

Collective Bargaining on Employment and Competitiveness in Austria

Manuela Blum
Jörg Flecker
Lisa Fischer
Christoph Hermann

FORBA Research Report 3/99

European Foundation for the Improvement
of Living and Working Conditions

Project No. 0211/ Contract No. 98-3030-18

Forschungs- und Beratungsstelle Arbeitswelt (FORBA)
(Working Life Research Centre)
A-1020 Wien, Aspernbrückengasse 4/5
Tel.: +43 1 / 21 24 700-0
Fax: +43 1 / 21 24 700-77
email: office@forba.at
<http://www.forba.at>

CONTENTS

1.	<i>NATIONAL OVERVIEW</i>	1
1.1.	<i>The Relevance of Negotiating Employment Policy and Competitiveness on the Industrial Relations Agenda</i>	2
1.2.	<i>Employment and competitiveness in sector level collective negotiations</i>	5
1.3.	<i>Nature and Diffusion of Agreements on Employment and Competitiveness at Company Level</i>	9
1.4.	<i>Conclusions: the nature of agreements and consequences for collective bargaining</i>	21
2.	<i>CASE STUDIES</i>	25
2.1.	<i>The flexible seven-day week model at Philips Lebring</i>	25
2.1.1.	<i>The company</i>	26
2.1.2.	<i>The background to the agreement</i>	28
2.1.3.	<i>The motives for the agreement</i>	29
2.1.4.	<i>The course of the negotiations</i>	30
2.1.5.	<i>Contents of the agreement</i>	31
2.1.6.	<i>The effects of the agreement</i>	32
2.1.7.	<i>The future of the enterprise</i>	34
2.1.8.	<i>Evaluation of the agreement</i>	34
2.2.	<i>The Social Plan at Austria Post and Telecom (Post- und Telekom Austria AG, PTA)</i>	36
2.2.1.	<i>The company</i>	37
2.2.2.	<i>The background</i>	38
2.2.3.	<i>Motives</i>	39
2.2.4.	<i>The course of the negotiations</i>	39
2.2.5.	<i>Contents of the agreement</i>	41
2.2.6.	<i>Effects</i>	42
2.2.7.	<i>The future of the enterprise</i>	43
2.2.8.	<i>Evaluation</i>	43

2.3.	<i>The Steyr Open Work Foundation</i>	44
2.3.1.	<i>General development of work foundations in Austria</i>	45
2.3.2.	<i>The Steyr Open Work Foundation – "founding not dole"</i>	49
2.3.3.	<i>An exemplary member company: SNF (Steyr Nutzfahrzeug AG)</i>	54
2.4.	<i>DIE ERSTE BANK – The first of the Austrian Savings Banks</i>	56
2.4.1.	<i>The Company</i>	57
2.4.2.	<i>The Background</i>	58
2.4.3.	<i>Motives</i>	59
2.4.4.	<i>Course of the negotiations</i>	59
2.4.5.	<i>Content of the agreement</i>	60
2.4.6.	<i>Effects</i>	61
2.4.7.	<i>The current situation and future perspectives</i>	62
2.4.8.	<i>Final assessment</i>	63
	<i>BIBLIOGRAPHY</i>	65
	<i>ACKNOWLEDGEMENTS</i>	67

1. NATIONAL OVERVIEW

Little is known about the nature and the diffusion of employment pacts. This information gap was one of the reasons for the European Foundation to set up the international project. Unfortunately, in Austria the lack of information is particularly marked. There are no data available on the frequency of agreements on employment and competitiveness at company level because no surveys have been conducted so far on that topic. Even estimates are rare. In order to obtain such information we carried out expert interviews with representatives of trade unions and employers' associations. Before the telephone contact, the project was presented to our interlocutors in a letter. The interviews were based on a guideline that covered the information asked for in the project outline. In addition, information was gathered on the current situation of sector level collective bargaining on employment and competitiveness. Between January and March 1999 approximately 25 expert interviews were conducted. The case-studies are based on company documents and on three to four interviews in each company.

