

**An Opportunity to overcome Old-fashioned Conventions?
The Social Policies of Two Automobile Manufacturers
in the Crisis of the 1970s**

Draft version – Please do not quote without the author’s permission!

Introduction	1
1) Qualitative Changes in the Corporate Social Policies	3
a) The Individualization of Corporate Social Policy	3
b) The Increasing Economic Conditionality of Company Benefits	6
c) Focusing the Employees	9
2) A Reduction of Company Benefits?	12
a) The Facilitation of Restrictions by the Crises	12
b) Temporary Cuts in Social Welfare	15
c) Momentum of the Corporate Social Policy	17
Conclusion.....	19

Introduction

After several decades of prospering development, the 1970s posed a challenge to the automobile industry. This situation partly resulted from the oil crises following the Yom Kippur War in October 1973 and the overthrow of the Shah of Iran in January 1979. Due to a mistaken model policy accompanied by the effects of the first oil price shock, Volkswagen underwent a major crisis from 1971 to 1975 during which time 13,000 employees left the Wolfsburg plant. Peugeot, however, did not suffer as severely from the 1973 oil crisis, but after having acquired Citroen in 1974 as well as Chrysler Europe in 1978, the second oil price shock hit the company hard. From 1978 to 1985, 30 per cent of the nearly 40,000 employees in Sochaux were pensioned off by means of a cooperation of Peugeot with the French government. In this same period, the work council of Volkswagen as well as the work council of Peugeot participated in negotiations regarding the early retirement of thousands of employees. In this way, they tried to maintain the company’s social policy unchanged for the remaining personnel.

Was the crisis that the automobile industry experienced during the 1970s an occasion for the manufacturers to get rid of traditional social benefits? Or did they simply adapt their social policies to the new circumstances posed by the oil crises and the changing attitudes and expectations of their employees? Through a comparison of the corporate social policy of the Volkswagen plant in Wolfsburg and the Peugeot plant in Sochaux, I will discuss these questions.

While the social policies of both companies since the early 1950s had been marked by quantitative advancement, for example the investment of great resources in activities like profit sharing, the automobile manufacturers concentrated on qualitative changes since the middle of the 1960s. First, the development of the social policies of the two companies will be discussed. Volkswagen as well as Peugeot modified their social policies in some regards: They concentrated more and more on the employees' individual needs, for instance by funding the construction of privately owned homes. More than ever, the employees' suggestions to make the production more efficient were rewarded. Admittedly, the system was directly economically beneficial to the company and "paid for itself". There were mainly improvements for their workers, not for their families. Fitting to the "zeitgeist", the automobile manufacturers invested in the enhancement of the working conditions of their employees. For example, manual laborers who became unable to maintain the level of arduous work received a supplementary salary in both companies during the 1970s.

The second chapter deals with the question in how far the crisis of the 1970s was accompanied by the reduction of social benefits, for example of the gratifications. Lots of these restrictive decisions were facilitated, if not determined by the crisis. For example, Volkswagen significantly reduced its donations to various associations as sports clubs and nursery schools which served as indirect social benefits for the employees. However, most of the cost-reduction measures were revoked as soon as the situation improved. Since they served to maintain the companies' solvency, they were regarded as temporary. The decision to modify the social policy was not necessarily linked to the economic crisis. For instance, regarding the staff housing policy, both companies decreased the construction of tenements, but in return they concentrated on the subsidization of privately owned homes. The crises also lead to an improvement of certain benefits.

In accordance with Eduard Gaugler, the social policy will be considered in a narrow sense in this article: It includes all measures of a firm benefiting its employees or pensioners and their

kinsmen and which are granted in addition to the remuneration.¹ Nonetheless, providing services that are mainly necessary for the production like accident prevention is not considered a part of social policy here.²

1) Qualitative Changes in the Corporate Social Policies

This chapter will explore the changes in content of the social benefits. Naturally, lots of levels could be examined, but the study will be limited to three trends: The increasing priority on the employees' individual needs, the advancing economic conditionality of social benefits and finally, the focus on the improvement of the working conditions.

a) The Individualization of Corporate Social Policy

A concern of the companies was the increasing consideration of personal wants, the so-called individualization³ of social policy. Important factors for this development were the changing expectations of the employees⁴ as well as the idea of compassing the labor unions by establishing a more direct relation between the employer and his employees.⁵ Previously, most social offers were collectively organized, whereas since the early 1960s there was a motion towards more individual services: For instance, at Peugeot this can be observed in the vacation policy with the start of diverse forms of family vacation. In 1969, Volkswagen introduced a choice between a stay in a vacation home with other employees or a lump sum for a self-organized vacation that could be spent together with the family.

Another example, which will be considered in a more detailed way here, is the rise in the funding of privately owned houses, starting in the early 1960s and increasing in the 1970s. Both companies had established their building loan system long before: Peugeot already

¹ Herbert Hax, *Sozialpolitik. II: betriebliche*, in: Willi Albers (ed.), *Handwörterbuch der Wirtschaftswissenschaft*, Stuttgart 1977, t. 7, 77.

² However, like the salary, Gaugler did not consider profit sharing a social benefit. Eduard Gaugler, *Betriebswirtschaftlich-soziologische Grundprobleme bei der Gewährung betrieblicher Sozialleistungen*, in: Theodor Tomandl (ed.), *Betriebliche Sozialleistungen*, Wien 1974, 5; cf. Wolfgang Zollitsch, *Arbeiter zwischen Weltwirtschaftskrise und Nationalsozialismus. Ein Beitrag zur Sozialgeschichte der Jahre 1928 bis 1936*, Göttingen 1990, 108.

³ Ulrich Beck ; Elisabeth Beck-Gernsheim, *Individualisierung in modernen Gesellschaften. Perspektiven und Kontroversen einer subjektorientierten Soziologie*, in: Id. (eds.), *Riskante Freiheiten. Individualisierung in modernen Gesellschaften*, Frankfurt a.M. 1994, pp. 10-39, here 11.

⁴ Cf. Ulfert Herlyn; Gitta Scheller; Wulf Tessin, *Neue Lebensstile in der Arbeiterschaft? Eine empirische Untersuchung in zwei Industriestädten*, Opladen 1994, 12; Joachim Hirsch; Roland Roth, *Das neue Gesicht des Kapitalismus. Vom Fordismus zum Post-Fordismus*, Hamburg 1986, 110; Karl Ulrich Mayer; Walter Müller, *Individualisierung und Standardisierung im Strukturwandel der Moderne. Lebensverläufe im Wohlfahrtsstaat*, in: Beck; Beck-Gernsheim (eds.), 1994 (cf. n. 24), pp. 265-296, here 265.

