



Change dominates global HR agenda

Carolyn Gould reports the findings of a new WFPMA survey on challenges which HR professionals say they are facing now, those they faced three years ago and those they expect to face in three years' time. Not surprisingly the management of change is a key current and ongoing preoccupation

To mark the 10th anniversary of its biennial World Congress last year, the World Federation of Personnel Management Associations commissioned a survey, undertaken on its behalf by PricewaterhouseCoopers, on the challenges faced by HR professionals today and three years ago. The respondents, who represented over 200 companies in more than 35 countries, were also asked what they thought the future might hold three years down the road.

The first question was whether there was a major social, economic or political event that had had a significant impact on respondents' work and, not surprisingly, the

events of 9/11 were referred to repeatedly, both in terms of the resultant increased risk of travel and economic slowdown.

Health issues, from AIDS in Africa and the SARS epidemic in Asia to the cost of benefits in North America, were also a frequent concern.

Wars and invasions obviously disrupt operations, but other issues included globalisation and currency devaluations, with ripple effects across economies, sectors and companies.

On a global scale, despite national and regional differences, there was remarkable unanimity. The three issues most often chosen to represent a current challenge,

in order of frequency, were change management, leadership development and the measurement of HR effectiveness, with change management the most frequently listed issue in four of the five continental regions (see page 2). The issues that require change management skills may vary, but the competence and expertise to deal with them is clearly a common need regardless of location.

Leadership development continues to be a core challenge, as HR professionals wrestle with succession planning for their organisations. Increasingly recognised as strategic business partners, they are expected to provide the essential frameworks, processes, tools and points of view needed for the selection and development of future leaders. Indeed, across the globe, leadership development was identified as a critical strategic initiative in ensuring that the right employees are retained, that the culture of the organisation supports promotion from within, and that managers are equipped to take on leadership roles to secure the organisation's long term viability.

Measuring HR effectiveness is an interesting new top-three focus for HR, as it highlights the profession's need to measure results not only in terms of transaction management but also in terms

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Singapore stars

US academic, author, HR guru and winner of the 2000 WFPMA Petipapas Award, Dave Ulrich is to be a keynote speaker at next year's World HR Congress in Singapore; he will focus on the theme of his latest book 'The HR Value Proposition'.

Another main speaker is Professor Wee Chow Hou of Singapore's Nanyang Business School. Probably best known for his book 'Sun Tze: War and Management', he is also an international consultant and

businessman. His special subject is managing

businesses in Asia and he will be particularly focusing on the impact on HR of inter-city competition.

To be held from 29 May to 1 June 2006, this 11th WFPMA World Congress will bring a special perspective to the usual mélange of HR strategy and practice updates by addressing issues related to the Asia Pacific



◀ Ulrich (left) and Wee Chow

region, such as the impact of

India and China on regional and global economies and Singapore as a gateway to those and other south east Asian countries. Other topics include risk and crisis management with special reference to terrorism, SARS and AIDS; off-shoring, outsourcing, mergers and acquisitions, social responsibility and diversity.

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welcomes news stories, announcements of events and ideas for articles. These should be accompanied by a telephone number and email address where possible.

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Next issue

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WFPMA SURVEY continental concerns

Africa: Change management is a real challenge in this region of enormous cultural diversity. As one respondent notes, the key is “to challenge prevailing ‘authoritarian’ thinking, to [move toward] a climate which promotes personal responsibility and freedom.” Bureaucracy can also be a problem: “the need to consider doing things differently in order to eliminate bottlenecks and red tape.” Looking forward, empowerment of local managers is seen as a priority.

HR effectiveness presents a challenge when, in one representative’s words, “line managers think performance management, job evaluation, monitoring and evaluation [are] a waste of time.”

Leadership development is a key issue in a region with “high labour turnover” and a “young and inexperienced workforce”. Other major factors are regional wars and the enormous impact of the AIDS virus, resulting in a large proportion of the workforce ailing and a significant number dying.

Asia Pacific: Respondents pointed to the events of 9/11, the SARS epidemic and the turmoil stemming from the economic downturn as having had an adverse impact on travel and, as a result, cash flow and company operations.

However, two of the world’s most populated nations, India and China, are receiving enormous economic benefit from companies in other regions that continue to outsource their IT, customer service and manufacturing needs. Such global economic realities, along with the political developments that influence them, require decisive, ethical and visionary local leadership.