Other sources of information turned out to be less productive. In a first step we had consulted the official collection of works agreements (*Betriebsvereinbarungen*) at the Chambers of Labour. It turned out that an analysis of these collections can hardly provide the desired information in spite of the legal requirement that all formal company level agreements should be deposited with the Chambers of Labour: The collection is rather incomplete because the legal requirement is frequently not complied with, and the structure of the collection does not allow to directly select those of relevance to the project. In addition, the federal structure of the Chamber of Labour means that collections are kept at regional level, i.e. in nine chambers in different locations. Due to all these obstacles and taking into account the temporal and financial limitations of the project the only 'official', though probably not very fruitful, source of information could not be used.

With some exceptions, e.g. a survey of agreements on flexible working hours in the metal industry, expert interviews therefore seemed the appropriate source to obtain the required information on the diffusion of agreements. After a first round of interviews on the nature of negotiations and agreements at sector and company level, and based on their results, we asked some of our interlocutors from trade unions and employers' associations again to give as precise estimates as possible on the diffusion of agreements on employment and competitiveness. The experts from the social partners and in particular from the trade unions are familiar with the situation in the companies and their accounts coincided to a large degree. In spite of all limitations we can therefore present a quite accurate picture of the current situation in Austria.

1.1. The Relevance of Negotiating Employment Policy and Competitiveness on the Industrial Relations Agenda

In Austria unemployment rates are lower than in most other countries of the EU. Currently, only The Netherlands and Luxembourg report lower unemployment rates. However, the situation has deteriorated considerably during the last decade. Based on the national calculating method the annual average unemployment rates rose from 1.9% in 1980 to 7.8% in 1997 (ÖSTAT 1998). As a consequence, employment policy and competitiveness have become primary concerns of Austrian politics and industrial relations. The character of the debate was strongly influenced by the accession to the European Union and by EU employment policies. With the National Action Plan for Employment (NAP) from April 1998, in particular, labour market issues were put on top of the policy agenda.

As a matter of course the social partners are deeply involved in the development and the execution of the NAP, not in their capacity as negotiating parties, but within the framework of a consensus typical of the Austrian Social Partnership. It is not possible and probably unnecessary in this report to describe the social dialogue at the central level and the involvement of the social partners in state policies. We will therefore only give a brief account of those regulations that are crucial to an understanding of the negotiations and agreements on an enterprise level.

According to the principles of the Social Partnership the trade unions and the employers' associations are involved in most of the areas of state policy. In the area of employment and labour market policy the social partners play a decisive role in economic and social policy, in legislation, and in the superintendence of the Public Employment Service (Arbeitsmarktservice – AMS). It is not surprising, therefore, that we find an immediate connection between the different levels of policy which, as a rule, supports the implementation of measures taken centrally. In the following we will focus on such regulations that are, or could be, important preconditions for negotiating employment policy and competitiveness at company level:

- the amendment of the Working Hours Act in 1997 widened the scope for sector collective agreements and work agreements on flexible working hours
- legal regulations make it possible for the social partners to establish Work Foundations at sector and company levels in the case of redundancies
- legal provisions for "Training Leave" and "Solidarity Bonus" offer opportunities for a redistribution of work

The legal regulations on working hours:

The law prescribes a normal working time of 40 hours a week and 8 hours a day. Exemptions are allowed for by the law: for example the daily normal working time may be expanded to 9 or 10 hours to compensate for time off on working days before or after public holidays. In the retail trade flexible working hours are possible, the average of 40 hours a week has to be reached within 4 weeks. For all other workers the Working

Hours Act 1997 provides opportunities to implement flexible working time schemes. Basically, the payment of an overtime bonus may be avoided in certain cases of extended daily working hours. Sector collective agreements as well as works agreements become important means of regulation, because the negotiating parties are empowered to define the scope for flexibility. So, for example, the weekly working hours may be expanded to 50 provided the balancing period within which the average weekly working hours fixed in the law or in the collective agreement have to be reached is no more than 8 weeks. For longer balancing periods the weekly working hours may reach 48 hours. In all these cases the daily normal working time must not exceed 10 hours.

