

## New Production Attracted



**Klaus Volkert,**  
Chairman of the Joint Works Council  
at Volkswagen

In recent years we have been unable to prevent the continuous reduction of automobile manufacturing in Wolfsburg. The production of several models left Wolfsburg and was relocated to other sites abroad. Increased efficiency and productivity, redundancies and competition of other sites were the causes. Hence, despite our successful model of securing employment by means of a reduction of working times, there was an above-average loss of jobs in assembly. This just had to be stopped. The new collective system signals the reversal of the trend. For the first time, an innovative production concept has actually attracted new production that otherwise would have gone elsewhere. And what is more – on conditions that are acceptable for all colleagues.

## Masthead

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August 2001

## 5,000 Times a Future

Where there is a will, there is a way. It is possible, after all, to create jobs in Germany. And interesting jobs for that, innovative jobs with the social conditions of the collective agreement. The breakthrough of IG Metall at Volkswagen is proof of this. These times of large-scale unemployment make it quite hard for works councils and trade unions to explain the necessity of defending minimum standards and conditions in collective agreements to a wider public. Yet, IG Metall has resisted all pressures despite all the criticism, despite all the unjustified animosity. It has paid off not to take the easy way out and give in in June: now, up to 5,000 people get real opportunities. In other words, they get a future. Not on appalling low-wage conditions but on conditions according to the district-wide collective agreement of the metal industry. What is more: the negotiators have broken new ground in the realm of collective bargaining policy with unique possibilities of qualification and modern concepts of production. There is innovative potential, which bears significance not only for Volkswagen but all district-wide or nationwide collective agreements. Manufacturing in Germany

has a future. It is indeed possible to combat unemployment. This is the message of the contract signed by IG Metall and Volkswagen. This agreement is a model of 'employment-oriented collective bargaining policy'. It is high time that other employers follow suit.



**Jürgen Peters,**  
Vice-President of IG Metall

*Collective agreement VW-Project "5,000 times 5,000"*

<p><b>Collective agreement and enclosures</b></p> <ul style="list-style-type: none"> <li>• Working Time</li> <li>• Remuneration</li> <li>• General Working Conditions</li> <li>• Organisation of Work</li> <li>• Performance and allocation of staff</li> </ul>	<p><b>Agreement on Qualification</b></p> <ul style="list-style-type: none"> <li>• Qualification time</li> <li>• Entitlement and obligation</li> <li>• Documentation and certification</li> <li>• Compensation</li> </ul>
<p><b>Agreement on co-determination</b></p> <ul style="list-style-type: none"> <li>• Supervisory Board for Auto 5,000 Ltd.</li> <li>• Catalogue of deals requiring approval</li> <li>• Approval by two-thirds majority</li> </ul>	<p><b>Agreement on common works council</b></p> <ul style="list-style-type: none"> <li>• Common works council for Auto 5,000 Ltd. and Volkswagen Wolfsburg</li> </ul>

Source: IG Metall District of Hannover August 2001

## IG Metall Collective System for the VW Project 5.000 X 5.000

Few collective bargaining conflicts can claim to have caught as much public attention as the Volkswagen project 5,000 x 5,000. A catchy formula, for sure. But it took two runs to finally push it through. Four collective agreements are the pillars of a comprehensive collective system to put this ambitious project into practice (see figure below): it is more than just an exemplary programme to manufacture a new automobile. The project provides jobs and higher qualification for a large number of unemployed workers as well. What may sound plain and simple today did take dramatic negotiations to achieve.

IG Metall, the German Metalworkers' Union, had discussed the project very early on and set clearly defined cornerstones for negotiations. Union approval yes but not at any price. The Volkswagen project now combines increased efficiency and productivity with union demands for humane and decent working conditions and a state-of-the-art organisation of work. The result is an experiment in the area of collective bargaining allowing IG Metall and Volkswagen to maintain domestic automobile manufacturing in times of fierce international competition while simultaneously establishing forward-looking elements of industrial relations. 5,000 times 5,000 breaks new ground (see inside brochure) in the realm of collective bargaining:

it covers a comprehensive collective qualification initiative, improves the works councils co-determination rights in decisions concerning performance and HR benchmarks and defines progressive principles of a humane and decent organisation of work.

The example of 5,000 x 5,000 shows that beggar-my-neighbour policies with extra-low wages is no adequate means to create jobs. On the contrary, it is an innovative model with acceptable wages and working conditions marked by an industry-wide and district-wide collective agreement instead of low wages and a 35-hour workweek instead of an extension of working times. The new collective agreement runs counter to neoliberal concepts of labour market policy.

IG Metall's collective agreement boasts a number of interesting and possibly pioneering elements. It may not be adopted by other companies without adaptation. Yet, the underlying philosophy is definitely applicable beyond Volkswagen company. We are calling upon other companies and concerns to also hire unemployed workers on reasonable collective conditions instead of opting for large-scale redundancies.