⁵ Nicolas Hatzfeld, *Les gens d'usine. 50 ans d'histoire à Peugeot-Sochaux*, Paris 2002, 385.

issued building credits in the 19th century⁶, whereas Volkswagen introduced a comparable system in 1949.⁷ Having subsidized the construction of about 4,000 tenements and 5,000 homes in Sochaux from 1946 to 1966, Peugeot considered that individual housing became more and more important, according to the rising living standard.⁸ Taking into account that 10 per cent of the Peugeot employees were paying back a building loan in 1970 and 25 per cent in 1977⁹ – in Sochaux in October 1978, 4.627 employees were affected – it can be concluded that during the 1970s, the company focused even more on individual housing than before.¹⁰ The *Comité Régional de Logement* (CRL), an institution with equal representation of companies and work councils, distributed building loans for Automobiles Peugeot to its employees. From 1972 to 1981, the CRL annually allocated more than three million Francs to Peugeot employees, except in 1977.

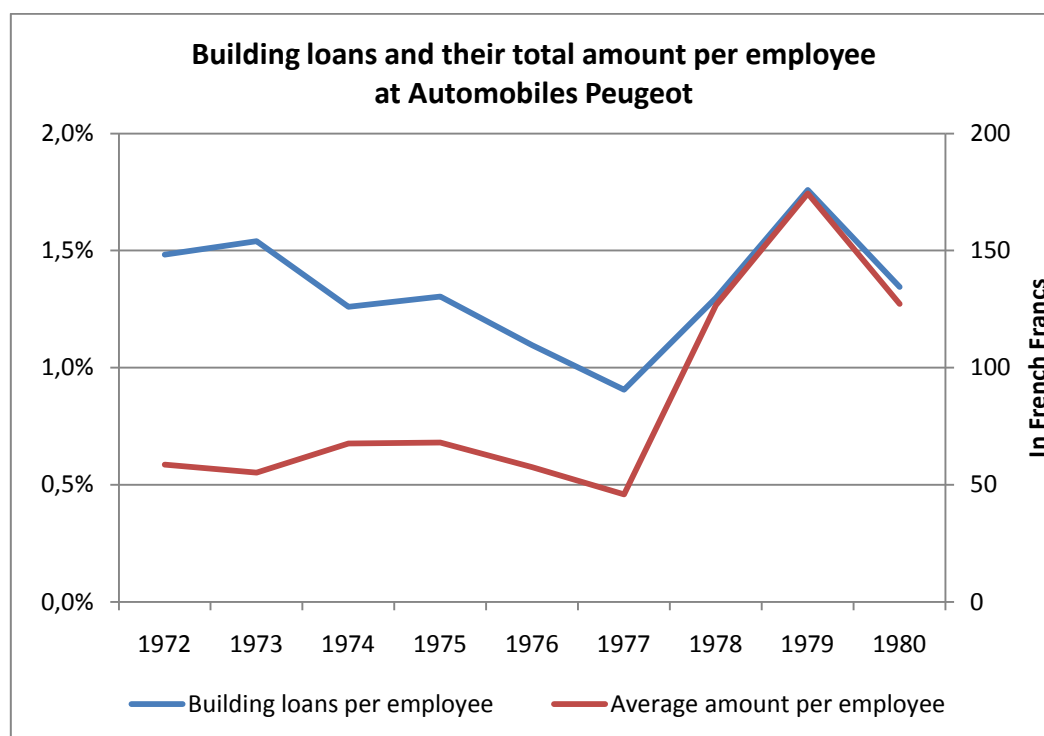


Figure 1: Report of the supervisory board, 7.5.1980, for the annual general meeting of the CRL on 11.6.1980, p. 9; minutes of the annual general meeting of the *Comité Interprofessionnel de Logement*/CRL on 25.6.1981, p. 4.

⁶ Patrick Fridenson, *Les premiers ouvriers français de l'automobile (1890-1914)*, in: *Sociologie du travail* 3 (1979), 297-325, 313.

⁷ VWV, Correspondence Goransch-Nordhoff on 30.8.1949 and 18.11.1949, in: *UVW*, Z 69 No. 882.

⁸ AP, Minutes of the Sochaux work council meeting, 21.5.1966, p. 68, in: CE; Monthly reports of the direction of the Sochaux plant, 1945-1966, in: Musée Peugeot.

⁹ *Journal d'information du personnel Peugeot*, No. 7, 29.6.1970, p. 7, and No. 139, 1.12.1977, p. 1.

¹⁰ *Prêts à l'Accession de la Propriété*, 1978, in: Archives de la Fédération de la métallurgie CGT, Accord PSA, CCE/Comité d'Établissement Peugeot, Elections Peugeot Groupe.

Regarding Figure 1, the number of building loans attributed to Peugeot employees as well as the total amount of these loans per employee declined from 1974 until 1977, when Peugeot only funded the construction of 572 homes with less than three million Francs by the CRL. At that time, AP was on the verge of losing its predominance in the subsidization of privately owned homes in the CRL, as only 51,7 per cent of the total amount borrowed by the CRL were distributed to employees of AP – in 1975, it had been 91,2 per cent. After 1977, there was a comeback with its climax in 1979. Taking a closer look at the amount of money invested in building credits, the picture differs slightly from the amount of loans: In 1974 and 1975, the value of the loans distributed per employee was higher than in 1973. Simultaneously with the company crisis, both figures decreased in 1980.

Volkswagen had also preferred the funding of privately owned homes to the subsidization of social housing since the 1960s, and the fraction of private homes compared to the constructed accommodations during the year rose from 38.2 per cent in 1965 to 45.8 per cent in 1970. Up to then, the company had funded the construction of about 16,000 tenements for the employees of its plants.

