



Labour market change

Hasse-Wrede:

Proposed relocation from Germany

to Czechia - case study

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This case study was carried out for a European Restructuring Monitor project on transnational restructuring (2019-20).

Report: [ERM report 2020: Restructuring across borders](#)

Introduction

Hasse-Wrede develops, manufactures and distributes Visco-Damper and Hydraulic Dampers for commercial vehicles, passenger cars and other transport and industrial applications. It is part of the Knorr-Bremse group which is a leading manufacturer of braking systems and a supplier of additional sub-systems for rail and commercial vehicles, with sales totalling over €6 billion in 2017 and around 100 locations in 30 countries. The company is headquartered in Germany.

Employment trends at Knorr-Bremse

The Knorr Bremse group employed 28,452 individuals worldwide in 2018 – an increase from 20,050 in 2011.



Source: Statistica and Knorr-Bremse CSR report 2018

Around 5,500 of Knorr-Bremse's employees work in Germany. The Hasse-Wrede plant is one of three plants in Berlin and employs 150 workers.

Proposed relocation from Germany to Czechia

The delocalisation plan was part of a restructuring plan for both Hasse-Wrede and the neighbouring Knorr-Bremse and Power Tech which are located on the same site. The group planned to close and relocate the manufacturing plant at Hasse-Wrede to Czechia and keep the research and development unit in Berlin. According to the plan, 109 manufacturing workers and 25 temporary agency workers were to lose their jobs and 25 white collar workers would have stayed. At neighbouring KB Power Tech, a 42-hour work week was to be introduced.

Knorr-Bremse told the newspaper Berliner Zeitung ([02.02.2017](#)) that 'the delocalisation follows the growing requests by our customers to reduce manufacturing costs in a highly competitive environment'. This alludes to pressure from vehicle manufacturers with manufacturing locations in

the US and China on its suppliers to reduce costs. [Berliner Zeitung 28.09.2017](#) reported that the company was under cost pressure and for this reason, it will move production closer to its customers in Czechia, the US and Asia.

The announcement drew a strong reaction from the works councils at Hasse-Wrede and KB Power Tech. There was concern that such arguments and actions might spread to other companies in Germany. It was also considered that the skilled workforce required would not easily be quickly sourced elsewhere and that the competitiveness argument was difficult to justify in a company which was performing well financially.

Employee representation at Knorr-Bremse and Hasse-Wrede

An EWC was set up at Knorr-Bremse in 1995 under Article 13 and is based on German legislation. According to the sectoral trade union IG Metall, the agreement was set out without any ambition from the side of the German Works Council, who were generally not interested in setting up this body. Instead, the process was driven by requests from employee representatives from other countries (including, for example, Austria). The agreement is very short, simply making references to the Directive and the countries to be represented at an annual meeting. Internally, the body is referred to as the 'Euroforum'. Members of the company Works Council consider that the body has never been a 'real EWC' in terms of consultation by management. It is simply considered as an annual meeting at which worker representatives from different countries get together to receive information from the management. Representatives from all countries apart from Czechia attend. German works council members were not aware of any reasons which Czech colleagues do not attend the meeting. According to a company representative, the planned delocalisation from Germany and Czechia was not a transnational matter for the EWC, but was seen as a national matter for the plant in Berlin. A representative from the company works council argued that the Euroforum was intended to inform worker representatives, but was not set up to involve them in discussions regarding restructuring cases. Worker representatives also perceived the delocalisation plans to be a national rather than a transnational issue. Worker representatives from Czechia never take part in the Euroforum meeting, it was also not considered to be a matter for discussion with colleagues from the planned 'arrival' country.

Interestingly, following the collapse of the proposed relocation, renewed efforts have been made to establish a 'proper' EWC, and a new agreement setting up this body was made in November 2019. The renewed interest can be attributed partly to the experience of 2017, the increased share of union members and the retirement of the company's CEO (see below).

The group works council in Germany is based at the company's headquarter in Munich. A company works council is in place at the Hasse-Wrede plant in Berlin. Under the German works constitution act, information, consultation and negotiations on interest conciliation are mandatory.

