Corporate Social Responsibility (CSR) consists in a company reconciling its economic aims with sustainable growth and human progress. Although every company has its own unique approach to value-oriented corporate management, this approach is usually based on established concepts. These concepts of corporate citizenship or corporate social responsibility emphasize a company’s willingness to assume social responsibility, and include components such as its attitude towards human rights, the needs of its employees and suppliers, and commitment to social issues.

Volkswagen’s CSR philosophy is that increasing corporate value is the only way to achieve social responsibility and that, conversely, sustainable corporate success can only be safeguarded by social responsibility. This is the reason why the Volkswagen Group implements at each of its sites developmental processes whose objective is to attain sustainable ecological and social benefits for the company and society at large. These ethical and social principles are applied throughout the entire Volkswagen Group, which sees itself as a global player with German roots.

The following will illustrate the fundamental principles of the Volkswagen Group’s CSR activities and show how these principles combine tradition with a forward-looking approach and serve as a benchmark for a long-term corporate policy.

The Pillars of Volkswagen’s CSR Strategy

Volkswagen has always seen one of the pillars of its corporate culture to be assuming social responsibility in all areas where the company is active. Of course, this philosophy is not restricted to welfare provisions or sponsoring activities. Today a company can only act in a socially responsible manner if it actively secures jobs, trains its workers and includes them in the process of shaping the company’s future.

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Workholder Value

In order to safeguard existing jobs in Germany Volkswagen has developed measures to allow it to react flexibly to production fluctuations. Employment schemes such as flexible working time, Auto 5000 and the AutoVision concept have played a major role in attaining this aim. The term Volkswagen uses to describe all these flexibility measures is the “breathing factory”. Many of these flexibility instruments have since been implemented at international Volkswagen sites and adapted to local conditions. Thus all sites have flexible tools at their disposal that allow them to “breathe” during fluctuations in plant utilization and to avoid the need to make forced redundancies. Around 95 percent of the Group’s global workforce is covered by collective bargaining agreements. Our Sustainability Agreement in Germany – concluded for around 100,000 workers in 2004 – is a milestone on the road to lower costs and increased flexibility. It envisages pay freezes and adjusted labor agreement models for new employees, and in return ensures that there will be no cuts to the workforce until 2011. Furthermore, since 1997 the company has allowed employees in Germany to invest components of their wages or overtime in “time asset bonds”, as they are called, which will be invested in the capital market. The concept of “demographic working time” gives employees the flexibility to shape their retirement based on the time asset bonds they have saved on their lifetime accounts. The Sustainability Agreement strengthens this scheme, as it allows a percentage of overtime hours to be transformed into time asset bonds.

Yet it is not the flexibility of the employees alone that is a major factor in corporate success: their level of training also plays a key role. In order to attract and keep competent and highly motivated employees within the company, a company needs to foster a corporate culture that is based around success and performance. The development of the workforce is strongly focused on the requirements of the employees’ ongoing employability and supports models for lifelong learning – a measure that is primarily a response to the demographic changes in Europe’s highly industrialized countries that have been brought about by increasing life expectancy and falling birth rates. Changes in the structure of society will have an impact on the corporate sector too, and will require it to adapt to the gradual changes in balance of generations in society. One problem is the growing number of older employees who face the prospect of a higher retirement age, coupled with a lack of qualified younger employees in the mid-term.

In the near future the average age of the workforce is set to rise and Volkswagen’s common practice of early retirement will most likely no longer be tenable in the long term due to legal changes. In this situation the main objective is to take leave of the prejudice that an aging workforce means a drop in performance. Older employees not only have a wealth of experience at their disposal, but can work hard and are rarely ill. Yet to maintain their employability, their tasks have to be adapted to their particular needs. This includes extending health care and developing models of working hours that are suitable for older employees. Thus the wide range of healthcare schemes that the Group’s companies offer and the ongoing