EMCC case studies

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The European Foundation for the Improvement of Living and Working Conditions has produced 12 case studies around enterprises in four European countries, which set out to analyse the extent and practice of corporate social responsibility (CSR). The project aims to reveal in what way European companies are developing models of best practice around the issue of working and employment conditions. CSR measures at Volkswagen include job-saving schemes such as reducing working hours and creating low-paid jobs, as well as a declaration on human rights.

About Volkswagen AG

The Volkswagen Group with its headquarters in Wolfsburg is one of the world’s leading automobile manufacturers and the largest car producer in Europe. In 2001, the Volkswagen Group achieved record sales totalling 88.5 billion euro. Net profits were 2.9 billion euro. With 5.084 million vehicles delivered to customers in 2001, the company attained a global market share of 12.4 percent (2000: 5.062 million). In Western Europe, the largest car market in the world, nearly every fifth new car came from the Volkswagen Group.

Since the start of this year, the Group’s passenger car business has been divided into two Brand Groups with a total of seven independent brands. Under the leadership of the Volkswagen AG Board, Audi and Volkswagen are responsible for the results of their respective Brand Groups worldwide. Audi’s Brand Group is made up of the Audi, Seat and Lamborghini brands and places an emphasis on sporty values. The Volkswagen Brand Group is made up of the Volkswagen, Škoda Auto, Bentley and Bugatti brands and stands for more classic values.

Each brand retains its differentiated brand-image and operates as an independent entity on the market. Together, the product ranges extend from the low-consumption 3 litre vehicle to luxury class vehicles. Commercial vehicle products in the Group are the responsibility of the Volkswagen Commercial Vehicles brand. The ‘Financial Services’ and ‘Europcar’ business entities were put under joint management with effect from the beginning of this year.

The regional management of world markets comprises four areas of responsibility:

- Region European Union,
- Region North America,
- Region South America/South Africa,
- Region Asia-Pacific.

The Group operates 44 production plants in 11 European countries and seven countries in America, Asia and Africa. More than 320,000 employees around the world produce more than 21,000 vehicles every work day. The Volkswagen Group sells its vehicles in more than 150 countries.

It is the goal of the Group to offer attractive, safe and environmentally friendly vehicles which are competitive in an increasingly tough market and which set world standards in their respective classes. The Volkswagen Group meets the challenges of the global market with a business strategy where the core elements are the modular components strategy and the multi-brand strategy. This combination simultaneously satisfies the customer’s desire for a high quality car, the employee’s interest in a future-orientated workplace and the shareholder’s concern for a lasting increase in the company’s worth.
Good practices by VW

Company credo: no dismissals
Volkswagen created the motto ‘for a big company like Volkswagen, dismissals are unfair. Solve the problem with energy and good ideas’.

Keep people in times of economic decline
Instead of dismissals, VW agreed - after long and difficult negotiations - with the works council to save jobs by cutting working hours during a crisis in the car industry: 30,000 jobs saved with a 30-hour working week.

Creating new jobs
VW is creating low-paid jobs (5000x5000 program) that otherwise could not have been created

Declaration on social rights
Volkswagen recently launched, in accordance with its general works council and the International Metal Workers’ Federation, a ‘Declaration on social rights and industrial relationships at Volkswagen’\(^1\). The declaration is a commitment of the worldwide Volkswagen Group to the vital items of CSR, such as freedom of association, anti-discrimination and respect of health and security norms. According to the declaration, Volkswagen also ‘supports and expressly encourages its suppliers and contractors to take this declaration into account in their own respective corporate policy (and) views this as an advantageous basis for mutual relationships’.

Discussion of VW good practices

Saving jobs as part of a CSR policy?
In 1993, Volkswagen set up a programme to save 30,000 jobs by cutting the working hours from 40 to 30 per week. This is the most important move for the company to become a ‘breathing company’ able to adapt to its environment, to the customer and to the economic situation. The economic pressure could be sensed in the automobile sector overall, but Volkswagen tried to be more socially engaged than other companies. Both management (the ‘Arbeitsdirektor’) and the union (IG Metall) in corporate bargaining (‘Haustarifvertrag’) successfully negotiated collective agreements, which contained flexible regulations in order to meet the company’s economic needs. This has not taken place in the automotive industry over all.

One reason for this failure in the industry is certain inflexibility in negotiating branch oriented regional collective agreements (‘Flächentarifvertrag’). Volkswagen followed other corporate solutions because the company’s philosophy is that ‘dismissals are unfair’.

The vision was to manage the change of the labour intensive industry without shattering the region and the future of the production of Volkswagen overall, not to mention the entire automobile industry.

Retrospectively, it cannot be said if, compared to other companies in the same sector, Volkswagen has done a better job, but it can be shown that since 1993 the development of Volkswagen has been a story of success.

\(^1\) See http://www.eiro.eurofound.eu.int/2002/07/Feature/EU0207203F.html
It is important to note that a joint venture between the region and VW was established to demonstrate that the region and the biggest company are connected to each other in many ways. One cannot prosper without the other.

Since then, a number of other programmes with the same goals have been set up, so that a whole system of activities could be identified, making sure that

- change is well managed;
- the region develops according to the needs of the company and is able to provide whatever the company needs;
- the job market is able to develop the necessary human capital, not only for the company itself, but also for the region.

**The established system of state regulation and the new kind of self-regulation in VW**

The good practices by VW are not necessarily called CSR activities, but are part of the long traditional system of social dialogue within the company. It must be noted that most of these activities have a high ranking supporter in the management, who, with a high amount of personal involvement, started these activities and then developed them in the context of the social dialogue.

According to VW, tools need to be measured, in order to see if they are successful or implemented correctly. But it proves to be rather difficult in the case of CSR. Benchmarking is not really a possibility as every project is different. Another reason is the lack of scientific research available in the field of CSR.

According to VW, reporting could be a tool within the EU to start benchmarking of such projects, so that one could learn from the experience of others. But establishing a system of checks and balances to make optional programmes a legal requirement does not seem to help programmes flourish. Voluntary driving forces seem to develop more creativity than a must-do programme.

VW believe that there is a political driving force to be active as a company in helping to develop the labour market in the region. However, it is only done really in the pure interest of the company in the long run.

Up to now, VW does not use CSR activities as a source of social marketing, which is possible with ecological issues, for example.

According to VW, the established system of regulation is endangered in that the works council has a problem with the open approach taken and the multiple stakeholders involved. Works councils still are only available for ‘insiders’, but not so much for external stakeholders.

From VW’s perspective, in summary, the new system of self-regulation encourages creativity, which in its turn seems to work well for the company, the employees and the region. One way to use these good examples could be to make them more visible through a benchmarking process and thus help others to follow. More regulation would probably endanger the creative approach, and would lead to less voluntary involvement of companies instead of more. Self-regulation could thus be a successful way to greater social responsibility.