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Collective bargaining: Volkswagen looks to employees to help safeguard its future

- **Second part of 2024 collective bargaining round for Volkswagen AG in Wolfsburg**
- **To remain competitive, Volkswagen is calling for**
 - **Pay cuts of 10 percent**
 - **Restructuring of the Tarif Plus bonus system**
 - **Scrapping of top-up payments**
 - **Needs-based number of training places and hiring of trainees and dual students**
 - **A future-proof standard collective bargaining agreement with uniform working conditions**
- **Arne Meiswinkel, chief negotiator for Volkswagen AG: "Successful operations are a prerequisite for job security. But for this we need to reduce our labor costs."**

Wolfsburg, October 30, 2024 – The collective bargaining committees of Volkswagen AG and the Lower Saxony and Saxony-Anhalt branches of IG Metall today continued discussions in the 2024 collective bargaining round in Wolfsburg. Ahead of the negotiations, IG Metall had additionally demanded that the company reinstate the collective agreements terminated by Volkswagen AG effective December 31, 2024, without any modification of content. Due to the economic crisis in the automotive industry, Volkswagen is unable to meet this demand. Nor is it able to meet the union's demand for a 7 percent pay rise. Rather, the company believes that reducing pay by 10 percent would give Volkswagen AG the means to make future investments so as to remain competitive and hence safeguard jobs.

Arne Meiswinkel, chief negotiator for Volkswagen AG, explained: "We are very concerned about the current trend in the auto industry in Europe, and especially in Germany as a business location. The deterioration in Volkswagen's figures for the last quarter underline, particularly for the Volkswagen brand with a margin of only 2.1 percent, makes this particularly clear. If we remain at this level, we will be unable to finance our future. In light of this situation, we cannot meet IG Metall's demand to reinstate the terminated collective agreements."

As a consequence of the current trend in the automotive industry in Europe, and especially in Germany as a business location, the company also sees considerable need for action, over and above rejecting the demands of IG Metall. It believes a contribution from all employees is necessary. For the collective bargaining process this entails calling for a 10 percent cut in the pay of employees subject to collective agreements at Volkswagen AG.

Arne Meiswinkel emphasized: "Successful operations are a prerequisite for job security. And that is our goal. So one of the things we need to do is reduce our labor costs. A decisive tool here will be lowering labor costs to a competitive level relative to the industry benchmark."

The ongoing discussion about restructuring Volkswagen AG with its Volkswagen Passenger Cars, Volkswagen Group Components and Volkswagen Commercial Vehicles brands focuses on achieving substantial cost reductions in order to remain competitive.

"Even if Volkswagen were to cut pay levels, these would still be very attractive compared with the industry as a whole," Volkswagen AG's chief negotiator continued. "We, the parties to the collective bargaining agreement, need to share the responsibility and take consistent action to safeguard our future success. In a difficult situation like the present, we must all pull together. This is something that has always set Volkswagen apart, and will continue to do so going forward."

In the negotiations the company also announced plans to restructure the bonus system for employees in the Tarif Plus bracket, with the aim of tying this to the collectively agreed profit-sharing bonus in the future. Another efficiency measure that the company believes will help to safeguard its long-term success is eliminating anniversary bonuses and the collectively agreed bonus of 170 euros per month.

A future-proof, competitive standard collective bargaining agreement with uniform working conditions such as a 35-hour working week, eliminating protection for employees who joined the company prior to 2005 (HTV I), is a further building block for efficiency from Volkswagen's perspective.

In addition, the company sees a need for action as regards training places and hiring of trainees. Here, Volkswagen wants the number of training places offered and the number of trainees and dual students hired to be in line with its actual requirements.

"We believe this set of measures is fundamental if Volkswagen is to remain competitive and ultimately safeguard jobs in the long term," says Arne Meiswinkel.

The collective bargaining parties have agreed to establish three technical committees to discuss the topics of "bonus system tarif plus", "temporary work" and "trainees and dual students" in more detail.

The next round of collective bargaining will take place on November 21, 2024.

The duty to refrain from industrial action for the collective wage agreement expires on November 30, 2024.

Volkswagen AG's collective bargaining agreement applies to around 120,000 workers at the plants in Wolfsburg, Braunschweig, Hanover, Salzgitter, Emden and Kassel and also covers employees at Volkswagen Financial Services, Volkswagen Immobilien GmbH and dx.one GmbH.

The demands of Volkswagen AG:

Safeguard for jobs

Volkswagen's safeguard for jobs has been part of the collective agreement since 1994. By terminating the collective bargaining agreement for the future and the "Digital Transformation Roadmap" agreement, the company is reacting to the current economic and structural challenges with the goal of realigning the safeguards for production sites and jobs.

Application of Tarif Plus

The application of the Tarif Plus bracket is subject to a separate collective bargaining agreement [RTV T+] for employees in specialist or management positions. The working conditions of employees in the Tarif Plus bracket differ from those covered by the company's standard collective bargaining agreement in terms of working hours, bonus and the use of a company car, for example. At the end of 2023, the company already announced a stabilization for employees in this pay bracket upon their appointment. In the negotiations the company announced plans to restructure the bonus system for employees in the Tarif Plus bracket, with the aim of tying this to the collectively agreed profit-sharing bonus in the future.

Hiring of trainees and dual students

In its collective bargaining agreement for trainees, Volkswagen has committed to providing 1,400 training places each year. Due to lower demand, it has often been a major challenge in the past to ensure that the trainees were hired. By terminating this agreement, the goal is to adapt the number of training places offered and the hiring of trainees and dual students to reflect actual needs, thus ensuring better plannability for both employees and the company.

Temporary workers

Volkswagen deploys temporary workers to deal with production peaks and capacity fluctuations. By terminating the collective agreements on the deployment of temporary workers at Volkswagen, the company is seeking to deploy temporary workers on the collective terms and conditions customary for the sector and not at far higher costs than paid by competitors, as is the case at present.

Pay

As a consequence of the current trend in the automotive industry in Europe, and especially in Germany as a business location, the company sees considerable need for action, over and above rejecting the demands of IG Metall. Volkswagen AG believes a contribution from its employees is necessary. For the collective bargaining process this entails calling for a 10 percent cut in the pay of employees subject to collective agreements at Volkswagen AG.

A standard collective bargaining agreement with uniform working conditions

A future-proof, competitive standard collective bargaining agreement with uniform working conditions such as a 35-hour working week, eliminating protection for employees who joined the company prior to 2005 (HTV I), is a further building block for efficiency from Volkswagen's perspective.

Further efficiency measures

Another efficiency measure that the company believes will help to safeguard its long-term success is eliminating anniversary bonuses and the collectively agreed bonus of 170 euros per month.

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About the Volkswagen Group:

The Volkswagen Group, which is headquartered in Wolfsburg, Germany, is one of the world's leading automotive manufacturers. It operates globally and has 114 production sites in 17 European countries and 10 countries in North and South America, Asia and Africa. The Group employs around 684,000 people. Its vehicles are sold in more than 150 countries.

With an unrivaled portfolio of strong global brands, leading technologies on an industrial scale, innovative ideas to tap into future profit pools, and a leadership team with an entrepreneurial mindset, the Volkswagen Group is committed to shaping the future of mobility by investing in electric and autonomous vehicles, digitalization and sustainability.

In 2023, the total number of vehicles delivered to customers by the Group globally was 9.2 million (2022: 8.3 million). Group sales revenue in 2023 totaled EUR 322.3 billion (2022: EUR 279.1 billion). Operating profit before special items in 2023 amounted to EUR 22.6 billion (2022: EUR 22.5 billion).
