

# Industrial relations for a green economy

Innovative bargaining processes for a sustainable growth and a quality employment



Project VS/2014/0405 co-founded

by

DGESAI - DG EMPLOYMENT, SOCIAL AFFAIRS and INCLUSION

## Germany - Case 6

### Volkswagen Salzgitter: Block heat and power plant - BHKW

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## PRESENTATION (IDENTITY CARD OF BEST PRACTICE)

- **Name of initiative/project/ intervention/agreement**  
Volkswagen Salzgitter: Block heat and power plant
- **Brief description**

Since 1970, VW Salzgitter produces automotive motors for several VW production lines. In the mid 1990's VW opened new plants in Eastern Europe and the pressure on (older) plants in the western part of Germany increased.

In addition to engines for cars and, furthermore, to protect jobs at the VW Salzgitter plant, the works council (98% of whose members are also members of IG Metall) and IG Metall were the drivers to develop and produce complete block heat and power plants (Blockheizkraftwerke BHKW) based on an already produced engine in their plant at Salzgitter. The idea for this project was developed in an IG Metall/works council engineer working group. It took 13 years until the first BHKW was presented to the public. (It was a development similar to that of Honda).
- **Geographic, territorial, sectorial localisation,**  
Germany / Lower Saxony / Salzgitter / VW Salzgitter (automobile industry / engine production)
- **Period of activity**
  - First idea and start of implementation in 1995 by IG Metall Salzgitter-Peine/VW works council
  - First BHKW presented in 2008
  - Production to this day
- **Players/promoters**
  - IG Metall, who
    - was very well organised in regional political and economical networks
    - started political discussions about diversification in the region
    - negotiated a collective agreement to set up two innovation funds, including 20 m./year for the development of innovative ideas for the entire VW company (i.e. all the German VW plants) and especially for a feasibility study concerning BHKWs at the VW Salzgitter plant
  - Works council VW Salzgitter (with 98% IG Metall membership)
    - claimed an innovation plan and the setup of an own technical development department at the Salzgitter plant and effectively supported the search for alternative products

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- started to organise symposia about the future of this industrial location (Standortsymposien)
  - Universities/scientists were included e.g. for a feasibility study
- 
- **Players/partners involved, their main functions**
    - Works council of VW Salzgitter
    - IG Metall/IG Metall coordination unit (on a regional level)
    - TINA – a permanent workshop of union-oriented engineers
    - Management of the VW Salzgitter plant and general management of the VW Company
  
  - **Types of Beneficiaries (direct/indirect):**
    - Workers of VW Salzgitter: employment security, designed and organised according to demographic aspects / for older workers: especially single work places (no assembly line) and slower operation cycles
    - Contribution to climate protection due to the extremely high efficiency of 95% and low emissions of the gas engine used
    - Contribution to the VW environment protection programme, the so-called THINK BLUE.Factory
  
  - **Human resources involved in the bargaining process and their competencies**
    - Works council, IG Metall, engineers of VW Salzgitter, board members responsible for brands, general management of VW
  
  - **Indicators for monitoring and evaluating activities**
    - Company agreement concerning innovation funds I and II

**DESCRIPTION (please consider it a tool to describe the case, if it is impossible to follow exactly, just leave the fields blank)**

- **Starting point of the initiative/project/intervention as related to the territorial context (societal, economic, political)**
  - Since the 1980s, IG Metall of the region (VW Wolfsburg and Salzgitter) set up a coordination site to fight the high rate of unemployment in the region
  - The staff was halved (from 10.000 to approx. 5.000) during the oil-crises in the 1970s

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- Many new engine production plants for were built in the 1990s – increased competition within the company
  - Crises in automobile industry in 1992/3
  - Serious economic problems in 2006, confirmed by an IG Metall consulting company, company agreement regarding BHKW
- 
- **Description of the socio-economic, territorial, corporate context in which the initiative is based.**
    - Metal and electrical industry: special model of co-participation in Germany; 98 % of workers organised, 96 % vote for IG Metall; 8-10 seminars per year including green issues
    - Planned radioactive waste repository is located 800 m from the plant (Schacht Konrad); defective (!) radioactive waste repository with medical waste from the 1970s is located 18 km from the plant (ASSE-Schacht); options of how to deal with the contaminated waste have become subject of a longtime controversial debate within the Federal Government and the regional political institutions
    - Interest of IG Metall, workers and works council in alternative forms of energy production
- 
- **Is it possible to describe the “philosophy” inspiring the best practice?**
    - Fight and organise
- 
- **What problems/general needs does the intervention try to address? What specific ones are there?**
    - Sustainable employment
    - Alternative products instead of engines for cars “only” (diversification)
- 
- **What goals/ends does the intervention try to achieve? What bargaining dynamic had been in place?**
    - Job security, sustainable employment, sustainable products
    - Production of alternative forms of energy
    - Taking the motor as a basis and using it for new/other (in this case: green) purposes
    - The bargaining process took 13 years with several interruptions