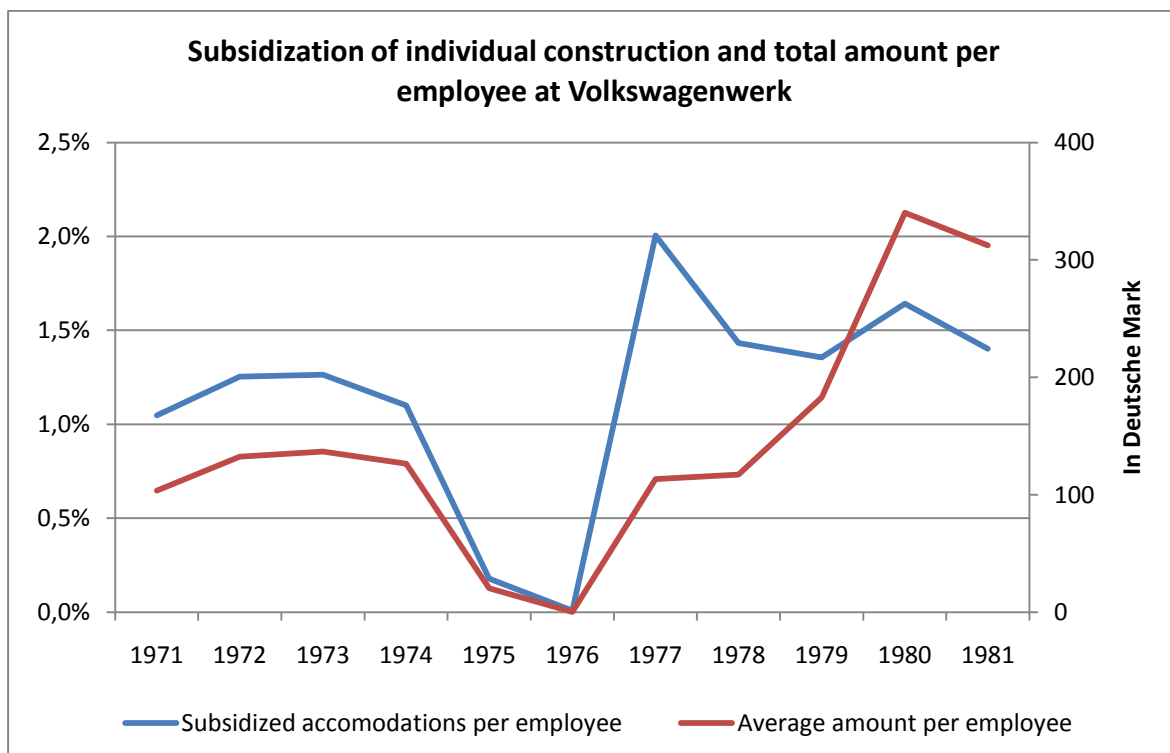


Figure 2: Menschen im Blickpunkt. Sozialbericht der Volkswagenwerk Aktiengesellschaft für das Jahr 1981, p. 14.

During the following years, this trend amplified: Since the 1970s, Volkswagen annually disbursed more than ten million *Deutsche Mark* (DM) for employees constructing their home, whereas previously, the amount of the approved loans had not surmounted the maxima of 4.1 million (1965) and 8.9 million (1969). The development of Volkswagen's expenses for this policy as well as the amount of accommodations constructed with it differed from Peugeot. Chart No. 2 is marked by the deep company crisis during which Volkswagen stopped issuing building credits. Since the resumption of the building loans in the end of 1976, the average amount of credit per employee rose slowly. From 1979, it developed more strongly due to a reform of the loan system. In contrast, the number of homes constructed with the help of Volkswagen stagnated after a short increase in 1977 that was due to the backlog after the interruption between September 1974 and December 1976. The crisis of 1979 did hardly leave traces in the number of building loans or the amount of money distributed for it in 1979 and 1980, which can be explained by the expansion of employment in the company in these years and by the improvement of the building loans in 1979.

b) The Increasing Economic Conditionality of Company Benefits

It cannot be claimed that social benefits had not been economically conditioned before the beginning of the economic darkening in the middle of the 1960s, because the practice of social policy, to some extent, is always reliant on the sums available, as well as those indirectly depending on the social benefits granted. In the early post-war era, lots of companies like Volkswagen and Peugeot introduced social benefits, especially bonuses, depending either on the economic accomplishments of an individual, of a group of or of all the employees, or on the financial success of the firm. Nonetheless, with the economic situation becoming more difficult since the middle of the 1960s, both automobile manufacturers increasingly concentrated on the concession of social benefits depending on these factors. This development will be demonstrated at the example of the companies' emphasis on the suggestion scheme.

In 1951, Peugeot had established a generous suggestion scheme, which over the years had been improved to the benefit of the employees and especially the workers.¹¹ In contrast to the suggestion system at Volkswagen, all Peugeot employees received suggestion awards, as the author of an idea only obtained a quarter of the company's saving during three month of implementation. 30 per cent were left to Peugeot, and a general fund of the author's work unit

¹¹ Journal d'information du personnel Peugeot, No. 5, 24.4.1970, p. 6.

received 45 per cent of the saving.¹² Since 1973, the author received 30 per cent, whereas the resting 70 per cent were invested in the fund.¹³ This amount was redistributed twice a year to the associated workers as a percentage of their individual salary.¹⁴ For instance, in the first half of 1980, the workers at the mechanics work unit received a suggestion bonus of 5.96 per cent of their half-year's salary.¹⁵

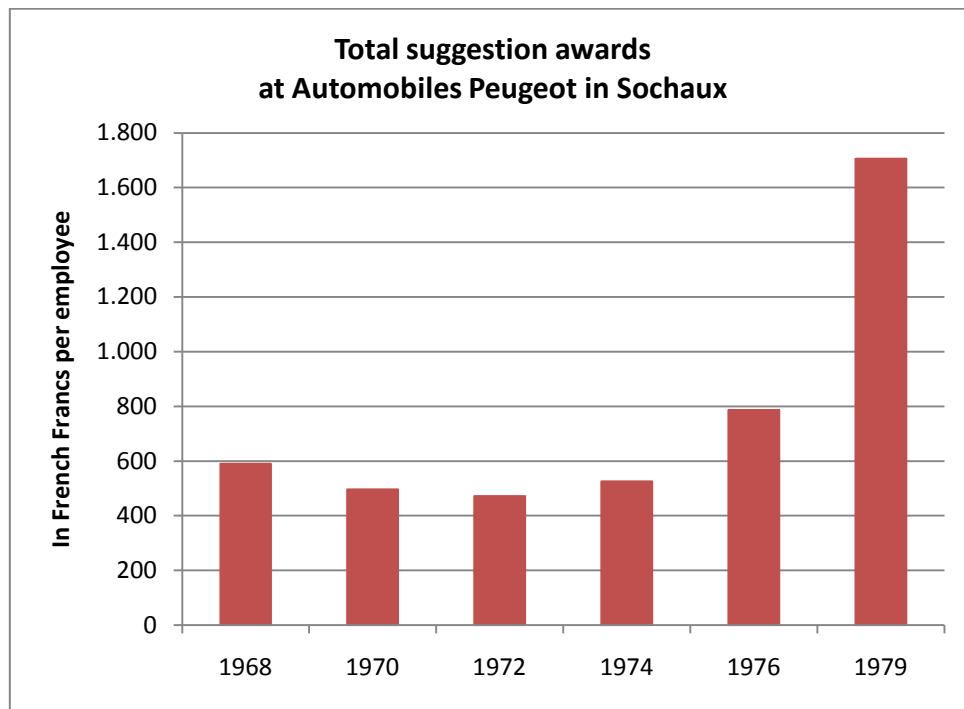


Figure 3: Company newspapers and magazines, in: MP and CE.

Although the sums Peugeot spent on the suggestion scheme steadily rose over the 1970s, the average amount per employee did not always increase: While in 1967, Peugeot had spent 643 Francs per employee for suggestion awards, this sum dropped to 472 Francs in 1972, to rise again afterwards. The development downwards was not reversed before the middle of the 1970s, but then in 1979, there was no backsliding to the local minimum of 1972.

