking like a real company man. The works council aims to simplify the "complex structures" and prevent "expensive parallel developments of individual brands," he said using honeyed euphemisms for a brutal program of job cuts and plant closings.

Osterloh went on to criticize the "uncontrolled growth" of models and components. "It is important we weatherproof the company and make it sustainable for the future." From now on, he said, he would use his post more effectively, saying, "We, the workers on the supervisory board will only approve projects promising better returns than their predecessors."

The newspaper commented, "This should be the death knell for the low-margin models Eos and Scirocco."

Osterloh pointed to the first victim of this plan: the underutilized plant in Hanover. There is no guarantee the Hanover plant will produce the Tiguan SUV or a successor model. "Yes, the Hanover plant needs a new model. But it must be profitable," Osterloh demanded. "If it does not pay off, then we cannot build the Tiguan in Hanover." Noting that other plants will be affected too, he said, "If there is pain, it will be shared equally."

Osterloh declared his alliance with CEO Winterkorn in front of 15,000 workers at the works meeting in Wolfsburg. "By 2018 we want to be at the top of the auto industry. For this, we have to set ambitious goals," he said. "Therefore it is right that Dr. Winterkorn has presented an ambitious efficiency program to his leadership team. We have to focus on what makes good returns."

During his speech in June, Winterkorn made it clear that VW wants to reduce the number of models and special accessories and improve sales. This will mean further pressure on suppliers to reduce prices and the outsourcing of different components.

In an interview with *Der Spiegel* last week, the executive raised the possibility of outsourcing disk brake production, which is currently manufactured at VW's Brunswick plant. “We must consider whether we obtain parts directly from suppliers, for example brake disks,” Winterkorn said.

Addressing layoffs, he said, although VW will not “lay off permanent staff,” we “might employ fewer temporary workers.” Considering that VW employs about 10,000 temporary workers, this is a serious warning not only for temporary workers but the entire workforce.

With nearly 600,000 employees, VW is the second largest auto manufacturer in the world. Its other brands include Audi, Porsche and Skoda, which already achieve returns of six to 18 percent (Porsche).

The VW group is responding to intensifying competition within the contracting international market. Sales in South America, Russia, Ukraine and the United States have dropped. During the first nine months of this year, VW sold 13 percent fewer cars in Russia and 20 percent less in South America.

The VW board is also responding to growing demands by major shareholders, including the Porsche and Piëch families, for higher returns to increase their billion-dollar fortunes.

The role of the works council and the trade union, IG Metall, at VW highlights the vast transformation of the union over the past three decades. The globalization of production has transformed the unions, in Germany and throughout the world, from organizations that once pressured the employers and the state for reforms, into direct instruments of management for slashing labor costs and suppressing working class opposition. In the meantime, the businessmen that run IG Metall and the other unions directly benefit from the exploitation of the working class.

Workers who protest or defend themselves face union officials who intimidate, bully and finger them for victimization by the company. Jobs, wages and rights can only be defended in a fight against unions and their works council officials, through the building of new organizations of struggle, democratically controlled by workers, fighting on the basis of an international socialist strategy.

VW has long been a forerunner in incorporating the services of the unions. The VW Group epitomizes what is referred to as the “German model of codetermination,” “Germany Inc.,” or “co-management.” The relationship between corporate boards, unions, works councils and bourgeois parties is nowhere closer than at VW.

The state of Lower Saxony is the second largest shareholder (after the Porsche and Piëch families). The head of IG Metall has traditionally acted as company vice chairman with a seat on the supervisory board. When the Social Democrats governed Lower Saxony between 1990 and 2003 and once again after 2013, a triumvirate of trade union, works council and SPD officials essentially ran the auto company.

State Premier, and later German Chancellor, Gerhard Schröder (SPD) added two new members to the board along with IG Metall leader Franz Steinkühler (1992-93). They were Ferdinand Piëch, grandson of Ferdinand Porsche, who is currently chairman of the supervisory board, and Peter Hartz who became personnel manager.

Hartz was the author of the program of savage social cuts, which bears his name. He is also an IG Metall member and the former director of the Dillinger Hütte Saarstahl Steel Company, where he oversaw layoffs at the plant.

Working for VW, Hartz developed new means to increase productivity and profitability at the expense of workers. In 1994, he introduced the four-day week, with significantly lower wages, flexible working hours, and layoffs.

In 2001, Hartz invented the working time model “5000 x 5000,” which broke apart the relatively high income rates paid in the company's main factory and initiated wage cuts. During this time, Osterloh was brought into prominence. His major role in the works council committee was defending the cost-cutting plan and suppressing opposition.

The 58-year-old Osterloh then took over as head of the works council, replacing Klaus Volkert in 2005 after Volkert and Peter Hartz were forced to resign due to corruption. Volkert was later sentenced to two years and nine months in prison.

A year later, Osterloh and the IG Metall concluded a “contract for the rehabilitation of the core VW brand” with the Group. The contract increased the work-week by three hours without any corresponding wage increase.