Although “many long-service employees enjoy the status quo and are reluctant to make any changes,” a significant issue is to move “from a product focus to a customer interface focus and more of a business planning mentality.”

Going forward, HR professionals need to focus on “developing supervisors into ‘people managers’, not just technical specialists”; and finding the most appropriate tools for leadership development.

Europe: Here the major event of the last few years, in addition to 9/11 and the increasing threat of terrorism, has been the growth of the European Union (EU). In Eastern Europe: “our young and good workers are going to work for neighbours [as] people feel more free to change their jobs.” Other issues include continuing rapid technological change, globalisation and the aging workforce.

Three years ago, the need to downsize the workforce in response to the downturn in the financial markets was an issue. And in Eastern Europe the biggest challenge may have been moving from a planned to a free market economy, necessitating new management philosophy.

Measuring HR effectiveness, while not among the foremost issues three years ago, is cited as a challenge, with HR staff needing to demonstrate

return on investment “in an increasingly cost-focused company”, but it now gives way to a growing focus on organisational effectiveness.

Leadership development is an ongoing issue, both motivating middle management and encouraging top management to abandon a style perceived as authoritarian.

North America: Major events include 9/11, increasing concern about terrorism and the resulting downturn in the economy. Free Trade Agreements, the pace of technological change and a very competitive marketplace are all issues.

This is the one region where leadership development overtook change as the foremost challenge, seen, in one respondent’s words, as critical “to move the company forward after financial restructuring.” Early retirement and an aging workforce also make leadership training and development essential, and there is a greater focus on corporate governance and executive and board performance, as corporations navigate the post-Enron, post-Sarbanes-Oxley environment.

Three years ago, change management issues revolved largely around downsizing, acquisitions and mergers. Three years from now, respondents anticipate “continued need to change [the] organisation to meet expansion challenges.”

HR effectiveness is today’s second top-tier challenge, while other issues of concern to North American HR professionals are compensation, recruitment, and learning and development.

South America: Many parts of South America have been confronted by both political and economic turmoil in the last few years, putting much strain on the personnel function. As one respondent put it: “Economic default and social and political crisis caused high inflation, unemployment and intervention of government in labour costs, forcing companies to revise their structures, reduce staff and benefits.” Currency devaluations, diminishing foreign investment and high unemployment are all mentioned.

Diversity, competition and intercultural pressures make change vital, while finding “new ways to measure and improve our contribution to the business” is at the core of HR effectiveness measurement, and leadership development is especially critical with a young labour force.

Three years ago, staffing was a major issue, particularly international mobility and availability of skilled local labour. Outsourcing was a cause for concern, along with learning and development, industrial relations and organisational effectiveness. For the years to come, respondents identified outsourcing, HR technology, HR effectiveness and succession planning.

In summary, as one respondent put it, “Organisations have to adapt to change more rapidly, with the changes directed from HR.”

▶ of driving the business. Using metrics to determine effectiveness is the beginning of a shift from perceiving HR's role as purely administrative to truly strategic. As reported below, in fact, the survey participants believe that organisational effectiveness is a critical future issue for HR – again supporting the concept of the HR team as strategic partners.

Other important issues emerging from the survey included compensation, succession planning and learning and development.

Yesterday and tomorrow

The issues most often cited as having been the biggest challenges three years ago were change management, compensation and leadership development, and those expected to pose a challenge three years from now were organisational effectiveness, leadership development and change management.

Change management and leadership development were, are and no doubt ever will be key issues for HR professionals. Compensation has moved down the list of perceived challenges, while organisational effectiveness is expected to play a larger role. Where HR departments have hitherto focused on measuring their own effectiveness, there is an evolving recognition that they can be measuring the effectiveness of the entire business organisation.

The shift is significant as it represents movement from simply counting the numbers hired to determining on a long-term basis how good these recruits are for the business. Going beyond measuring turnover, this new approach considers 'bad' turnover and 'good' turnover along with the overall cost of replacing employees.

Compensation was one of the top three issues in 2001 because of factors such as mergers and acquisitions (and pay equity among new divisions), the invention of new systems for

human capital management (including stock option plans) and global competition (in which attracting and retaining key employees became increasingly important). While these factors remained important at the time of the survey in 2004, compensation fell to fourth place in the tier of challenging issues. The survey respondents expected it to be in sixth place in three years' time. Other key issues surfacing in the survey's look ahead included outsourcing, succession planning, learning and development and the cost of retirement benefits.