The suggestion scheme at Volkswagen had been created in 1949, but after a short period in the early 1950s, it only regained weight in 1969, mainly due to the retirement of the former manager in charge. This was an opportunity for the personnel division to claim the

¹² AP, *Courrier des usines Sochaux-Montbéliard*, November 1951, p. 3; *Journal d'information du personnel Peugeot*, No. 56, 27.6.1973, p. 6 f.

¹³ *Journal d'information du personnel Peugeot*, No. 56, 27.6.1973, 6 f.

¹⁴ *Journal d'information du personnel Peugeot*, No. 32, 23.2.1972, p. 7.

¹⁵ AP, Minutes of the Sochaux work council meeting, 21.7.1980, p. 39.

responsibility for the system¹⁶, so that the respective department *Vorschlagswesen* passed under its control. Since that time, the system was more strongly promoted among the employees, but even though the participation rate increased, it took Volkswagen some years to equal and even surpass those of ten other West German automobile manufacturers and suppliers in 1972.¹⁷ After 3.634 suggestions had been handed in in 1969, the employees submitted 27.537 ideas in 1979.

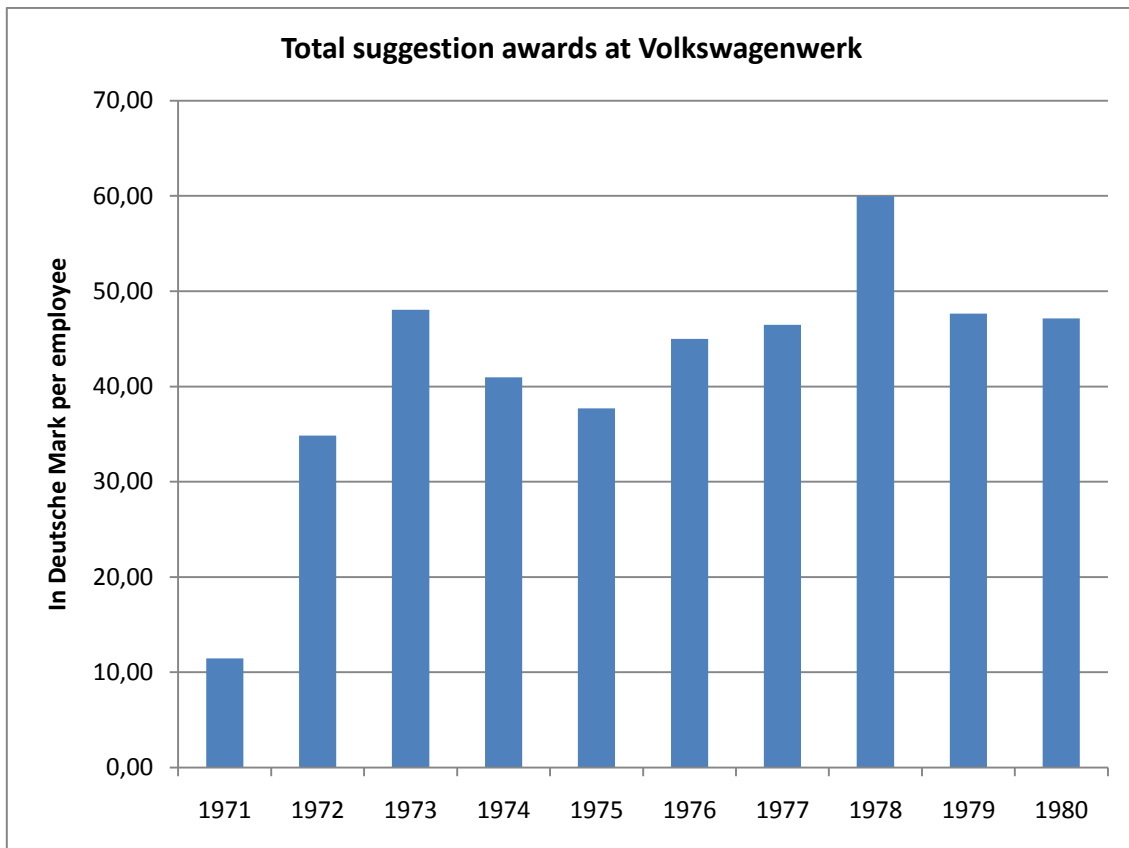


Figure 4: Annual reports of the personnel and social resort, 1971-1978, UVW, Z 69 No. 604 ff.; Menschen im Blickpunkt. Sozialbericht der Volkswagenwerk Aktiengesellschaft für das Jahr 1981, p. 19.

While the number of suggestion awards constantly increased except in 1979, the sums invested per employee did not: A local climax was reached in 1973 and again in 1978, which means that there was a more noticeable impact of the second oil crisis than in the funding of the employees' home construction. The sums invested in the suggestion system fell from 0.16 per cent in 1978 to about 0.10 per cent of the payroll in 1980, whereas the average award per

¹⁶ VWV, Minutes of the board meeting on 24.2.1969, p. 2, in: UVW, Z 373 No. 452/1.

¹⁷ VWV, Annual report of the personnel and social resort, 1972, p. 12, in: UVW, Z 69 No. 708.

employee only diminished by 21.4 per cent. This difference can be explained by the rise of the payroll by 31.7 per cent, which was much higher than the increase in employment.

Nonetheless, on average the suggestion award per employee had risen and an increasing number of employees had got involved in the system: On average, 6.9 per cent of them received a suggestion award in 1981, seven times as many as in 1971. At the cost of lower bonuses for the successful participants – in 1973 2.579 DM on average, decreasing to 795 DM in 1981 – the ideas of more and more applicants were awarded. This proceeding made good headlines, although the expenses did not increase.

c) Focusing the Employees

One important characteristic of the period going from the middle of the 1960s to the end of the 1970s is the concentration of corporate social policy on the employees. Though this insight may seem basic, the employees' wives and children had also been very important target groups, during the post-war era until then. Since the beginning of the 1970s, European companies concentrated more and more on the improvement of working conditions (IWC). The definition of this term is controversial, as in a large sense it includes the whole social policy and in a narrower sense it is restricted to the conditions on the work floor.¹⁸ The progress in the improvement of working conditions was due to different factors: A rising challenge by stakeholder groups¹⁹, important conflicts between workers and their employers in large firms since the end of the 1960s²⁰ as well as actions of the bargaining partners or the public authorities, for example the institution of the research program *Humanisierung der Arbeit*²¹ in Germany in 1974 and the French *loi relative à l'amélioration des conditions de travail*²², adopted December 27th 1973²³, shaped this process.

It doesn't come as a surprise that Peugeot and Volkswagen participated in this wave. Peugeot claimed that it had always cared for providing a stable employment and good working conditions for its employees. The General Director Jean Baratte put it as follows:

¹⁸ Gaugler, 1974, 85 (cf. n. 2); Hans Günter Hockerts, *Sozialpolitik in der Bundesrepublik Deutschland*, in: Hans Pohl (ed.), *Staatliche, städtische, betriebliche und kirchliche Sozialpolitik vom Mittelalter bis zur Gegenwart*, Stuttgart 1991, pp. 359-379, 361.

