



A. Introduction

B. The most important objectives of the German Metal Workers Union, the IG Metall

C. The work for those objectives under the conditions of globalization, especially within supply chains

D. Introduction of typical examples in the practice of the German Metal Workers Union (IG Metall)

E. Conclusions



IG Metall

The most important objectives of the employees and their Trade Unions:

1. To secure jobs – and as many as possible



The most important Objectives of the Employees and their Trade Unions:

2. Compliance to minimum standards of working conditions:

- laws
- regulations
- collective agreements
- company agreements
- individual contracts of employment



The most important Objectives of the Employees and their Trade Unions:

3. Improving and securing working conditions

- higher wages and salaries
- shorter working hours
- attractive further education
- company pension schemes
- special bonuses
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Structural Change in Supply Chains and the Wuppertal Region

Wuppertal has the second largest concentration of automobile suppliers in Germany (behind the Stuttgart Region).

The bulk of these supplier firms are small and medium sized and very frequently family owned

Earlier : Dealing with the above objectives and decision making on a local level (more than 80 %) very often with the manager and owner himself



Today:

situation dramatically changed

globalization

- Growth of Mega supplier.
- Pressures to do more design and development
- Cost reduction pressures

complex situation for the SME
suppliers.

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⇒ In order to respond effectively in the changed context it is important for the union to gather information and sentiments from employees at all different kinds of jobs and hierarchy levels within the plant



⇒ We also gather information from employees' representatives of other companies (network of IG Metall)

- from competing companies
- from other companies of the same supply chain
- from OEMs



⇒ In cases where firms are in trouble, IG Metall is alerted by its ties to Works Councils.

⇒ First talks or negotiations respectively with the management

⇒ Make use of economic data bases



- ⇒ Research in the internet
- ⇒ Independent placing of orders with external consulting companies / certified public accountants (C.P.A.)



The company Kabelwerke Wagner and Reinshagen

- Draka an international enterprise in the cable industry, located in Amsterdam.
- In 1995 the company bought a cable producing enterprise and the cable producing part of another enterprise.
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The company Kabelwerke Wagner and Reinshagen

Both enterprises with their headquarters and most of their production in Wuppertal were merged into one site:

The merger resulted in new structures, synergy effects, dismissals. Employees alarmed and anxious



The company Kabelwerke Wagner and Reinshagen

■ The new structures and measures did not work out:

- ❖ dumping prices on the market
- ❖ unsuccessful cost reduction programs
- ❖ the management's inability to form one workforce.



The company Kabelwerke Wagner and Reinshagen

■ In 1998 new management to implement **radical measures:**

- ❖ Reduction of the product range
- ❖ concentration on „high-tech“ and the supply to the automobile industry
- ❖ reduction of the number of customers by 2/3
- ❖ downsizing of the work force by 50 %



IG Metall

The company Kabelwerke Wagner and Reinshagen

The works council's and IG Metall's attitude:

- Clear-cut rejection of this concept
- radical measures necessary, but not such a concept drawn up in the shortest time.

High risk, that the management's strategy will fail and all the jobs are lost!



IG Metall

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Negotiations between the management,
the works council and the IG Metall.

The suggestions of works council and
IG Metall:



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⇒ Yes to drastic measures including the dismissal of part of the work force to rescue at least the remaining employees

⇒ We want a better, carefully drawn-up reorganization plan!

The workforce should participate in the negotiation process!



The company Kabelwerke Wagner and Reinshagen

⇒ Works Council and IG Metall would seek the opinion of a consulting company to

- develop a concept to restore profitability
- scrutinizing the management's plans
- including the work force's know-how by the means of interviews, workshops etc.
- Furthermore access to all important experts and executives of the company



IG Metall

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For clarification: the customers would be IG Metall and the works council; the consulting company would be paid by the management.



The company Kabelwerke Wagner and Reinshagen

⇒ Acceptance of the workforce for this kind of policy:

- being responsive
- supporting new ideas
- making suggestions for changes and improvements
- including unavoidable staff reduction!



The company Kabelwerke Wagner and Reinshagen

⇒ The management's "top-down crash-concept" in this situation would never work. **Only a cooperative strategy would be successful.**

Our suggestions would be the only realistic chance for the site in Wuppertal!



The company Kabelwerke Wagner and Reinshagen

Go-ahead after 48 hours

- **More than 70 % of the work force involved** by the means of interviews and workshops to contribute their ideas and experiences for drawing up a reorganization plan to restore profitability.