*Collective agreement VW-Project "5,000 times 5,000"*

	<b>Minivan</b>
	<b>New employments ( 3,500 and 1,500 )</b>
	<b>5,000DM (2,557€) (plus Bonuses)</b>
	<b>Working Time: 35 hours per week</b>
	<b>Qualification</b>

Source: IG Metall District of Hannover August 2001

## A Signal to create New Jobs



**Hartmut Meine,**  
Chairman of the  
IG Metall District of Hannover

It has taken almost two years and two rounds of collective bargaining. Yet, good news is the final outcome. First, 3,500 unemployed workers will get jobs in Wolfsburg on decent conditions. IG Metall has thus established an important and distinct alternative at a time when other companies are opting for a different route shedding labour on a large scale.

The conditions are quite favourable as well. Based on a 35-hour workweek, the salaries equal those covered by the collective agreement for the metal industry of Lower Saxony as well the automobile industry in Germany. We have also set an example by improving rights of co-determination. In the not so distant past even the modest progress achieved by the reform of the Industrial Relations Act was harshly criticised by conservative politicians and employers alike. Yet, we have managed to extend the rights of co-determination beyond the scope of minimum legal stipulations. Besides, this collective agreement is an all-time first laying down the very principles of the organisation of work. This is another new facet in the realm of collective bargaining policy where we have managed to pass a threshold. However, the praise we have suddenly received from the wrong side is completely unacceptable. BDI (the German equivalent to the British CBI) president Michael Rogowski simply cannot hail the new collective agreement while simultaneously condemning the extension of co-determination and the 35-hour work week. 'In for a penny, in for a pound.' Anything else is nothing but bigotry.

## The Project

The 5,000 x 5,000 project transcends the boundaries of traditional types of industrial labour. Volkswagen aims at a complete re-definition and re-organisation of business. The project is a comprehensive effort to raise efficiency and productivity of production as a whole, from planning over assembly to sales. It is to render the entire process more efficient and to prove that domestic manufacturing can successfully compete with its rivals elsewhere, for example in Eastern Europe. New concepts of production and sales are one element of the strategy. But the organisation of work is being re-designed as well. The employees are to work in teams. The new factory will have only three levels of hierarchy. With the teams assuming responsibility for the quality of output pressure will increase enormously. Hence, qualification is to play a major role in the project. The first 3,500 unemployed workers to be hired will receive basic qualification and training prior to actual production. The attainment target of these three months is, as Volkswagen put it, 'industrial suitability'. During production these employees will receive permanent further training and qualification. The infrastructure required comprising 'factories of learning' and team rooms is in the making at the new Volkswagen plant. A new company, the 'Auto 5,000 Ltd.', was founded for this project (which will begin long before October 1st, 2002, the deadline for serial production of the new minivan). The Ltd. will be part of the Volkswagen concern and be housed in three buildings of the works at Wolfsburg.



### Jobs for the Unemployed

A prime element of the new comprehensive collective agreement is the provision of jobs for the unemployed. First, 3,500 workers will be hired to build the minivan at Wolfsburg; another 1,500 will find a job in Hanover at a later date. This constitutes quite an achievement given current conditions on the labour market. While many large-scale companies are shedding labour, IG Metall has managed to establish a counter-trend. The works council will take part in hiring new staff. Furthermore, after a six-month probation period the employees will be given unlimited contracts. This is pretty unique. While the Law on Part-Time and Temporary Employment has made temporary jobs the general rule in the metal industry, IG Metall and Volkswagen have deliberately embarked on a different route.



### Flexible 35-Hour Workweek

Average weekly working time constituted one of the most conflictive issues during the negotiations. In the end, IG Metall prevailed. The annual average of weekly working time will be 35 hours. 42 hours per week are maximum (including the early shift on Saturdays); overtime is to be compensated by days off. Furthermore, ten late shifts on Saturdays per employee and year are possible. Workers can 'save' up to 200 hours on a so-called 'flexibility account', a regulation which resembles the BMW model for its Leipzig plant. This credit must be balanced by days off within the course of the year. These generous flexibility arrangements were an IG Metall concession, to be sure. Yet, the works council has full rights of co-determination in scheduling working times.



### District-Wide and Industry-Wide Pay instead of Low Wages

Basic pay per month is 4,500 Deutschmarks. Minimum annual bonuses amount to another 6,000 Deutschmarks. They include premiums for night shifts, Christmas and leave days. Further premiums are paid for work on Sundays and holidays. Additional individual performance bonuses and a profit-participation scheme are parts of the deal as well. The bonus system guarantees, that during the duration of the project the employees get a salary which is at least on a par with the district-wide collective agreement of the metal industry in Lower Saxony. In concrete terms: the new employees earn no less than workers in the automobile industry at large. During the qualification period prior to production this equals 4,000 Deutschmarks per month. In the first year the guaranteed annual salary amounts to 59,500 Deutschmarks, 64,000 Deutschmarks in the second year and about 69,000 Deutschmarks in the third year.