Clearly, managing human capital is an ongoing challenge, especially as social, political and economic events take their toll. Strategies must continually be redefined to deliver improved return on investment in people. HR professionals must also cope with good and bad economies, new technology and the social issues – global, regional and national – affecting their organisations.

We live in a global economy and, although details differ, the issues are remarkably similar. Whether it's AIDS in Africa, SARS in Asia, shifting employee populations within the European Union or the rising cost of health care in North America, the underlying concerns are the same.

HR professionals face the same economic, political, social and environmental challenges as other business professionals. Because their role has continued to increase in value to organisations, more functional skills and greater leadership expectations are placed on people in the profession. This survey can help them identify broad, core issues, examine for themselves where more personal and professional development and training may be needed, and focus on finding solutions to the HR challenges that face their organisations throughout the world. ○



Carolyn Gould is Principal, HR Services, PricewaterhouseCoopers and a member of the Board of the WFPMA representing the North America HRM Association. The full report of the WFPMA survey, including a section on relative time spent on each of Ulrich's five HR roles, will be available on the Federation's website from October: www.wfpma.com

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September 29th 2005,
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Renaissance of the GEC: th

Employee leasing companies, offshore payroll companies, manpower companies, global employment companies – all of these terms are synonyms for the same concept: an incorporated entity that forms part of an organisation’s group structure and is used to house some, or all, of its globally mobile workforce. While the concept originated in the 1970s, primarily as a vehicle to avoid US social security tax, global employment companies (GECs) are now attracting renewed interest from HR, tax and compensation professionals.

Their recent re-emergence has been driven primarily by corporate tax departments seeking to minimise ‘permanent establishment’ exposure and manage transfer pricing strategies under ever-increasing scrutiny from taxing authorities around the world. However, more and more international HR (IHR) professionals, recognising the versatile and multifaceted nature and benefits of GECs, are taking a strategic lead by introducing the concept into their organisations. For, properly implemented, GECs can provide streamlined, all-in-one solutions to many of the issues IHR deals with on a daily basis, from more consistent global administration of international assignments to delivery of payroll and benefits in an accurate and more efficient manner.

This article highlights several of the benefits that can be realised through establishing GECs. Clearly, though, they cannot solve every dilemma faced by those managing a global workforce, and as every company’s circumstances are unique, the merits of establishing a GEC must be evaluated on a company-by-company basis.

What is a GEC?

Global employment companies provide the services of their employees to other entities within the group in return for a management fee. This fee is then used to pay the salaries and benefits of the employees within the GEC. A GEC functions primarily as a payroll company with centralised management practices. Human resources support functions, such as handling the payroll for a globally mobile workforce, can be consolidated in one location. A GEC is a legitimate employer and maintains the employer/employee relationship during the secondment of employees to host country subsidiaries.

GECs are being set up in a variety of locations, depending on the specific needs of the corporation. Generally, the location for the

BY GARDINER HEMPEL JR

GEC will need to have a favourable tax rate and/or treaty regime and political and economic stability, and preferably be a place where the company has substantive operations. Popular locations include the Bahamas, Bermuda, the Cayman Islands, the Channel Islands, Cyprus and Ireland.

Under a GEC, the parent organisation’s international assignees are employed by the offshore company. This provides substantial corporate tax protection since it reduces the exposure of the parent to having a taxable ‘permanent establishment’ in the taxing jurisdictions where international employees will be working. Although there is no universal definition, permanent establishment, simply put, refers to the degree of presence of the corporation’s operations in a host country. Criteria are usually measured on the basis of people, inventory, fixed assets, regular and continuous conduct of business, etc. Once established as a permanent establishment in a particular country, the company is subject to local income tax.

Employing and deploying international assignees through the GEC can significantly minimize the risk of the parent being considered a permanent establishment in any given country. Of course, treatment will vary from country to country and should be examined closely on a case-by-case basis.

Additionally, GECs may provide an opportunity to develop a comprehensive transfer pricing policy to better manage the

expense allocation mechanism among the various countries where the international employees are working.