¹⁹ Elmar Pieroth, *Wozu wir Sozialbilanzen brauchen und wozu nicht*, in: Id. (ed.), *Sozialbilanzen in der Bundesrepublik Deutschland. Ansätze – Entwicklungen – Beispiele*, Düsseldorf 1978, 7 ff.; Werner Plumpe, *1968 und die deutschen Unternehmen. Zur Markierung eines Forschungsfeldes*, in: *Zeitschrift für Unternehmensgeschichte* 1 (2004), pp. 45-66, here 51.

²⁰ Françoise Piotet, *L'amélioration des conditions de travail entre échec et institutionnalisation*, *Revue française de sociologie* 1 (1988), pp. 19-33, here 21 f.

²¹ I. e. humanization of work.

²² I. e. law concerning the improvement of the working conditions.

²³ Jean-François Amadieu; Leo Kißler, *Les relations sociales dans l'entreprise. Etat de la recherche en France et en RFA*, Paris 1990, 48.

“The personnel’s security and the improvement of its working conditions have always constituted one of our principal objectives, and this well before the public opinion seized it and the respective legislation was developed. Our policy aims at answering the aspirations of human beings who need to find living conditions in their work being in compliance with those they experience outside the company.”²⁴

Accordingly, Peugeot invested large sums in the so-called improvement of the working conditions during the 1970s. From 1973 to 1975, the company spent 145 Mio. Francs, i. e. 2,7 per cent of the payroll, for the improvement of working conditions. The aim was to fulfil the employees’ psychological, material and social needs.²⁵ Although Volkswagen did not employ the term IWC as early as Peugeot, it stated in 1976 to have always been engaged in the improvement of working conditions, too.

“The VW Corporation has always strived for the goal of improving the working systems by a humane formation of the working conditions.”²⁶

Since 1974, the company’s plant in Salzgitter participated in a research program concerning the modernization of working structures.²⁷ In the annual reports, the entry “additional social benefits” comprising the “social investments”, accounted for one billion or 31.0 per cent of the payroll in 1976. Contributing to the “efforts of humanizing the working environment”²⁸, the social investments themselves amounted to 70 Mio. DM between 1971 and 1975, that was about 0.5 per cent of the annual payroll. The comparison with the additional social benefits shows that the improvement of the working conditions was not Volkswagen’s financial priority.

Now I will concentrate on a measure ensuring a stable income to the workers: Concerning Peugeot, the *Assurance contre les aléas de la carrière (ACAC)* starting in 1974 is an instructive case study, corresponding to Volkswagen’s continuation of payments in the case of decreased output originating in 1960 and enlarged in the 1970s. In 1960, the work council and the management of Volkswagen concluded a shop agreement, guaranteeing the workers the continued pay during three following months in case of permutation due to illness, age or

²⁴ “La SÉCURITÉ du personnel et l’AMÉLIORATION de ses CONDITIONS DE TRAVAIL ont toujours constitué l’un de nos objectifs prioritaires, et ceci, bien avant que l’opinion publique ne s’en empare et que la législation ne se développe. Notre politique vise à répondre aux aspirations des hommes qui ont besoin de trouver dans leur travail des conditions de vie en harmonie avec celles qu’ils connaissent en dehors de l’entreprise.” Vite et loin, No. 270, Mai/June 1977, 1, in: Musée Peugeot (MP).

²⁵ Automobiles Peugeot (AP), Minutes of the Sochaux work council meeting on 23.10.1972, p. 5 ff., Archives du Comité d’Etablissement de Sochaux (CE); AP, Vite et loin, No. 263, September/October 1976, 11.

²⁶ “Die VW AG verfolgt schon immer das Ziel, Arbeitssysteme durch menschengerechte Gestaltung der Arbeitsbedingungen zu verbessern.“ VWW, Annual report of the personnel and social resort 1976, 38, in: Unternehmensarchiv der Volkswagen AG (UVW), Z 69 No. 712.

²⁷ VWW, Annual report of the personnel and social resort 1975, 34, in: UVW, Z 69 No. 710.

²⁸ VWW, Minutes of the meeting of the production manager, personnel manager and the board of the joint works council on 2.7.1976, annex 2, in: UVW, Z 119 No. 154/3.

accident. Afterwards, they still received a monthly compensation for their loss in salary, if they had been employed for at least 15 years and were at least 50 years old or had had an accident. Volkswagen remunerated employees at the age of 50 with 75 per cent of their former salary, whereas a worker aged at least 55 years or disabled due to an accident on the job received 100 per cent of his previous salary.²⁹ Since October 1969, a commission consisting of management and employee representatives equal in numbers was occupied with providing adequate jobs to the workers affected.³⁰ In 1970, the 75 per cent compensation was increased to 80 per cent.³¹ Following negotiations in 1977, this rate rose to 90 per cent.³²

In 1972, 133 workers received an 80 per cent compensation to their former salary and 727 workers obtained a 100 per cent compensation at the Wolfsburg plant. These were 11 per cent of the workers aged from 50 to 65 years.³³ Two years later, the first figure had risen by 60 per cent to 215 workers, the second stagnating at 736 workers.³⁴ Till 1978, the number grew slightly: Altogether, 1.144 employees received a wage adjustment.³⁵ In addition to this existing system, during the crisis, the company introduced the continued pay in case of mutation due to changes within the plant. The affected workers obtained compensation for 18 to 24 month.³⁶ If they did not get a comparable job afterwards, Volkswagen disbursed a financial settlement.³⁷

The Peugeot ACAC had a similar function. Depending on the risk connected with their job and the length of the employment, the workers received points.³⁸ These could be used in case of a drop in salary due to a new job or for an earlier retirement by demanding a higher settlement bonus. The system was free of charge for the employees. In general, only workers with a certain length of service as well as a certain capacity received a compensatory salary, because if a worker already was at the bottom of the salary scheme, he could not fall deeper within his company. From 1975 to 1980, the “utilization value” of one point ACAC increased from 1 to 1,893 Francs³⁹, while the inflation reached 39.2 per cent.

²⁹ VWW, Betriebsvereinbarung zwischen der Geschäftsleitung und dem Betriebsrat der Volkswagenwerk G.m.b.H., Richtlinien für die Gewährung eines Lohnausgleichs bei Minderleistungsfähigkeit, 11.8.1960, in: UVW, Z 119 No. 104/1; Minutes of the employees meeting on 22.8.1960, p. 5 f., Z 119 No. 1191/1.

³⁰ VWW, Annual report of the personnel and social resort 1970, p. 43, in: UVW, Z 69 No. 705.

³¹ VWW, Manteltarifvertrag für Lohnempfänger, Volkswagenwerk and IG Metall, 12.8.1970, p. 17.