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- **What activities and instruments does the intervention operate through?**
  - **Agenda setting:**
    - Regional conferences about diversification
  - **Drafting:**
    - Idea was developed during a seminar at the IG Metall Peine-Salzgitter
    - Symposia at single plants (not only at headquarters), e.g. VW Salzgitter; participants were workers, works council, management and IG Metall; results were implemented into the company's investment plans; feasibility studies
  - **Decision:**
    - Company agreements concerning innovation funds I (2007) and II (2010)
    - Company agreement concerning job security
    - Company agreement concerning BHKW
  - **Implementation:**
    - Production of BHKWs and cooperation with electricity company LichtBlick as external sales partner;
  - **Reformulation**
    - In future, VW has to consider the implications for the BHKW project brought about by the so-called 'Energiewende' (Energy Transition) in Germany
  
- **How the actions can increase knowledge and support overcoming specific problems**
  - All participating parties accumulated knowledge regarding the diversification of products and energy production; Innovation fund I was created amongst others to develop existing core competencies; Innovation fund II was implemented amongst others to develop new fields of businesses along with the automobile value added chain
  - Negotiation of such long-term change processes
  
- **What are the most innovative aspects of the initiatives concerning the territorial context? And why ?**
  - IG Metall and works council developed the idea of new products (applications to standard products), they promoted this idea, which became accepted, resulting in the creation of new jobs
  - The region is very mono-structured (automobile industry and component suppliers) – this new production line is a step towards diversification

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- The BHKW contributes to the Energiewende on a regional level due to its high efficiency of 95% and low emissions of the gas engine; the BHKW can be installed in entire residential areas.
  
- **What are the “internal quality factors” of the initiative? (sustainability, internal efficiency, effectiveness?)**
  - Sustainable energy production
  - BHKWs are used at VW plants for energy production
  - Production and work organisation suitable for older workers (contribution to demographic solutions)
  
- **Is it possible to transfer the initiative to another context?**
  - The German model of co-management/participation in the automobile industry/ metal industry is very unique
  
- **Is the initiative reproducible in different contexts?**
  - You need to establish forums for creativity and discussion
  - You need to look for financing and investors (inside or outside the company)
  - You need a regional network for support
  - You need power to enforce ideas
  - You need an open-minded management
  - Particularly in big companies with complex management hierarchy
  - You need specific orders, tasks or targets for innovation projects for the management.
  
- **Do joint monitoring instruments also involve the contemplated stakeholders?**
  - Symposia at single facilities
  
- **Please point out communication instruments (website, documents, booklets) concerned with the initiative.**
  - RUB/IGM (Hrsg.) / Dr. Antje Blöcker: Sozial-ökologische Erweiterungen oder sozial-ökologischer Umbau der Industrie; in: Dialog Nr 8., 2012
  - Andrea Eckardt: Qualifiziert diskutieren, weiter streiten, mehr mitgestalten – 40 Jahre Kampf um Arbeit im Volkswagen Werk Salzgitter; Hamburg, 2010

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- Innovation durch Mitbestimmung - Blockheizkraftwerke sichern Arbeit;  
<http://www.engineering-igmetall.de/content/blockheizkraftwerke-sichern-arbeit>; <http://www.engineering-igmetall.de/>
  - Launch of the home power plant,  
[http://www.volkswagenag.com/content/vwcorp/info\\_center/en/news/2010/11/Launch\\_of\\_the\\_home\\_power\\_plant.html](http://www.volkswagenag.com/content/vwcorp/info_center/en/news/2010/11/Launch_of_the_home_power_plant.html)
- **Please write down your final considerations?**
- VW Salzgitter is a good example
    - for the cooperation of IG Metall, works council, management and region
    - for a long-term negotiation process
    - the development of new products