The company Kabelwerke Wagner and Reinshagen

⇒ Result absolutely helpful

⇒ Management's approach checked and partly confirmed,

⇒ but original plan of the management definitely changed due to the work force's and IG Metall's know how and participation



The company Kabelwerke Wagner and Kabelwerke Reinshagen

⇒ Examples:

- the new product range
- new sequences of operation / work flow and working processes
- structuring of the company's future main focus on the supply for the automobile Industry



IG Metall

The company Kabelwerke Wagner and Reinshagen

The reorganization plan to restore profitability was successful. Today there are still more than 450 jobs at Draka.



IG Metall

The company HFI

280 employees, 10 % IG Metall members; MBO, 3 years old, little financial reserves / equity capital, high service of capital;

about 90 % of the turnover: parts and components for heavy trucks and buses



IG Metall

The company HFI

a huge number of subcontractors, one had to be bought on short notice, because otherwise the ability to supply was not guaranteed



The company HFI

Works council in close cooperation with IG Metall.

Company **not** bound to any collective agreement. Working conditions, though, very similar to the collective agreements for the metal and electro industry but were granted, however, on a **voluntary basis**.



IG Metall

The company HFI

For the last six months of 2001 **serious decline** of orders on hand and sales returns due to drastic slumps in the business of the producers in Europe (**trucks - 30 % / buses - 50 %**).



IG Metall

The company HFI

Management believes in economic recovery of the market (cyclical recovery) in 2003/2004, wants to be definitely capable to react.



The company HFI

Line of action of IG Metall:

⇒ Because of the expected drastic measures we had the whole concept checked by a consulting company of our choice

In a situation like this access to all data and plans is one of our conditions for cooperation!



The company HFI

⇒ We checked the management's assessment of the market development by evaluating the specialized press and literature, but mainly through our IG Metall network



The company HFI

- What do the customers' (mostly OEMs) plans look like?
- What is the situation of other suppliers in the same supply chain or the same sector respectively?



The company HFI

⇒ We discussed the situation and the risk for the jobs with the work force, especially with our members.

We promised to agree with profound changes only in accordance with our members' and the vote of the workforce.



IG Metall

The company HFI

The following agreements were reached:

For the **restructuring concept** all “parties” make their contribution:



The company HFI

1. **Banks** discharge the company by extending the credits without additional interests



The company HFI

2. Contribution of the workforce

- No wage or salary increase in 2002 and 2003
- Reduction of holiday pay and Christmas bonus to a quarter in 2002 and 2003 (per annum a loss of about 1 monthly income)
- Reduction of working hours by 25 % (short-time working) for the present



The company HFI

- In Return:
- staff reduction maximum. 10 %, i.e. 250 jobs are safe until the end of 2003
- On the 1st of January 2004 returning to the old, unchanged conditions (including the current collective agreements for the metal and electro industry)



The company HFI

- Providing long-term security of the conditions by the company's **immediate entry** into the employers' association.
- This implies validity of all collective agreements for the metal and electro industry, except the mentioned exceptions that are limited until the end of 2003.



The company HFI

3. Contribution of the **Management**
4. The management and the other executives agree to reduce their income by the same percentage as the employees and agree to an examination.



IG Metall

The company HFI

⇒ **Workforce voted nearly unanimously in favor of the restructuring package.**



⇒ **Conclusions**

⇒ Companies within supply chains experience drastic changes and dependencies.

⇒ Not only the management has to change itself radically, but also the respective work force.



⇒ Conclusions

⇒ Such processes of change usually only show success if they are accepted widely by the work force, i.e. only with the support of the employee's representatives (works council and IG Metall)



⇒ Conclusions

⇒ Those processes of change – but also unavoidable restructuring measures even on short notice – are most successful, if it is possible, in spite of contrary opinions, to achieve cooperation between works council / IG Metall and the management of a company.



⇒ **Conclusions**

⇒ Important ***corner stones*** for this kind of cooperation are:

- **Same level of and access to information**
(data relevant for the business administration; corporate planning and strategies)



⇒ Conclusions

- Supplementation of management perspectives with views from both shop floor workforce and outside, independent, consultants and experts--chosen by the union.



- Conclusions
- Fair compromises
 - o e.g. when unavoidable cuts have to be made
 - o Precondition for success has to be a serious plan of restructuring and restoration of profitability
 - o contributions of all “parties” to this plan



- **Conclusions**
- **Fair compromises**
 - o measures limited to a certain period of time:
If possible the employees have to receive a return flow of money when the company breaks even again
 - o employees endure unpopular measures, because involved in the process.



- **Conclusions**

- ⇒ Main Objective will always be to secure sites and future oriented jobs
- ⇒ In this connection the **IG Metall** has a **position of power.**



⇒ **We try – in the interest of the employees – to influence the development of the supply chains in a constructive way.**