³² VWW, Annual report of the personnel and social department Wolfsburg 1978, p. 9, in: UVW, Z 69 No. 713.

³³ VWW, Annual report of the personnel and social department Wolfsburg 1972, table 13, in: UVW, Z 69 No. 708.

³⁴ VWW, Annual report of the personnel and social department Wolfsburg 1974, p. 23, in: UVW, Z 69 No. 709.

³⁵ VWW, Annual report of the personnel and social department Wolfsburg 1978, p. 9, in: UVW, Z 69 No. 713.

³⁶ VWW, Annual report of the personnel and social resort 1976, p. 57, in: UVW, Z 69 No. 712.

³⁷ VWW, Annual report of the personnel and social resort 1976, p. 7, in: UVW, Z 69 No. 712.

³⁸ AP, Minutes of the Sochaux work council meeting, 29.10.1973, p. 11 ff.

³⁹ Journal d'information du personnel Peugeot, No. 192, 9.5.1980, p. 1.

Till March 1978, 1.721 employees had profited from ACAC, which means that in about four years, annually 430 people or about 1.2 per cent of the employees of Sochaux benefited from it. The amount of money spent during these four years was less than two million Francs, which was negligible with regard to the payroll payments of the company of more than two billion Francs.⁴⁰ If one compares this amount to the parallel expenditure for subsidies for privately owned homes, for the suggestion schemes and the improvement of the working conditions in general, it was rather low.

2) A Reduction of Company Benefits?

Having analyzed the major changes in the social policies of Volkswagen and Peugeot during the 1970s, they will be evaluated with regard to the central question. After the expansion of the corporate social policy following the end of World War II, both companies tried to limit their social costs after the experience of the first greater post-war recession and their insight that the time of fast growth of their main plants was over.

The following section presents the argument that the crisis inevitably made it easier for the companies to cut social costs. In the second subchapter, the temporality of many of these measures will be emphasized. Finally, examples will demonstrate that the social benefits did not only depend on financial calculus, but that they followed their own dynamics and path dependencies. Moreover, the crises even brought about a greater protection of the employees in some respects.

a) The Facilitation of Restrictions by the Crises

In how far did the crisis enable the companies to shut down or to limit social institutions and benefits? Examining the minutes of the Volkswagen executive board, it becomes clear that the crisis was an important argument for the company to cut social costs. Whereas in October 1973, the board still discussed the recruitment of new employees and approved the construction of residential homes for migrant laborers⁴¹, at the first meeting in January, the purchase and material manager Horst Münzner indicated a drastical fall in demand during the past month.⁴² Only two weeks later, the board decided to inform the employees that the labor

⁴⁰ Journal d'information du personnel Peugeot, No. 145, 8.3.1978, p. 7.

⁴¹ VWW, Minutes of the board meeting on 9.10.1973, p. 3 f., and on 13.11.1973, p. 10, in: UVW, Z 69 No. 731/1.

⁴² VWW, Minutes of the board meeting on 8.1.1974, p. 10, in: UVW, Z 69 No. 731/1.

unions' claim for higher wages were unrealistic and dangerous.⁴³ This led to a hard conflict between the work council in consultation with the labor union *Industriegewerkschaft Metall* and the board that was only solved by an arbitration process.⁴⁴

On April 30th 1974, the executive board concretely discussed cost saving in the social domain with regard to the oil crisis for the first time, namely in the company vacation homes, the free milk distribution, the canteens and the company housings. At the board meeting on August 15th 1974, the members decided on a bundle of retrenchment measures: The vacation home in Schulenberg was to be closed down because substituting a stay in this home by a lump sum to the employee could save the company one million DM. In addition, “[t]here is mutual consent that with immediate effect no more tenements will be constructed and that the construction of homes won’t be funded any longer.”⁴⁵ Furthermore, the chairman called for the constriction and subsequently, the cancelation of donations.⁴⁶ These social benefits were probably chosen for economizing for three reasons: They were neither granted by law nor by collective agreement, they were only indirectly beneficial to the employees and the saving result could be achieved with the most immediate effect. At the same time, the chairman encouraged the faster realization of the employees’ suggestions in order to save more money.⁴⁷ This means the board did not intend to lower the remunerations for the suggestion scheme, but nonetheless they sank in 1974 and 1975.

Since the subject of dissolution contracts had become conceivable, the Volkswagen executive board stopped discussing cutting social benefits, except for donations to external institutions like sports clubs and nursery schools.⁴⁸ Although on July 1st 1975, the production manager Günter Hartwich mentioned first signs of a lack of personnel⁴⁹, in October the board again discussed savings in the social field. Altogether, negotiations with the work council were planned about reducing the supplementary social benefits from 30 to 20 million DM per annum. Up to this time, three million had been saved by restricting several allowances like these for employees moving.⁵⁰ Furthermore, the reduction of financial benefits like the Christmas bonus should be examined and the “special payment” was to be halved. The

⁴³ VWW, Minutes of the board meeting on 15.1.1974, p. 5, and on 23.1.1974, p. 8 f., in: UVW, Z 69 No. 731/1.

⁴⁴ VWW, Minutes of the board meeting on 18.3.1974, p. 6, in: UVW, Z 69 No 732/1.

⁴⁵ ”Es besteht Einvernehmen darüber, daß mit sofortiger Wirkung keine Wohnungen mehr gebaut und der Bau von Wohnungen nicht mehr gefördert wird.“ VWW, Minutes of the board meeting on 15.8.1974, p. 11 f., in: UVW, Z 69 No. 732/1.

⁴⁶ VWW, Minutes of the board meeting on 15.8.1974, p. 13, in: UVW, Z 69 No. 732/1.

⁴⁷ VWW, Minutes of the board meeting on 15.8.1974, p. 13, in: UVW, Z 69 No. 732/1.

⁴⁸ VWW, Minutes of the board meeting on 27.5.1975, Board motion from 15.5.1975, in: UVW, Z 373 No. 1780/2.

⁴⁹ VWW, Minutes of the board meeting on 1.7.1975, p. 13, in: UVW, Z 373 No. 181/2.