The GEC also provides a vehicle through which to pay all international assignees from a source outside their host country. This generally fosters flexibility in local income tax and social security tax planning, which reduces tax reimbursement costs borne by companies.

International assignments

The establishment of a GEC generally means that it employs most, or even all, of the company’s international assignees and houses most, or even all, of the HR functions related to international assignments in a single entity.

- **Global talent pool:** From the human capital standpoint, the GEC serves as a reservoir for talent. Indeed, some companies utilise the structure as a pool of global talent, either mobilised while on assignment or ‘on hold’ on repatriation and before their de (or re-)deployment. This pooling concept can be especially useful for companies with a large number of expatriates; it will enable them to facilitate succession planning, enhance career management, and ensure that international talent is utilised optimally.
- **Efficient administration:** In most cases, centralising the administrative function in a virtual, if not also physical, location means that assignment administration is clearer, more consistent and more efficient. The GEC becomes a centralised clearinghouse for all the services, programmes, policies and

How a GEC can save costs

Facts: A US multinational establishes a GEC headquartered in Bermuda to employ all of its US citizen employees on expatriate assignment in order to avoid the US FICA obligations for both the company and its employees. They have approximately 500 expatriates on assignment in relatively few countries, all of which have little or no social insurance tax or a totalisation agreement with the US. Assume that they each earn at least an amount equal to the current FICA limit of \$90,000.

Results

- US employees employed by a non-US company and working outside the US

cannot pay FICA and the employer has no obligation to withhold and remit FICA

- Annual cost savings for each employee is \$5,580 $\$90,000 \times 6.2\% = \$5,580$
- Annual cost savings to the employer is \$2,790,000 $\$90,000 \times 6.2\% = \$5,580 \times 500 \text{ employees} = \$2,790,000$
- Reduction in social security benefits minimal
- Company used portion of savings to fund deferred compensation benefit to employees
- Savings vs. cost of providing benefits no longer available due to the absence of social security contributions

ne what, the why and when

procedures needed to manage a population of international assignees. This avoids duplication of the function in multiple locations and can lay the groundwork for service and technology improvements. For example, maintaining all expatriate data in one place certainly simplifies instituting a single international assignment management software programme.

- **Uniform policies:** As well as concentrating administrative expertise under the umbrella of a GEC, IHR can also greatly benefit from the fact that a GEC provides a single framework where corporate policies/procedures can be applied, communicated and enforced in a more consistent manner. With one universal policy governing expatriate assignments, exceptions can be better managed and monitored.
- **Compliance and control:** In today's era of post-Enron concern with ensuring compliance with tax rules around the world and adhering to process controls, a GEC facilitates doing just that.
- **Data collection:** As data is collected and housed in a central location, GECs also provide companies with greater opportunities to measure not just the costs, but the overall impact of international assignments, including, for example, retention rates, return on investment and the effectiveness of training and other assignment support programmes. Likewise, proper inter-company transfer pricing can help mitigate the often frantic year-end search for data that must be collected and compiled from both host and home employing entities for income tax reporting purposes.
- **Acceptance of assignees:** While reducing corporate taxes at the host country level, a streamlined allocation system can alleviate host country trepidation about accepting the costs of an international assignee.
- **Regulation and disclosure protection:** The GEC may offer the company protection from local regulations related to employment issues in a wide range of jurisdictions. For example, in the case of a terminated expatriate, the GEC may allow the company to avoid paying termination benefits in a particular host location. GECs may also provide a vehicle to implement targeted international employee policies/procedures or pay plans without the need for disclosure or scrutiny at the host country level. This can be very useful for confidential executive-level pay plans.

Mobility and retention

Often the reluctance of qualified candidates to consider an assignment is due to concerns about job opportunities on repatriation. Establishing a GEC, a separate entity with a mandate to handle international assignments, sends a message to the international employee population that their special issues and challenges are recognised and their career path will be being managed more closely and personally.

Indeed, as the use of GECs becomes more common, companies may find that higher level global talent will begin to ask for them as a condition of employment. Global hired guns, savvy about the uses of GECs, may not be interested in joining a company that has a traditional tax and corporate structure. In fact, GECs have already been utilised as a hiring incentive in some instances to help certain regions realise personal tax savings by minimising their local country individual income and social security taxes.