Knorr-Bremse is the only corporation listed on the German M-Dax (the listing of medium sized-companies) which is not covered by a collective agreement, having left the employers' organisation for the sector in 2006. The company's former CEO and largest shareholder Heinz Hermann Thiele was strongly critical of trade unions and collective agreements and took the company out of membership of Gesamtmetall (the sectoral employers' organisation).

According to trade union sources, although works councils are present in the company, most works council members are not affiliated to any trade union and have limited interest in cooperating with the sectoral trade union IG Metall. At Hasse-Wrede, when the delocalisation plans were announced in 2017, only one of the worker representatives on the works council was a member of IG Metall (on

average around 65% of works council members are also members of a trade union). However, during the consultation phase on the proposed delocalisation, all works council members and half of Hasse-Wrede staff joined IG Metall.

Consultation process linked to the planned relocation of jobs to Czechia

The group works council was informed of the planned delocalisation ahead of the board meeting. The group works council considered this to be a matter for the company works council at the Hasse-Wrede plant in Berlin.

Under the works constitution act, works council members are allowed to avail themselves of the services on an expert (funded by the employer) to help them develop alternative concepts in situations including restructuring and relocation proposals. A member of the Hasse-Wrede Works Council (who was a member of IG Metall) approached the trade union for support when the announced for the planned delocalisation was made in spring 2017.

IG Metall involved worker representatives, a law firm and other consultants to develop a line of argument against the delocalisation plans. As a result, alternative plans were made (there is no information available on these) and at the same time, IG Metall mobilised support (from the public and workers in other companies) and organised protests in Berlin against the relocation. Workers from a dozen other Berlin based companies issued solidarity notes and a warning strike was organised.

Disputes between management and the works council, workers and IG Metall lasted from spring to autumn 2017 and received press coverage. It also mobilised political support among politicians in Berlin who came out in favour of retaining jobs in the city.

The interest conciliation process was concluded in the autumn of 2017 with a social plan. Under the social plan, around half of the 120 workers were offered other jobs in the Knorr-Bremse group. Sixty of these workers could have moved to KP Power Tech (on the same site) or another Berlin based Knorr-Bremse company. The other half were to be offered redundancy pay at 1.5 monthly salaries for each year worked at the company and placements in a transfer company offering requalification opportunities. In Germany, if a worker transfers to a transfer agency, the Federal Employment Agency (the Public Employment Service) provides a short-time work allowance of 60-67% of the previous net monthly wage for a maximum of 12 months and the previous employer can voluntarily top this up to a higher level, usually of around 70-80% for a fixed period of time (it is unknown whether such a top up had been negotiated in this case).

After this agreement was reached, the Knorr-Bremse group decided in December not to proceed with the closure of the Berlin plan arguing that setting up production in Czechia was more complex than expected and the significant number of skilled workers required was not available locally (without investment in additional training). As a result, the relocation did not go ahead. At the point of the group's announcement, 109 workers remained at the plant in Berlin. However, working time was increased from 35 to 42 hours without compensation, initially at KP Power Tech and subsequently also at Hasse Wrede. The company remains outside the scope of the collective agreement for the metalworking sector.

Management announced that 'together with the Works Council, who in the last few days have joined with the workforce to draw up further proposed improvements, we have been able to agree on a joint solution which ensures that Hasse & Wrede and the associated 109 jobs at the company will remain in place' (Klaus Deller, Chairman of the Executive Board of Knorr-Bremse AG). 'While the additional contributions by the workforce do not fully offset the commercial impact of dispensing

with the transfer solution, we have nevertheless decided that Hasse-Wrede will remain in Berlin. This is intended not least to support the place where our company was founded, as Berlin is currently going through a difficult period in terms of employment policy. It also shows that Knorr-Bremse can work directly with its internal codetermination partners to achieve good results between management and workforce that ensure the company's competitiveness and at the same time safeguard jobs. As a family-owned company that sets high standards in terms of fairness and responsibility, we have acted in line with our corporate values'.

Since then, Knorr-Bremse decided to sell KP Power Tech to a US investor.