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Facing Tough Decisions

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Facing tough decisions

The European Works Council at General Motors Europe (GME) is back in the spotlight as a result of negotiations on GME's latest plans for restructuring and job cuts. As in earlier disputes, the EWC has been playing an active role that goes well beyond its statutory rights.

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Companies in the automotive industry have long been active on an international scale, but over the past few years, they have begun to adopt management strategies that play workforces and production sites off against one another systematically. In the most recent dispute at GME, for example, the Saab plant in Trollhättan and the Opel plant in Rüsselsheim were forced to compete for the future production of mid-range General Motors cars.

There is, however, also evidence of GME playing a zero-sum game in decisions over sites, even where direct competition between sites is not involved. Production volumes and models allocated to one plant are usually taken away from another: in 2005, for example, the Opel plant in Bochum was promised new models and production volume at the expense, and to the concern, of the British and Belgian plants at Ellesmere Port and Antwerp.

Without cross-border co-ordination of workers' interests, workforces are in danger of remorseless pressure to make ever more concessions. European Works Councils (EWCs), which have been set up in almost all car companies within the EU, can serve as a focus for co-ordinating national worker representative bodies, but their statutory rights are restricted to information and consultation, and are not comparable with the rights of co-determination that their German or Swedish counterparts enjoy.

GME proves, however, that an active EWC can win rights which go beyond those in the EWC Directive and can establish itself as a partner for both negotiations and agreements. GME's EWC, called the European Employee Forum, was set up in 1996. Since then, it has engaged in four major sets of negotiations to conclude framework agreements with management, and has organised two major European days of action. It is one of the pioneers in broadening EWCs' powers. (The first EWC in the car industry to negotiate successfully with management was at Ford Europe where the Ford/Visteon agreement was signed in early 2000.)

Moving to framework agreements

The dispute around the alliance between GM and Fiat in 2000 was a key first step. The EWC organised Europe-wide action over management's failure to abide by information and consultation rights, forcing it to the bargaining table and securing a European framework agreement that, among other things, secured workers' status in those sections of the company integrated into joint ventures with Fiat.

It is, in fact, not unusual for companies in the automotive industry to ignore EWCs' rights to information and consultation when the bodies are first set up. GM's EWC was able to take action against this without recourse to law, unlike Renault's closure of its Belgian plant in Vilvoorde in 1997, which led to a landmark court case.

The EWC's next test came with the dispute around the closure of Vauxhall's British plant in Luton in 2000/01.

This dispute, unlike that surrounding the alliance with Fiat, set GM workforces on a collision course with each other, as Rüsselsheim stood to benefit directly from the closure of Vectra production in Luton. Against this backdrop, it is remarkable that the EWC - and, of course, local unions and works councils - managed to mobilise 40,000 workers for the first European day of action, and to secure a European framework agreement with management. The closure of Vectra production at Luton went ahead, but the plant survived and there were no compulsory redundancies.

The EWC concluded its third European framework agreement after the 'Olympia' restructuring programme, which directly affected plants in Belgium, Germany and Spain. It accepted the need to reduce surplus capacity but was keen to avoid plant closures and redundancies, arguing that cuts and job losses should be spread across Europe rather than being concentrated on just one production site.

Competition between Rüsselsheim and Trollhättan

The EWC faced its fourth big test in October 2004, when GME announced a restructuring and cost-savings plan that threatened 12,000 jobs in Europe. Production of mid-range Saab and Opel cars was to be concentrated in just one plant, with the Rüsselsheim and Trollhättan plants in direct competition for the work. The announcement of job losses led to an unofficial strike at the Bochum plant, which halted production in other plants. The EWC organised a further European day of action, which was supported by workers in Belgium, Germany, Great Britain, Poland, Spain and Sweden.

German and Swedish workers' representatives negotiated rules governing competition for midrange production: national collective agreements were not to be undercut and both sites were to be retained. However, these concessions prompted tensions between the plants for a while. The scope for pay concessions was, for example, greater in Germany because payments were often higher than the collectively agreed minima, while the German plants were sceptical about concessions in Trollhättan, such as threeshift working with low shift premia and longer hours in return for subsidies from the Swedish government.

