

# VW in Germany and South Africa

## What differences for workers?

Like other auto companies, Volkswagen has responded to increased global competitiveness by restructuring its workplaces. **Themba Masondo** examines how management and workers have responded differently to these changes in Germany and South Africa.

The first tier of suppliers is responsible for manufacturing and supplying components to the assembly plants. Most of these suppliers have a global presence and they are found wherever auto companies have plants. These suppliers are expected at all times to meet the Original Equipment Manufacturer's or assembly plants' requirements in terms of the quality and quantity of their production.

**W**orkers in the metal industry are becoming familiar with concepts such as downsizing, quality circles, team work, lean production, just-in-time or sequence, Kanban and Kazien production systems and so on. Until the late 1990s these concepts had little meaning in the workplaces of South Africa but workers' acquaintance with them has increased since the introduction of lean production systems. This has been a great transformation in the world of work. Employers are continuously restructuring the labour process in order to expand the economic horizons of their enterprises and remain competitive.

The Society, Work and Development Institute was in 2009 commissioned by the National Union of Metalworkers of South Africa (Numsa) to do research aimed at helping the union develop a strategy to respond to restructuring in the metal industry.

### RESTRUCTURING AUTO

In order to increase profit, employers can either get workers

to work much harder and longer, or reorganise work.

Workplace restructuring encompasses changes in both production systems and work organisation. Changes in the production system involve the technical aspects of production, such as automation or computerisation, whereas work organisation refers to changes in employment relationships - that is, whether workers are in standard employment relationships or not.

In the current period the restructuring of work is centred on the notion of flexibility. This is evidenced by employers' quest for flexible production systems and work organisation.

There has also been restructuring of industries' supply chain at the global level. This has been called a 'logistics revolution'.

The auto industry's supply chain is generally organised into different supply tiers. This is driven by auto firms' desire to respond quickly to pressures for specific consumer requirements and growing global competition.

### IG METTAL AT VW KASSEL PLANT

Volkswagen (VW) was established in the era of fascism in Germany. At that time trade unions were banned, their leaders detained and taken to concentration camps, and their assets, with those of other civil society formations, were seized and used to establish VW - the people's car.

Volkswagen is located in the Nordhessen region in Germany and the VW Kassel plant was established in 1959 to produce and supply gearboxes for the VW Group assembly plants. The plant is the second-largest VW plant in Germany and is the leading component supplier to most VW assembly plants across the globe.

About 90% of workers and 98% of works council members in the plant are members of the German metal workers' union, IG Metall. Works councils in German workplaces represent all workers in a plant both unionised and non-unionised.

From the period 1993 to the early 2000s the VW Kassel plant experienced a crisis of overproduction- the plant produced more than the market could absorb. The crisis was so

serious that management proposed retrenchment as a strategy to deal with the situation although management at the plant seldom resorts to retrenchments as a means of resolving crises.

Through negotiations with management, the works councils successfully persuaded it to reduce working hours for each worker instead of retrenchments. The shortfall in wages was offset by the German labour department's unemployment insurance fund.

During the recovery period from 2001 until 2006 there was an increase in sales and profitability was restored. In order for this to happen the company introduced new production systems and methods in which the works council was actively involved.

Just as the plant was recovering from the crisis of overproduction, it was in 2005 faced with growing competition in the global auto components industry. With international trade liberalisation, the plant was set in competition with other external suppliers of new-generation components. These component firms supplied similar products at a relatively lower price and high quality. The situation was so dire that the then managing director, Dr Barnate, proposed a shutdown of the plant.

Following the works council's successful opposition to the shutdown plan, the management attempted to outsource the press shop in 2009 on the grounds that it was not economically viable. The works council successfully resisted both attempts by management to shut down the plant and to outsource the press shop. It argued that strategies to improve productivity must be sought first.

The works council entered into an agreement with the management which commits both parties to improving the plant's competitiveness in view of the growing competition from other component suppliers. The trade-off

is simple: workers cooperate in ensuring that productivity is improved on the condition that there shall be no job losses during work restructuring processes. This ultimately led to installation of new technologies and work methods to improve performance and competitiveness. The works council maintained its interventionist approach throughout the restructuring process.

