

Volkswagen warns time running out as clashes with workers over cuts



Volkswagen's finance chief, Arno Antlitz, warned that the company's main car brand has "one, maybe two" years to turn around its performance, as the automaker faces challenges from shrinking demand in Europe and rising competition from lower-cost Asian manufacturers. Antlitz indicated that Volkswagen might need to close one or two plants in Germany due to a shortfall in demand of about 500,000 cars, equivalent to the output of two plants. This announcement sparked strong reactions from workers, with staff protesting and the works council chief, Daniela Cavallo, accusing management of damaging trust and likening the threat of plant closures to a "declaration of bankruptcy." The situation underscores the mounting difficulties faced by Europe's car industry, including high labor and energy costs.

Source: <https://www.reuters.com/>



Questions - IGCSE Business Studies

1. Define 'Trade Union'. [2 marks]
2. Explain the potential impact of Volkswagen's plant closures on its employees and their trade unions. [4 marks]
3. Evaluate how the threat of plant closures could influence the relationship between Volkswagen's management and its trade unions. [6 marks]
4. Discuss how high labor and energy costs, as mentioned in the article, could impact trade union negotiations at Volkswagen. [8 marks]



Suggested Answers - IGCSE Business Studies

Define 'Trade Union'. [2 marks]

- A trade union is an organized association of workers formed to protect and promote their collective interests, such as improving working conditions, securing fair wages, and advocating for workers' rights.

Explain the potential impact of Volkswagen's plant closures on its employees and their trade unions. [4 marks]

- The potential impact of Volkswagen's plant closures on employees includes job losses, reduced income, and increased job insecurity. Trade unions would likely mobilize to protect workers' rights, potentially leading to strikes or negotiations to prevent closures, seek compensation, or secure alternative employment opportunities for affected workers.

Evaluate how the threat of plant closures could influence the relationship between Volkswagen's management and its trade unions. [6 marks]

- The threat of plant closures could strain the relationship between Volkswagen's management and trade unions, leading to increased tensions and distrust. Trade unions might view the threat as a bargaining tactic or a sign of poor management decisions, which could lead to industrial actions, such as strikes or protests. However, if handled through effective communication and negotiation, it could also lead to a more collaborative relationship aimed at finding solutions that minimize job losses while achieving the company's financial goals.

Discuss how high labor and energy costs, as mentioned in the article, could impact trade union negotiations at Volkswagen. [8 marks]

- High labor and energy costs could put pressure on Volkswagen's profitability, leading management to push for cost-cutting measures, including wage freezes, layoffs, or reduced benefits. Trade unions may resist such measures, arguing for the protection of jobs and fair compensation. The challenge for trade unions would be to negotiate terms that safeguard workers' interests while recognizing the financial constraints the company faces. This might involve compromises, such as accepting lower wage increases in exchange for job security or agreeing to changes in work practices that improve efficiency and reduce costs.



A Level/ IBDP Business

Trade Unions and Business Challenges

1. Define the term 'trade union' and explain its primary objectives in the context of a business. *[4 marks]*
2. Identify two reasons why Volkswagen's management might consider closing plants in Germany. Explain how these reasons could impact the relationship between management and the trade union. *[6 marks]*
3. Discuss the potential role of the trade union in responding to Volkswagen's announcement of possible plant closures. How might the union's actions influence the company's decisions? *[8 marks]*
4. Evaluate the likely impact of high labor and energy costs on Volkswagen's business strategy and its negotiations with trade unions. *[10 marks]*
5. Volkswagen's works council chief described management's threat to close plants as a "declaration of bankruptcy." Analyze the implications of this statement for the morale of the workforce and the potential responses from the trade union. *[12 marks]*
6. To what extent should Volkswagen's management involve the trade union in decision-making processes during challenging times, such as the transition to electric vehicles? Discuss the benefits and drawbacks. *[12 marks]*



Suggested Answers : A Level/ IBDP Business

Define the term 'trade union' and explain its primary objectives in the context of a business. [4 marks]

- **Definition (2 marks):** A trade union is an organized group of workers formed to represent their collective interests, particularly in negotiations with employers over wages, working conditions, and other employment terms.
- **Primary Objectives (2 marks):** The primary objectives of a trade union include securing fair wages, improving working conditions, ensuring job security, and protecting the rights of workers within the business.