There are other exemptions from the rule of 40 hours a week and 8 hours a day, for example for shift-work, "decade-work", legitimate overtime, truck-drivers etc. By law overtime is limited to 5 hours a week and, additionally, 60 hours a year. The collective agreement may additionally allow 5 more hours overtime a week. The overtime bonus is also regulated in the collective agreement, in the absence of which a 50% bonus applies.

Employers can reduce working hours only with the consent of the employees. Usually lower working hours imply less pay. Also severance pay and other claims in case of lay-off are calculated on the basis of the last salary. In case of part time work, workers are usually entitled to an overtime bonus if the 40 hours a week are exceeded.

Works councils may negotiate the reduction and the extension of working hours. However, if this is not part of an agreement on short-time work concluded by the unions and the employers' associations, the consent of individual employees is needed for the validity of salary cuts.

Work Foundations (Arbeitsstiftungen):

Work Foundations, which are based on the AMS Act 1994 and the Unemployment Insurance Act (1977), have become one of the most important means of coping with the negative effects of economic structural change on the labour market. They provide collectively agreed employment-related measures for persons after lay off: "Employment foundations are established by enterprises which – within the framework of the social plan and in agreement with the works council – are proposing large-scale manpower reductions; They consist of a package of measures which, depending on individual needs, comprises vocational guidance, active job-search, periods of practical training, (further) qualification and support for proposed business start-ups." (Employment Observatory 1998:108) In addition to enterprise foundations regional and sectoral foundations have been established. In 1997 more than 3,000 people participated in one of the various work foundations in Austria. According to evaluation studies more than 70% of the former members of work foundations find new employment (Employment Observatory 1998:109). The social partners are involved in setting up work foundations: If, after an agreement within the company, trade unions and the Chamber of the Economy give their approval to the establishment of a work foundation, the AMS is obliged to recognise it.

Solidarity Bonus, Training Leave and part time work for elderly workers:

The reform of the pension system in 1997 was accompanied by legal and labour market policy measures that aimed at delaying the age of retirement. Given the fact that early retirement had been an important means to solve employment problems in Austria, negative effects on the labour market had to be expected. These were to be mitigated by new options of paid and unpaid leave as well as by possibilities to distribute work among more employees.

In the case of "Training Leave" the employer and the employee agree on unpaid leave for a time span of six months up to one year, reserving the right to further employment. Under certain conditions the Public Employment Service financially supports employees on training leave, provided they take part in training activities. However there is no entitlement for workers to go on leave. The financial support is not dependent on the participation in training schemes if the company takes on a substitute.

The "Solidarity Bonus Model" proposes the reduction of working hours and the recruitment of substitute employees. The conditions can be regulated by collective agreements or works agreements. Those employees who reduce their working hours, as well as the substitute employees (provided they have been unemployed before), are entitled to a bonus payment from the Labour Market Service. The amount of the bonus depends on the fictitious unemployment benefit.

So far the actual utilisation of the legal provisions for training leave, solidarity bonus and part time work for elderly employees is minimal; hardly any employees have reduced their working hours to the benefit of others, and only some 200 people went on training leave.

1.2. *Employment and competitiveness in sector level collective negotiations*

There are important reasons for giving an overview on how the issues of employment and competitiveness are dealt with in collective negotiations at sector level although this is not the main topic of the project. Not only is the sector level the main negotiating level in Austria but also do sector collective agreements, apart from the law, provide the framework for negotiations and agreements at the company level ("works agreements"). Works agreements only constitute enforceable rights if they regulate matters where labour law or the collective agreements state that these are to be regulated by works agreements.

In the following we give a brief overview of recent agreements on issues that relate to employment and competitiveness. Special focus is put on such regulations that require or allow agreements at the company level.