The works council used its power to persuade the company to invest in new technology. In 2009 the plant, with active participation of the works council, adopted new work processes and production systems that involved a variety of elements. These included continuous improvement strategies, use of methods time measurements (MTM) and restructuring of production lines for improved productivity and processes. Ultimately the plant was able to improve productivity.

#### NUMSA AT VW UITENHAGE

The experience at the South African plant where VW assembles passenger cars was quite different.

The plant began in 1948 as the South African Motor Assemblers and Distributors (Samad). It was later bought by VW Germany in the early 1950s following its successful license application to assemble and market its cars in South Africa. VW's decision to establish the plant in South Africa was part of West Germany's reconstruction efforts after the Second World War. The plant in the Eastern Cape is in the small and busy industrial town of Uitenhage. In 2009 Numsa was the major union at the plant.

In the early 2000s the plant introduced new production systems aimed at improving its competitiveness in the global auto industry. Restructuring of work was geared primarily at consolidating flexible production.

In 2006 the company introduced a highly automated paint shop

costing R750-million. In 2008 it also installed a new body shop, press shop and assembly line as part of its efforts to improve its capacity to produce quality cars at greater speed. According to the VW global head of production, Dr Jochem Heizmann, the introduction of new technologies was a necessary investment for the plant's ability to speedily meet both the domestic and global demand for VW cars.

How has Numsa at the Uitenhage plant responded to the installation of these new production systems and technology?

Shop stewards feel disempowered around influencing decision-making over work restructuring. The company restructured work without any meaningful consultation with the workforce or Numsa. The existing worker participation structures do not give workers any power to influence and shape restructuring. The shop stewards are aware of the pressures exerted upon the company by neo-liberal globalisation and its attendant trade liberalisation and increased competitiveness. In response most of them are not keen to obstruct restructuring of work because they fear job losses.

In an attempt to understand Numsa's inability to influence and shape workplace restructuring, it is important to ask whether it is possible to have real worker participation in a foreign-owned plant. My assessment is that workers in foreign-owned plants, such as the VW Uitenhage plant, in developing countries are unlikely to influence restructuring.

The tendency of MNCs like VW to embark on unilateral restructuring in their overseas plants in developing countries can be described as imperial restructuring. This argument is related to Eddie Webster and others' argument that space gives leverage to MNCs to impose work restructuring in their plants – a

strategy they refer to as 'whipsawing'. The whipsawing strategy enables MNCs to impose work restructuring strategies such as work intensification, downsizing and casualisation by threatening closure of the factory.

Imperial restructuring must be understood as an outcome of the current global neo-liberal development trajectory. Most countries have now liberalised their economies with the hope of attracting MNC foreign direct investment. The role of foreign direct investment is normally viewed as bringing capital and new technology into subsidiary plants with the overarching strategic goal of bringing about development.

In reality the reorganisation of work is implemented in line with the MNC's requirements, while the views of local actors are ignored.

Worker participatory structures are sometimes established, but these structures do not give workers any real power to influence decision-making in their workplaces.

This is exactly the case in the VW Uitenhage plant. The company's headquarters in Germany installed the new body press, paint shops and assembly lines without consulting local workers. The management justifies such unilateral restructuring in the name of competitiveness and matching the standards set by VW best performing plants elsewhere.

#### CONCLUSION

Harvey's optimistic work *Spaces of Hope*, and Herod's ground-breaking *Labour Geographies* see the possibility of a strategy for labour in the Global South to challenge the growing power of MNCs. They do not say much on South-South

labour international solidarity, but it is possible to borrow from their optimistic and powerful arguments to argue that labour in the South should intensify already-existing structures for global networks and use them to challenge international capital's logic, particularly on work restructuring. Labour can shape the landscape of capitalism and challenge the power of international capital. Numsa needs to take the lead in this struggle. LB

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