GECs will also provide vehicles for a more effective and efficient delivery system of the benefit programme since employment is concentrated in a single employer. More specifically, they provide a neat vehicle to house global retirement plans for employees who make a career out of international assignments and therefore require portable pensions.

This is especially critical in some industries, such as oil and mining, where a large contingent of employees is perpetually globally nomadic, spending three to four years each on successive assignments for an entire career.

Globalisation

A much less tangible consequence of establishing a GEC – but certainly one worth consideration – is that it can be emblematic of a truly global company. As a defining characteristic of a global company, a GEC can open up new global horizons precisely because it has no defined borders of its own. For the international employee population, the GEC removes labels traditionally attached to home and host countries and acts as a global equaliser.

The pool of employees governed by a GEC may be citizens of numerous countries, yet under company policy they are all treated consistently. Rather than espousing a headquarters-versus-subsidiary, us-versus-them corporate culture, a GEC may allow a

Is a GEC right for your company?

The costs of implementing and running a GEC are nominal but to justify them a company would need to be looking to:

- Serve – or aim to serve – global markets
- Encourage mobility within the workforce
- Change the culture from a home country focus to a more international perspective
- Manage large and diverse expatriate populations
- Help unify the senior management team
- Foster individual and corporate tax planning
- Optimally manage the allocation of global corporate costs in an increasingly regulatory environment

company to forge a new corporate culture based on a melting-pot approach. When done correctly, this can greatly enhance the awareness of a common global, rather than ethnocentric, perspective with the company.

One particular example of how useful a GEC can be in this regard comes from a large multinational based in Asia-Pacific. The example also underscores the point that these structures apply to companies with headquarters anywhere in the world.

Driven by the need for global growth and a global outlook, the company recently created a GEC to house its multinational team of senior executives. The premise, mandated by the board of directors, was to create an intellectual bond of global camaraderie among this executive team. The newly structured GEC called for a global contract for the senior executives, including stipulations for compensation in one currency, a common tax rate (that of the country the GEC was located in), one set of policies governing time off, etc.

Whatever reasons drive a company to implement a GEC, there is no doubt that they are becoming an increasingly important tool for IHR professionals. ○

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Social partnership in practice: the Volkswagen example

With German industrial relations and social partnerships on the agenda of the WFPMA Board's visit to Berlin next month, WorldLink asked one of the best known and most successful exponents of such systems to set out how they work there

Volkswagen is the largest car company in Europe. Worldwide the group employs around 342,000 people, but nearly a third of these – over 100,000 people – work for Volkswagen AG, based in Germany. Also in Germany are the Audi plants and some relatively new plants in Saxonia in the east.

German industrial relations legislation allows for politically independent trade unions organised at industry level, which negotiate collective agreements covering wages and working conditions. In addition, employees of companies with five or more permanent employees have the right to elect a works council, whose members can negotiate on issues not covered by the union agreements. Although technically unions and works councils are independent bodies, in practice there is usually close co-operation.

In recent years this dual system of workers representation has led to much discussion and criticism in Germany. However, the Volkswagen experience demonstrates the positive results that can be gained from its form of 'social partnership'.

The company has a long tradition of co-operation with the both unions and works councils. In 1945, following the Second World War, a provisional VW works council was set up to respond to the needs of employees faced with desperate shortages of housing and goods. The close link between social and company concerns arose partly because Volkswagen was – and still is – the main employer in the region, but also because the long-time chairman of the works council, Hugo Bork, was also active in the city council and for several years was concurrently the

BY KAREN LEHMANN

mayor of Wolfsburg, where the VW headquarters is located. So the company actually organised the building of housing for employees and promoted local economic development.

Today Volkswagen still has a relatively high level of unionisation, giving IG Metall a strong negotiating position, and the same is true for the works council.

Volkswagen's in-house collective agreements favour a system of qualified co-determination, which means a co-operative approach to conflict solving and an understanding of a joint responsibility for the future of the company. Employee representatives are not only informed at a very early stage of all relevant HR issues, but are also actively involved in planning and implementation.

Each production site – worldwide, not just in Germany or Europe – has a works council or similar workforce representation body, according to respective national laws or systems. In Germany there is also a corporate group works council with representatives of the local plant works councils. This corporate body integrates the operations of Volkswagen AG, the Audi plants and the plants in Eastern Germany – that is, in Mosel and Chemnitz, established in 1991 shortly after reunification, making Volkswagen one of the first companies to integrate Eastern Germany in its location strategy, and in Dresden, where a factory was opened in 2001.