In December 2004, management and the EWC signed a framework agreement providing for 12,000 jobs to be cut, including 9,500 in Germany. This agreement provided for the cuts in Germany to be secured by means of voluntary severance, partial or early retirement for older workers, outsourcing and so-called 'transfer agencies' (government-subsidised schemes to offer workers retraining and wage guarantees) rather than compulsory redundancies. Management gave no guarantees that sites would be retained at this point, and had also not yet decided where midrange production was to be located.

It was only on 4 March 2005 that mid-range production was given to Rüsselsheim and what was called the 'future agreement' for Germany was concluded, with management underwriting sites until 2010 and undertaking not to make compulsory redundancies. In return, workers accepted lower Christmas bonuses, further measures to make working time more flexible, and a one-year pay freeze.

Faultlines between national strategies

The future of the Trollhättan plant has also been secured until 2010, but employment has not been guaranteed and it is not clear which models the plant will be manufacturing: there is even the possibility that the Saab 9-5 could be relocated to Rüsselsheim. Development of mid-range models has been concentrated in Rüsselsheim, putting a question mark over Saab's research and design centres. There has also been speculation about the possible sale of Saab, although GM management's most recent statements indicate that the Saab range may be extended. In June 2005, the development centre in Rüsselsheim was asked to develop the compact range as well as mid-range vehicles, securing and even extending its role over the next few years.

These four framework agreements demonstrate that GME's EWC is able to co-ordinate workers' interests beyond national borders. The most recent dispute also illustrates how difficult this co-ordination can be. Company-level site and/or employment guarantee agreements have a long tradition in the European countries where GM operates. Germany, for example, had agreements securing sites in 1993 and 1998, before the EWC concluded its framework agreements on site location, and there were elements of site guarantees in the agreement between British unions and Vauxhall in 1998.

Swedish unions, in contrast, have tradition-ally rejected employment guarantees, implementing instead a strongly macro-economic strategy aimed at securing employment opportunities for members - and workers in general - through improving the operation of the labour market.

This strategy is boosted by Sweden's labour market policy, which aims at full employment, and has achieved a relatively low unemployment rate (around 5 per cent) and comprehensive opportunities for further training and reskilling. This means that workers' representatives in Sweden are much more likely than, say, their German counterparts to accept job cuts where there is surplus capacity.

In multinational companies, however, Swedish unions feel that they are under pressure from guarantee agreements in other countries, and in some cases, they have complained of unfair competition, arguing that companies find it easier to cut jobs in Sweden than elsewhere. Consensual relations between management and trade unions can, to some extent, be seen as compensating for a lack of employment guarantees - although this was largely irrelevant in the case of Saab, since site location and employment decisions had shifted from Saab management in Sweden to GME management in Zurich.

The Swedish macro-economic strategy is, however, not the only approach coming under pressure from such guarantee agreements: British trade unionists also see the German agreements, as well as the statutory and financial restrictions on job cuts in Germany, as unfair competition between the countries of Europe. Nevertheless, it is clear - particularly in relation to the 2004/05 restructuring - that Opel plants in Germany bore the brunt of job cuts.

German companies may also regard statutory restrictions as hampering their flexibility and even preventing new investment, and this could offer a medium-term advantage to countries with fewer restrictions. It should also be remembered that the Swedish strategy is bound up with a framework of low unemployment and high unemployment benefits that does not exist in Germany, and without which workers rapidly withdraw support for a strategy of this kind.

Co-ordinated but fragile

The divergent industrial relations models at national level will persist in the medium term, making it more difficult for bodies like EWCs to co-ordinate across borders. The case of GME illustrates, however, that transnational co-ordination and solidarity are perfectly practicable, even though more recent trends in 2004/05 show that the co-ordination is at times fragile.

A European Works Council that restricts its role to the information and consultation rights provided for by law will not be able to achieve the co-ordination and mobilisation of workers' solidarity that is necessary.