Identify two reasons why Volkswagen's management might consider closing plants in Germany. Explain how these reasons could impact the relationship between management and the trade union. [6 marks]

- **Reason 1 (2 marks):** Decline in market demand for cars, which has led to excess production capacity and a shortfall in sales.
- **Reason 2 (2 marks):** High labor and energy costs in Germany, which are reducing the company's profitability and competitiveness compared to lower-cost competitors.
- **Impact on Relationship (2 marks):** These reasons could strain the relationship between management and the trade union, as the union may perceive plant closures as a threat to job security, leading to potential conflicts, distrust, and industrial action such as strikes or protests.

Discuss the potential role of the trade union in responding to Volkswagen's announcement of possible plant closures. How might the union's actions influence the company's decisions? [8 marks]

- **Trade Union's Role (4 marks):** The trade union is likely to take an active role in opposing the plant closures by organizing strikes, negotiating with management, and rallying public and political support to protect jobs. The union may also propose alternative cost-saving measures or productivity improvements to avoid closures.
- **Influence on Company Decisions (4 marks):** The union's actions could lead to delays or changes in management's plans, as the company might be forced to reconsider the closures to avoid prolonged industrial disputes and damage to its reputation. The union's pressure could also result in better severance packages or alternative employment arrangements for affected workers.

Evaluate the likely impact of high labor and energy costs on Volkswagen's business strategy and its negotiations with trade unions. [10 marks]



- **Impact on Business Strategy (5 marks):** High labor and energy costs may prompt Volkswagen to adopt a strategy focused on cost reduction, including potential plant closures, wage freezes, or shifting production to lower-cost regions. The company may also invest in automation and other technologies to reduce reliance on labor.
- **Impact on Negotiations (5 marks):** In negotiations with trade unions, these high costs could lead to more contentious discussions, as management may push for concessions from workers, such as reduced benefits or increased work hours, to maintain profitability. The union might resist these changes, leading to potential conflicts or the need for compromise solutions.

Volkswagen's works council chief described management's threat to close plants as a "declaration of bankruptcy." Analyze the implications of this statement for the morale of the workforce and the potential responses from the trade union. [12 marks]

- **Implications for Workforce Morale (6 marks):** The statement could severely impact workforce morale, leading to anxiety, fear of job loss, and decreased productivity. Employees might feel uncertain about their future and lose trust in management, resulting in a less motivated and more disengaged workforce.
- **Potential Trade Union Responses (6 marks):** The trade union may respond aggressively to this statement, viewing it as an attack on workers' rights and job security. The union might organize strikes, protests, or seek legal action to prevent closures. It could also increase pressure on management to provide transparency and engage in meaningful negotiations to find alternatives to plant closures.

To what extent should Volkswagen's management involve the trade union in decision-making processes during challenging times, such as the transition to electric vehicles? Discuss the benefits and drawbacks. [12 marks]

- **Benefits (6 marks):** Involving the trade union in decision-making can lead to a more collaborative environment, reducing the likelihood of industrial action and fostering mutual trust. The union's input can help ensure that workers' concerns are addressed, which could lead to smoother implementation of changes, such as transitioning to electric vehicles. Additionally, early involvement of the union could help identify potential issues and generate worker support for new initiatives.
- **Drawbacks (6 marks):** However, involving the union might slow down decision-making processes, as reaching consensus could take time. There could also be conflicts if the union's demands are seen as incompatible with the company's strategic goals, such as cost reduction. Additionally, too much union involvement might lead to a perception that management is not in control, which could affect investor confidence.