Reduction of working hours:

The reduction of working hours is an important topic on the industrial relations agenda in Austria, yet few changes have occurred recently. The collective agreement for the *paper producing industry* from January 1999 stipulates that the weekly working time has to be reduced to 36 hours within 3 years (a 38 hours working week was agreed upon in 1987). Prior to the new agreement at sector level a majority of companies introduced the 36 hours week by way of works agreements. The Chemical Workers Union expects a positive employment effect, i.e. the limitation of the ongoing reduction of personnel.

In the *printing industry* the weekly working time agreed upon is 37 hours and in newspaper companies 36 hours, with a working week of 34 hours applying to the fourth shift. In addition, a 25% bonus in time off as well as a 50% bonus in pay has been agreed upon for the period of time between 2 and 6 a.m.

Night-work for women:

The legal ban on night work for women in the manufacturing industries was abolished in January 1998 making it possible for sector collective agreements to allow and regulate night work. In March 1998 a collective agreement on night work for women was concluded for the *metal industry*. It is based on the principle of voluntariness and provides the opportunity for employees to return to day work. The collective agreement for the *food, beverages and tobacco industries* from October 1998 stipulates that night work has to be regulated by works agreement. Among other things, it provides for the employees' right to return to day work, for medical checks paid for by the employer and for the advertisement of day posts. The agreements on night work for women in manufacturing have an impact on employment policy inasmuch as the ban on night

work can be seen as "protective discrimination", i.e. as reducing employment opportunities for women.

Flexible working hours / overtime payment:

Based on the amended law on working hours (see chapter 1.1.) a large number of collective agreements on flexible working hours was concluded. In summer 1998 some 50 different sector agreements were in force on flexibility schemes. As a rule they do not directly address employment policy. Rather, they allow companies to adapt working hours to capacity utilisation without paying overtime bonuses, and thereby lead to a reduction of labour costs. In some cases the agreements include regulations that aim at safeguarding employment.

In 1997 collective agreements were concluded for the *metal industry* and the *metal crafts* on the flexibility of working hours with a maximum working time of 9 hours a day and 45 hours a week. The companies are required to keep "time accounts" for their employees. These must not exceed 120 hours and have to be balanced within one year. If the overtime worked during that year is not fully compensated by time off, a bonus has to be paid that exceeds the usual overtime bonus; this means that the costs for these hours are higher than they would be without the flexibility agreement. This regulation aims at creating an incentive to limit overtime and thus to safeguard employment. The companies utilising the regulation, i.e. implementing it by way of a works agreement, renounce the employment of agency workers.

Based on a survey of the actual utilisation of the agreement the Union of Metal Workers argues that only some 10 percent of the companies implemented a flexibility scheme (see chapter 1.3. below). This is seen as an indication that only those companies that really need flexibility for competitive reasons do make use of the opportunity to economise on overtime bonuses through flexible working hours.

In January 1998 the weekly working hours in *Glassworks* was expanded to a maximum of 48 hours, the average working time being 38 hours. The Union of Chemical Workers aims at reaching a reduction of working hours in all flexibility schemes in order to secure employment. The collective agreement expires in summer 1999 and will be subject to re-negotiation.

The flexibility scheme in the *Paper and board manufacturing industry* states that weekly working hours may vary between 36 and 40 hours, the average working week of 38 has to be fulfilled within 13 weeks.

In the *construction industry* an "annual employment model" came into effect in July 1996. Its aim is to shorten the period of unemployment during the low season. This is to be achieved by flexible weekly working hours, fixed dates for the annual holidays in December and January and a special bonus for those employers who keep their workforce during the public holidays in winter (e.g. Christmas) that has to be paid for by those companies with earlier lay-offs. Taken together these measures can result in a prolongation by up to six weeks of the employment period. After the first year in

existence the effects of the regulation were regarded as quite positive. Compared to the previous year, in 1996 employment figures actually showed a lower maximum number of employees in summer and a plus of 7.500 employed in the last week of December. Based on these data the Union of Construction Workers argued that the agreement successfully reduced the number of lay-offs before the public holidays in December (BAU-HOLZ 4/97).

