Contract negotiations in Germany’s metal and electrical industries a prelude to job cuts in automotive sector

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5 July 2024

Hardly a day goes by in the automotive and supplier industry without job cuts being announced. Meanwhile, the IG Metall union is preparing for the upcoming contract bargaining round in the metal and electrical industries.

The union wants to use the negotiations to reduce company costs through lowering real wages and job cuts. There is no other way to interpret the demand that next Tuesday’s IG Metall bargaining committee meeting wants to finalise the negotiations that will begin in just over two months.

The union is demanding 7 percent more pay over a 12-month period for the approximately 4 million employees in the metal and electrical industries, including around 800,000 in the automotive and supplier industry. Training allowances are to be increased disproportionately by €170 per month. The lower pay groups are to receive additional fixed amounts, which IG Metall calls “social components.”

The IG Metall contract negotiation committee at Volkswagen has agreed the same demands for its in-house bargaining round for the approximately 125,000 permanent VW employees in Germany.

Real wages in Germany have plummeted since 2020 due to price increases—first because of the coronavirus pandemic and then because of the war in Ukraine. They are still below the level of 2015. This also applies to the electrical and metal industries. Here, IG Metall signed collective wage agreements in 2020 that led to a massive reduction in real wages.

The last collective agreement from 2022 (running for a 24-month term) did not compensate workers for these losses. The one-off payments it contained have been eaten up by inflation. Consumer prices remain at a high level, especially for goods and services that are required on a daily basis—such as food, petrol, heating and electricity.

This was obviously the opinion of many employees. “The percentages must be permanently included in the pay scales. The debates in the companies so far have also made this clear,” reports IG Metall.

By demanding just 7 percent, the “largest trade union in the world” (as it calls itself) is assuring the corporations that it will stick to low real wages. The result will be an agreement somewhere between 3 and 4 percent—in two stages, over a period of at least 24 months.

At the same time, IG Metall is trying to build a bridge for companies to reduce costs. It has announced that it will “accompany the negotiations in the autumn with a debate on the issue of working hours.” Employees will then probably be offered the opportunity to swap collectively agreed wage increases for collectively agreed time off.

The companies have already prepared employees for cuts. Harald Marquardt, chief employers’ negotiator in Baden-Württemberg, where a pilot agreement is being discussed, was already speaking provocatively almost a month ago: “The right figure for wage developments would be zero.”

The head of the automotive supplier of the same name justifies his demand for a wage freeze with the allegedly poor economic situation of many companies. According to him, 91 percent of the employers association members cite “high labour costs” as a particular burden on their business, ahead of the tax burden, energy prices and “bureaucracy.”

What the head of the Marquardt Group is really saying is that workers must pay the price for growing international competitive pressures with lower wages. His family business, which produces battery management systems, driving authorisation and locking systems as well as vehicle displays for car manufacturers, reported a 2.2 percent drop in turnover to around €1.4 billion last year. At the same time, it cut around 700 jobs worldwide, around 7 percent of a total of 10,000.

The employers’ spokesperson immediately threatened that if costs were to rise, the companies in his association would primarily invest abroad. Marquardt himself is currently investing in production facilities in China, India and Tunisia.

At a conference at the beginning of June, the head of global car giant Stellantis, Carlos Tavares, threatened that the transition to electric cars would be a “considerable burden” for suppliers. Western car manufacturers are endeavouring to reduce their costs in order to compete with their Chinese rivals. This will see “a huge shift in the supplier base,” said Tavares, who is notorious for his brutal cost-cutting programmes. “Sourcing will shift from the western world to the lowest cost countries."

As automakers offload their costs onto suppliers, bankrupting many of them, they are responding to falling domestic demand for electric cars by slashing costs in their own workforces through retrenchment and job cuts. In May, over 30 percent fewer electric cars were registered in Germany than in the same month last year. Only one in eight new registrations is an EV.

Car manufacturers have reacted to this falling demand with short-time working, while suppliers have responded to the growing cost pressures with job cuts and plant closures.

• **Ford** announced a fortnight ago that several thousand jobs would be cut at its headquarters in Cologne, where only electric cars are to be built, both in administration and development and again in production.

• **Volkswagen** is planning to reduce administrative staff costs by a full 20 percent. Workers are to give up their jobs through early retirement and contract cancellations. At the VW commercial vehicle plant in Hanover, the contracts of around 900 temporary workers on fixed-term contracts will not be extended because the Multivan T6.1 will no longer be produced there in future.

• In Zwickau, where **VW Group e-models** are built, the contracts of 1,000 to 1,200 temporary employees are due to expire at the end of next year. The decision is to be made in August. At the end of 2023, 269 temporary workers already had to leave, and this year around 500 more jobs were planned to be cut.

• At the supplier **ZF Friedrichshafen**, around 1,500 employees have been on short-time working at the Friedrichshafen production site since July 1, working on the Traxon truck transmission for the main customer MAN. All ZF production sites have been ordered to achieve a return on investment of at least 10 percent. If a plant falls short of this, it is threatened with closure. The closure of plants in Gelsenkirchen and Eitorf (NRW) has already been decided.

• **Preh**, which produces control systems, switches and electronics for electric cars, plans to cut 420 of the approximately 2,000 jobs at its Bad Neustadt site by the end of the year. All areas are affected.

• Headlamp manufacturer **Hella** plans to cut 420 jobs at its headquarters in Lippstadt. This means one in 10 jobs will be lost.

• Automotive supplier **Kico** in Halver has announced it will close its plant completely at the end of 2024, affecting 150 workers. This will mark the end of 85 years of company history.

• In the new "factory of the future" of Nuremberg-based cable and wiring systems specialist **Leoni**, around half of the approximately 800 employees will be on short-time working shortly after the start of production.

• Automotive supplier **Valeo** is ending production at its Ebern site and cutting over 280 jobs. Only the research, development and production of rubber and metal components as well as clutch, brake and special hydraulics will remain there.

• Construction machinery manufacturer **Liebherr** has put 350 employees at its Swiss site in Bulle on short-time working. Combustion engines for construction, agriculture and forestry are manufactured there. In January, around 1,000 were already put on short-time working in Biberach, Germany, where tower cranes are built.

• The company **Mubea** (chassis, engine and transmission components) is putting 650 of its 1,400 employees at the Attendorn site (Sauerland) on short-time working. Around 40 temporary workers will also have to stop working at the family-run company.

These are just the announcements made last month. IG Metall, which has representatives in all of these companies, has no thoughts of averting the looming job massacre. Instead, it is merely holding site-specific, tame protests that divide and isolate the various workforces. In this way, it seeks to deflect workers' anger and push through the cutbacks.

American auto workers had the same experience last autumn. The UAW (United Auto Workers) union only organised local and temporary pseudo-strikes despite an overwhelming strike vote by its members.

As resentment and the willingness of autoworkers to strike grew, UAW boss Shawn Fain, a close confidant of President Joe Biden, quickly signed a miserable deal. Only a few weeks later, the major auto companies began mass layoffs, which they had postponed during the contract bargaining negotiations. Afterwards, it turned out that Fain and the UAW had known about the planned attacks all along.

In order to fend off the attacks by global corporations, workers must unite across company and national borders. This can only be done completely independently of the trade unions, such as IG Metall and the UAW.

Independent rank-and-file action committees must be set up in all plants and locations, uniting all workers who really want to fight for their livelihoods—for jobs and wages. Contact us using the form below and send a WhatsApp message to +49 163 33778340.