### Qualification

The collective agreement on qualification is a core element of the overall system. Even prior to actual production in October 2002, the new employees will receive training via the federal employment agency. This period will be followed by another six months of qualification and employment. During that time monthly pay at 35 hours a week will be 4,000 Deutschmarks. Qualification will continue to play an important role even later. The average time spent in qualification and training will be three hours per week and employee. IG Metall had to make a concession: only half the time spent in measures of qualification and training will be paid. The other half will be an investment of the individual employee. Each worker is entitled to an individual qualification and development plan. The rageney works council and management are to jointly define the methods and contents of these plans. Measures of qualification are to be documented and certified. This is more than mere talk about qualification; rights and duties are clearly defined.



### Organisation of Work Benchmarking Performance and Allocation of Staff

For the first time, a collective agreement covers the regulation of the organisation of work itself. This has been an old trade union demand fiercely opposed by employers' federations. The present agreement is a breakthrough regulating: 1. low-key hierarchies, 2. team work, 3. holistic and varied work. Employees, teams and the works council have guaranteed rights of proposal and objection. While other automobile manufacturers distance themselves from concepts of team work, they do loom large in this agreement. The collective regulation of the organisation of work clearly highlights the successful combination of a project of increased efficiency and productivity with demands for more humane and acceptable working conditions.



Another novelty in collective bargaining is the works council's right of co-determination regarding performance and human resources. This warrants influence on the allocation of staff to clearly defined tasks and output. Economic targets are not the only criteria in this context. Ergonomic findings and the compliance with regulations regarding regular daily working times and breaks also play a decisive role. This protects employees against excessive pressure from above and warrants acceptable performance targets. IG Metall managed to veto a target-based salary scheme proposed by Volkswagen. If pre-defined quantity and quality targets are not met, the employees are required to put in extra hours. Yet, these hours are credited to their working time account if the employer is responsible for the cause of non-completion.



### Co-Determination

The production of the new minivan requires the foundation of a new company, the 'Auto 5,000 Ltd.'. Its supervisory board of twelve members includes six employee representatives with considerable influence that goes beyond the stipulations of the German Law on Co-Determination. Transactions that are subject to the board's approval such as the acquisition of shares require a two-thirds majority, for instance. The works council's rights of co-determination were extended as well. The employees get a say concerning measures of qualification, the benchmarking of performance and staff allocation. That is quite unusual at a time when even minimal improvements of works council rights by the reform of the Industrial Relations Act are harshly criticised by conservatives and many employers. The agreement with Volkswagen is a remarkable plea for more co-determination that conveys a message: future-oriented investments require more co-determination



### General Working Conditions

The new employees also get the usual 6 weeks of paid leave a year and receive payment during sickness. Leave days due to individual and personal reasons such as marriage, the birth of a child or death in the family are subject to the same regulations as in the collective agreements in the metal industry of Lower Saxony. Conflict-solving mechanisms including the arbitration board ensure the settlement of disputes that might arise in applying the collective system.

## The Road to Success

**November 1999**

The Director of Labour Relations at Volkswagen and Member of the Board of Management, Dr. Peter Hartz, introduces the 5,000 x 5,000 project and attracts major media attention.

**December 1999**

IG Metall signals its interest in the programme. Yet, an unregulated 48-hour work week is out of the question.

**February 2000**

IG Metall's collective bargaining commission at Volkswagen declares its willingness to enter negotiations. The general mood: "We are taking up the challenge".

**February 2001**

More than a year later Volkswagen presents IG Metall with details of the 5,000 times 5,000 project.

**March 30th, 2001**

IG Metall enters the negotiations after an intense internal debate.

**May 11th, 2001**

Third collective bargaining round: Volkswagen insists on an average 48-hour workweek.

**May 21st, 2001**

In the fourth collective bargaining round Volkswagen finally gives up its demand for a 48-hour workweek. A first obstacle has been removed. Other conflictive issues remain.

**June 18th, 2001**

The conflict intensifies. Volkswagen insists on a 42.5-hour workweek. The model seems doomed.

**June 25th, 2001**

Dramatic negotiations end without an agreement. IG Metall's representatives unanimously agree: "Volkswagen has gone too far!"

**July 11th, 2001**

IG Metall and VW signal their willingness to enter negotiations anew.

**August 10th, 2001**

Federal Chancellor Mr Schröder supports both parties' readiness for a second go.

**August 28th, 2001**

Success at last. After 17 hours of negotiations IG Metall and Volkswagen sign the agreement on the collective system for the Volkswagen project 5,000 times 5,000.