As the company grew globally, it took measures to integrate its international subsidiaries, holding the first Volkswagen World conference in the 1970s. In 1992 the company established the automotive industry's first European Works Council (EWC) which today consists of 25 representatives of local employee bodies of Volkswagen plants across Europe. And in 1999 a global group works council (WWC) was set up; this now has 27 employee representatives and trade unionists from

Volkswagen Group facilities around the world providing access to central group management for all employees.

Both the EWC and WWC meet the Group Management Board and the HR directors of all regional plants at least once a year. Issues discussed include the employment situation at the various locations, productivity, cost structures, working conditions and specific projects. The EWC and the WWC also receive information at a very early stage about cross border production movements giving them the opportunity to state their case.

The strategy of early information and involvement has led to a co-operative way of dealing with potential conflicts, making Volkswagen globally one of the companies with the fewest number of lost days due to strikes. Moreover, the joint work of Volkswagen management and employee representative bodies has led to some innovative concepts and successful projects, some of which are described here.

Four-day week

In 1993 Europe suffered a major crisis in the automobile industry. Sales dropped dramatically and Volkswagen faced the prospect of about 30,000 employees out of a workforce of some 100,000 superfluous to requirements. Dismissing these people would have had a catastrophic effect on the city of Wolfsburg and the region because of Volkswagen's dominance.

Working together, VW management and the works council agreed to avoid redundancies by introducing a four-day week in which working hours and commensurate compensation were cut by 20 per cent.

This was communicated to Volkswagen's international subsidiaries through the EWC and WWC on the employee side and international conferences on the management side. As a result other plants within the group also adopted the scheme, and jobs were saved in this way in 1998 in Brazil, in 2003 in Pamplona (Spain) and 2004 in Mexico.

The introduction of the four-day week laid the foundation to a number of other ways of increasing flexibility and safeguarding jobs, collectively known as the 'breathing company'; again the key is matching numbers and qualifications to market needs while avoiding redundancies wherever possible.

Eight brands make up the Volkswagen group in Europe today:

- Volkswagen
- Volkswagen Commercial Vehicles
- Skoda
- Bentley
- Bugatti
- Audi
- Seat
- Lamborghini



◀ **Employees doing quality checks on the new Golf at the Wolfsburg plant**

through AutoVision-related activities. News of the success was spread internationally and Volkswagen of South Africa, to name but one, has adopted the concept – of course with adjustments to local conditions.

Social charter

International bodies of VW employee representatives do not only receive information passively, they also initiate ideas. One of these resulted in the company's Declaration on Social Rights and Industrial Relationships. Already lively practice through the group, this was formally set down in writing and now appears as a fixed item on the agenda of the annual meetings of the WWC, making Volkswagen one of the few multinationals with a committee documenting and monitoring the social rights guaranteed in the Social Charter.

Based on the fundamental understanding that a successful corporate policy can only be achieved with the support of employees and their representatives, talks about such a code of conduct had already begun some two years earlier. In 2002 the so-called Social Charter was signed by the Board of Management, the WWC and the International Metalworkers' Federation (IMF). The social rights set down in this document are freedom of association, no discrimination, free choice of employment and no child labour, with compensation, working hours and safety and health protection corresponding to national legal minimum standards.

The examples above should make it clear how Volkswagen lives up to the social partnership approach and how win-win solutions can be found if management and employee representatives work jointly together. For without the involvement of the employee representatives, all these initiatives would not have come about.

Internationally, as mentioned above, regular exchange and information meetings enable problems, projects and solutions to be discussed and knowledge to be transferred.

Furthermore, group headquarters has defined so-called 'minimum standards' of the group-wide HR policy. That means that group companies have to consult with the respective headquarter departments whenever their planned HR practices impinge on group HR strategy or policy. This is also a way for the group to act as an information turntable and for the parts to learn from each other. ○

Dr Karen Lehmann works in the Labour Relations section of Volkswagen's central personnel division in Wolfsburg, Germany

Auto5000

Auto5000 is Volkswagen's proof that internationally competitive jobs can still be created in a high wage country like Germany. The impetus for the project came from the employee side, unhappy that new jobs tended to go outside Germany on cost grounds. When in 1999 the production of the Colorado off-road vehicle was again given to the Bratislava plant in the Slovakian Republic, the employee representatives on the works council demanded a strategy for securing and creating new jobs at German sites as well.