⁵⁰ VWW, Minutes of the board meeting on 28./29.10.1975, p. 6 f. and annex, in: UVW, Z 373 No. 183/2.

employee busses, except those for disabled persons, were meant for cancellation, as well as the residential homes for immigrant laborers at the *Berliner Brücke*.⁵¹ Effectively, the expenses for the special payment even rose: On average, the individual employee received a 20.4 % higher amount than in 1974.⁵² The reduction of the social benefits in general was not realized. The main reason for this result was that the joint works council expected obligingness of the executive board concerning social measures, as a concession for his cooperation concerning the dissolution contracts.⁵³ A proof of this hypothesis is given in the files of the employees' representatives of 1976: A to-do-list of the joint works council mentioned the request of the personnel manager Peter Frerk to reduce the additional social benefits. It had been commented in handwritten form: "we don't take note of it!"⁵⁴

For Peugeot, the rather short crisis from 1974 to 1975 does not seem to have had serious consequences for the corporate social policy. The drop of the obligatory profit sharing to zero in 1974 and to 19.9 million in 1975 was logical because the net benefit realized did not exceed 52 million respective 109.7 million Francs, but the budget of the work council that was linked to the payroll, doubled from more than 15 million Francs in 1974 to 1980. Nonetheless, the work council claimed that Peugeot neglected its responsibility to invest in the social domain, especially with regard to the vacation homes for the employees' children.⁵⁵

In contrast to the measures for the improvement of the working conditions and lots of other social benefits like the profit sharing at Volkswagen, the building loans were not fixed by collective agreements. We have seen that the first oil shock led to a stagnation of the acceptance of building loans and their value at Peugeot, but that in 1980 there was a more important impact. The years 1973 and 1979 constituted local maxima concerning the number of Peugeot's building loans. Does this indicate a significance of the oil crisis for Peugeot's willingness to distribute the building loans? The evidence suggests that Peugeot did not dedicate less money per employee after 1973. Therefore, two explanations are conceivable: Either the company preferred giving a smaller number of higher loans to its qualified employees during the first oil crisis, or the employees themselves hesitated asking for a building credit in times judged as economically insecure. In any case, the company crisis

⁵¹ VWW, Minutes of the board meeting on 28./29.10.1975, annex, in: UVW, Z 373 No. 183/2.

⁵² VWW, Annual report of the personnel and social department Wolfsburg, 1975, in: UVW, Z 69 No. 711.

⁵³ VWW, Minutes of the meeting of representatives of the board and the joint works council on 25.11.1974, version joint works council, p. 10, in: UVW, Z 119 Nr 678/1.

⁵⁴ „nehmen wir nicht zur Kenntnis!“, Things to deal with for the joint works council respective its board, undated [2nd half of 1976], in: UVW, Z 119 No. 516.

⁵⁵ AP, Minutes of the Sochaux work council meeting on 23.7.1975, p. 57, in: CE.

following the acquisition of Chrysler Europe and the second oil crisis caused a visible choc in both graphs. The employee building loans distributed by Volkswagen followed a converse development, as the crisis of 1973 had a greater impact than the price shock in 1979. The chart shows that since 1974, the acceptance of loans and their value per employee declined due to the credit stop till its revocation in late 1976, so it was the oil price shock in connection with the company's crisis that caused the decrease. This means that in both cases, the expenses for individual construction were reduced during the oil crisis affecting the companies the most – 1973/1974 for Volkswagen, 1979/1980 for Peugeot. This is not only comprehensible from the point of view of saving costs, but also considering the aim of the corporate housing policy, that is attracting and retaining employees. In times of dismissal, the housing policy took a back seat.

b) Temporary Cuts in Social Welfare

If the oil crises were indeed opportunities to decide or at least discuss on the omission of social benefits, lots of the measures agreed upon by the managements were never realized or stopped shortly after the crises. For instance, the Volkswagen executive board could not realize the sale of the vacation home in Schulerberg because at first, the work council opposed it⁵⁶, and then it proved to be unsalable.⁵⁷ Moreover, there were path dependencies and most social institutions which had been founded by the companies themselves could not be canceled immediately. The managers were aware of these problems: In 1974, the personnel manager of Volkswagen Frerk described the complete omission of social benefits like the vacation homes as hardly possible so that in his opinion, the goal had to be stopping or at least decelerating the increase of the costs resulting from social benefits.⁵⁸ Besides these constraints, the management also had an interest in keeping cuts in the social system temporary because certain benefits served a purpose for the company, like the housing policy. The funding of individual construction can be also be taken as an example for the short-term nature of many decisions on cost cutting in the social domain. When in 1973 the Sochaux works management first mentioned the eventual effects of the oil crisis to the work council, there was no indication that Peugeot wanted to react by cutting social costs.⁵⁹ Nonetheless, regarding Figure 1, the number of loans dropped distinctively in 1974 and stagnated

⁵⁶ VWW, Minutes of the meeting of the joint works council on 21.6.1972, UVW, Z 119 Nr. 514/2; VWW, Minutes of the board meeting on 29.10.1974, p. 12, Z 373 No. 175/1.

⁵⁷ VWW, Minutes of the board meeting on 5.11.1974, p. 7, in: UVW, Z 373 No. 176/3.

⁵⁸ VWW, Minutes of the board meeting on 30.04.1974, in: UVW, Z 69 No. 732.

⁵⁹ AP, Minutes of the Sochaux work council meeting on 27.11.1973, p. 8, in: CE.

subsequently. Its renewed rise starting in 1977 was put to a stop after 1979, due to Peugeot's economic difficulties. The total amount of the credits had stagnated from 1972 to 1977, in order to follow the same development as the loans afterwards. The case of Volkswagen illustrates the temporary effect even better: The company had stopped the construction of tenements in 1974. Although in the long run, building loans were thought to substitute the social housing prevailing before, their allocation was also restricted during the crisis. As a consequence of the oil and the company's crisis, the amount of the loans as well as the number of accommodations subsidized dropped in 1974 and almost reached zero in 1976. While the recovery of the individual construction funding recommenced with the annulment of the building loan stop in December 1976, the construction of tenements was not restarted in the previous way: The Volkswagen real estate companies managed and renovated their housing stock instead of constructing new social housings. In both cases, the number of homes constructed with funding of the companies diminished after 1973 and then for Peugeot, again after 1979 and for Volkswagen, after 1980.

The suggestion schemes show a different picture: In 1972 at Peugeot, the rock bottom of the amount of the suggestion award per employee was hit and only after 1974, there was a distinctive reversal of trend. Although this might have coincided with the oil crisis, the larger picture from 1968 to 1979 shows us that Peugeot has spent the highest amount per employee in 1968. In 1974, this value had restarted growing and in 1976, it exceeded the even higher rate of 1967. Concerning Peugeot's suggestion awards, the oil price shock in 1979 did not leave a detectable influence. With regard to Volkswagen, there were more visible breaks following the oil crises: The highest awards per employee are found in 1973 and in 1978, before the crisis had an impact on the future expenses of the company. After cuts in 1974/1975 and 1979, the graph slowly recovered.