A working party was set up which produced a plan, '5,000x5,000', as the original aim was to offer work to 5,000 unemployed people at a monthly salary of at that time DM 5,000, which equals 2,556 Euros today. To start with, 3,500 were taken on at a flat rate of around 2,500 Euros a month – including bonuses for shift and Saturday working. The compensation is not based on the time a worker is present at the workplace but rather on the achievement of daily production targets, meaning the number of cars with zero faults. Production problems are balanced out by working longer than the average 35 hours a week, and the company only pays for this extra time if it is responsible for the problems.

However, since most of the recruits had little or no experience, let alone formal qualifications related to car production, training and development were integral to the scheme. The arrangement is that, over and above the 35 hours, each employee has to invest three hours a week on training and development, albeit the company pays for half that time.

The slogan 'from candidate to carmaker' was used to attract recruits. The first stage of the training covers general knowledge for industrial work, and the second is basic on-the-job production training. These two modules last nine months and then the trainees were offered permanent employment.

After two years of work and further job-specific qualifications, they can obtain a formal qualification as automobile assembly workers from the Chamber of Commerce and Industry. Up to now nearly half of the workforce have registered for this and almost 300 have already obtained it.

Meanwhile, the Auto5000 GmbH in Wolfsburg, realised with 3,500 formerly unemployed people, has proven competitive with other European locations. And further projects are being discussed.

AutoVision

In 1997 with unemployment way above the average in northern Germany and an unhealthy monostructure in the Wolfsburg area, Volkswagen formed a project team consisting of staff from the HR department, representatives of the works council, other citizens of Wolfsburg and McKinsey consultants. The aim was to develop a concept for the region that would reduce unemployment and diversify the economy; it became known as 'AutoVision'. To realise the concept a public-private partnership company was formed, Wolfsburg AG, owned half by Volkswagen and half by the City of Wolfsburg. It has four divisions:

- **Supplier Location Services** assisting VW suppliers wishing to relocate to the region;
- **Innovation Campus** providing support for business start-ups, such as tailor-made premises and customised consulting;
- **ErlebnisWelt** developing attractive leisure and entertainment activities with a view to making Wolfsburg a desirable destination for short breaks; and the
- **Personal Service Agency** providing all kinds of HR services from contractual workers to training programmes.

The project has been very successful. Unemployment dropped from 17.2 per cent in 1997 to 8.2 per cent in January 2005 and approximately 23,000 new jobs came about

THE WORLDLINK HR CALENDAR

August 1-4, 2005

Sao Paulo, Brazil

ABRH National Congress 2005

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Fax: +55-11-3214-0858

Email: abrnh@abrhnacional.org.br

August 25-26, 2005

Panama City, Panama

ANREH National Congress

Tel: +507-225-5637

Fax: +507-225-7533

Email: arhpanama@cableonda.net

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IPM Annual Convention

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Email: info@ipm.co.za

September 14-16, 2005

Wellington, New Zealand

HRINZ National Conference

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Fax: +64-4-499-2965

Email: hrinz@hrinz.org.nz

September 28, 2005

Singapore

SHRI Global HR Conference

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Fax: +65-6299-4864

Email: enquiries@shri.org.sg

September 28-29, 2005

Lima, Peru

APERHU XIV National Congress

Tel: +511-472-6324

Fax: +511-472-5827

Email: aperhu@millicom.com.pe

September 28-30, 2005

Cebu City, Philippines

PMAP Annual Conference

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Fax: +63-2-726-1530

Email: pmap@pmap.org.ph

September 29-30, 2005

Bratislava, Slovak Republic

11th Annual Conference

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Email: zrlz@stonline.sk

October 13-15, 2005

Montevideo, Uruguay

ADPU National Congress

Tel: +598-2-930-940

Fax: +598-2-908-4624

Email: adpu@adinet.com.uy

October 26-28, 2005

Harrogate, England

CIPD Annual Conference & Exhibition

'People Mean Business'

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Fax: +44-208-263-3367

Email: conf@cipd.co.uk

May 30-June 1, 2006

Singapore

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Contact: David Ang

Tel: +65-438-0012

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