What does this development indicate? After the first oil crisis, Volkswagen reduced its expenses for suggestion awards and those of Peugeot stagnated, so we can see a certain influence of the mark-up in oil on the sum spent per employee. After the second oil price shock, Volkswagen again redistributed less of the savings brought about by the suggestion scheme. For Peugeot, even without data for 1977 and 1978, we can see that the amount of the awards per employee rocketed upwards in 1979, and there was no crash in 1980.⁶⁰ This lesser effect on Peugeot's suggestion scheme can be explained by the fact that the company attached great importance to its suggestion system. Moreover, suggestion schemes usually do not cause

⁶⁰ AP, Minutes of the Sochaux work council meeting, 21.7.1980, S. 39.

costs, but they realize benefits for the companies. That was a major point to let them expand during the 1970s when it was a major preoccupation of automobile companies to reduce their costs. For example, the CEO of Volkswagen, Rudolf Leiding, conceived the employees' suggestions as a contribution to getting out of the crisis.⁶¹ It was in the companies' interest to promote the system especially in difficult times, but apparently for Volkswagen, it did not seem necessary or possible to invest more money to keep it going.

As Volkswagen experienced harder consequences through the first oil crisis than Peugeot, it is not surprising that Volkswagen temporarily reduced a greater range of benefits: For instance, the subsidies to the free distribution of milk and to the *Wirtschaftsbetriebe*, consisting of the canteens and other firms providing mainly food, as well as the transportation of employees without disability were restricted⁶², whereas the building loans, the construction of tenements were stopped. However, the company was not able to lower the expenses for the Christmas bonus or the "special payment" as they had previously been fixed in collective agreements.

c) Momentum of the Corporate Social Policy

Having described the influence of the oil crisis on Peugeot's and Volkswagen's corporate social policies, one cannot pass without having a word about improvements brought about by the crisis, as well as about other changes which happened parallel to the crisis, but were not related to it. Besides the changes provoked by the companies' managements, other transformations had different roots.

Talking about improvements, one important factor is the focus on working conditions. Although issued before the oil crisis of 1973, ACAC and the continued pay were permanent discussion and publication matters during the oil crises. Concerning Volkswagen, the work council was eager to discuss on this topic parallel to accepting the dissolution contracts. In contrast, it had been Sochaux's personnel manager who had brought about the ACAC system after having consulted with the labor unions and who highly promoted the system in the company's newspaper.⁶³ Admittedly, in comparison to the other measures the amount spent on ACAC and the continued pay was not very high, but it provided security to the workers affected by decreased output due to their employment.

⁶¹ VWW, Minutes of the board meeting on 15.8.1974, p. 13, in: UVW, Z 69 No. 732/1.

⁶² VWW, Annual report of the personnel and social department Wolfsburg 1975, p. 40, in: UVW, Z 69 No. 711.

⁶³ Claude Archambault, ACAC. L'assurance contre les aléas de carrière, press conference on 28.11.1973, p. II.

At Automobiles Peugeot, the conclusion of an agreement between the general direction and the work council of Sochaux in 1966 was important, granting the last a 1.37 percentage of the annual payroll for the management of social institutions and activities. Since that time, the work council was no longer obligated to negotiate with the general direction every year about the amount of money to spend on each activity, but it could, within its legal attributions, use the 1.37 percentage in the way it judged advantageous. This new rule brought about an incremental change of the social institutions, notably in vacation and leisure organization and in social assistance. For instance, the work council's majority ordered to restrict the distribution of baby clothes to the employees or their wives on the occasion of childbirth in 1965/1966 to people with low resources and to the first and second birth.⁶⁴ In July 1975, this measure was canceled completely because the work council considered that it did not conform to the employees' needs any longer.⁶⁵ According to the budget regulation of the work council, the money saved in this activity could be invested in other domains and mainly served to diversify the vacation offer.

At Volkswagen, an important change was made in the vacation policy, with the introduction of a lump sum payment instead of two weeks' vacation in one of the company homes in 1969. Considering the existing waiting lists, the work council had agreed to it. At first, there only was a hesitating demand for the lump sum, comprising about a quarter of the affected personnel in 1970. Having claimed that the employees preferred an individual holiday⁶⁶, the personnel management implemented a self-fulfilling prophecy by terminating the tenancy agreements concerning five vacation homes. Subsequently in 1971, more than 60 per cent of the employees decided against a stay in the vacation home, rising to 87.3 per cent in 1975. This development facilitated the discussion about selling the company's costliest vacation home in Schulenberg, but the work council opposed it successfully.⁶⁷ Although not planned alike, the system did not become less expensive for Volkswagen than it had been previously because more and more people obtained either the recreation lump sum or a stay in the home in Schulenberg.

⁶⁴ Sochaux work council, Report on the management of the social institutions, 1966, p. 7 f.

⁶⁵ AP, Minutes of the Sochaux work council meeting on 5.2.1973, p. 9 ff., in: CE; Minutes of the Sochaux work council meeting 30.5.1975, p. 152 ff., in: CE.

⁶⁶ VWW, Minutes of the employees meeting on 21.12.1970, in: UVW, Z 119 No. 1194; VWW, Annual report of the personnel and social department Wolfsburg, Z 69 No. 708. Minutes of the employees meeting on 28.10.1974, Z 119 No. 1197. VWW, Minutes of the board meeting on 28./29.10.1975, p. 6, Z 373 No. 183/2.

⁶⁷ VWW, Correspondence coordination welfare-joint works council on 16.9.1974, in: UVW, Z 119 No. 678.

Conclusion

Summing up, both companies pushed the individualization of their social benefits, according to the employees' expectations, for example, of a vacation with their family. Second, they increasingly tried to condition their social benefits, for instance with the introduction of the 13th-month pay at Peugeot. Finally, they concentrated more and more on their employees as core target group of their social policies from the middle of the 1960s. There are two striking similarities between these three trends between Volkswagen and Peugeot: In comparison to the social innovations during the previous decades like the distribution of a Christmas bonus, they didn't affect but a small part of the personnel. An exception was the amount of suggestion awards distributed by Peugeot: Regarding their importance, they can be considered as a profit sharing system, serving to improve the productivity. Probably, the suggestion scheme of Volkswagen followed a differing development because the system had a different position and dimension in the company's policy. Despite the small number of employees annually affected by the social measures in focus during the 1970s, those were highly promoted and used as flagship projects by the automobile constructors.

It is difficult to distinguish between the impact of the oil crisis and the companies' crises, as Volkswagen's experienced sale and thus financial problems from 1971 to 1972 and 1973 to 1975 and Peugeot from 1973 to 1975 and 1979 to 1985. The evidence indicates that it was not principally the oil price crises that had influence on the companies' social policy, but that combined with the companies' critical financial situations, they had an impact on the corporate social policy of the automobile constructors. If both companies disengaged from certain activities during the oil crises, these decisions were not necessarily linked to the economic crisis. Nevertheless, a lot of these restrictions were facilitated, if not determined by the crisis. Besides, the managements could not take these decisions on their own, because the work councils tried to prevent their implementation several times. In some respects, the companies even took the crises as an inducement to improve social measures. Therefore, we cannot generally conclude that during periods of economic crisis, companies will reduce their social benefits.

Author

Ute Engelen
Bielefeld University
Bielefeld Graduate School in History and Sociology
Postbox 10 01 31
33501 Bielefeld
Germany
Ute.Engelen@gmx.de