Construction industry	1995	1996	1997	1998
employment in July (monthly average)	119.913	115.645	111.055	106.303
employment in the last week of December	73.675	81.290	81.000	80.458

(source: BUAK)

However, due to the low number of contracts and the consequent problems of capacity utilisation already in summer and autumn 1998 the model did not have the intended effects in winter 1998/99.

In *printing* an old but interesting regulation for overtime exists. The compensation for overtime can only be in money if there are no appropriate workers registered at the local Employment Office. Otherwise time off has to be offered for overtime plus a 50% bonus in pay (unless the works council agrees to the payment of the overtime compensation). The provision was introduced in a period of high unemployment some 30 years ago and is still part of the works agreement for the sector.

Weekend work:

The Working Hours Act of 1997 allows for the introduction of Sunday work on economic grounds as the result of an agreement between the unions and the employers' association: "The collective agreement may permit additional exemptions from weekend work and public holiday regulations leave if this is required for preventing economic disadvantages or for securing employment." (§12a, ARG)

By the end of 1998 three companies in the *metal industry* had received such an exemption. It is the aim of the metal workers union GMBE to achieve a reduction of working hours to 32 or 33 hours a week in case of Sunday working.

Wage reduction:

The reduction of labour costs through eliminating or re-negotiating fringe benefits can be found not only at company level (see below) but also at the level of sector collective agreements. For example, in the *paper and board manufacturing industry* the sector collective agreement offers the opportunity to reduce the 50% "multiple colours bonus" by way of works agreement. The bargaining parties of the *food and beverages industries* removed some of the bonuses that were provided for in the collective agreements.

Training:

The collective agreement for *electricity-supply companies* concluded in November 1998 contains the right of workers to have one week paid leave for education or training per year: "On his/her request leave for education or training has to be granted to an employee up to a maximum of one week per year. The claim is only legitimate for training events that promote personal development and that provide knowledge or skills that can be applied within the areas of activity of the enterprise which is subject to the collective agreement." The companies are required to set up funds for this purpose that are jointly administered by management and works council. It was the aim of the unions GMBE and GPA that younger workers should take leave for training purposes and this should make it possible for older workers to remain employed until the age of retirement.

Training leave has become an issue in collective negotiations at sector level. During the negotiation round in autumn 1998 trade unions and the employers' organisation *Wirtschaftskammer Österreich* (WKÖ) discussed the opportunities for supporting the implementation of the measure for white collar workers in a large number of sectors. In a joint declaration the negotiating parties agreed to support the instrument of training leave by way of recommending the conclusion of works agreements on the matter. They argued for a reconciliation of the aims of the company and the training goals of the employees. Training leave should be possible in particular in the case of re-entry into gainful employment. In this situation the protection against lay-off should be continued during the training leave.

"The employer should accept employees' applications for training leave and conclude an appropriate agreement if there are no detrimental effects on company interests and if there is a guarantee that the technical further training can be utilised in the company" (WKÖ 1998:67). The collective agreement does not provide for the employee's claim to training leave nor does it allow works councils to enforce the conclusion of an employment agreement on the matter. In its advisory function it only offers guidance to the social partners at company level. The joint declaration was included also in other collective agreement, e.g. the collective agreement for blue collar workers of the *petrol industry* and the *metal industry*.

1.3. *Nature and Diffusion of Agreements on Employment and Competitiveness at Company Level*

There is a great variety of agreements at company level in terms of issues, legal characteristics and industrial relations implications. It is difficult to single out employment pacts because aspects of employment may be touched explicitly or implicitly in agreements on various issues. In the following we are describing the most important issues that may be dealt with in agreements on employment and competitiveness. One important finding was: Employment is rarely treated in an explicit way, and employment guarantees hardly exist. When describing the nature of agreements on certain issues we also briefly present the legal background. This is necessary to understand the room for manoeuvre the social partners have at company level.

"Social Plans":

According to Austrian Labour Law the works council has to be informed as early as possible if parts of an establishment or the whole establishment is to be reduced, relocated or closed or a large number of employees is to be made redundant. If such measures have detrimental effects on all or a large part of the workforce, a social plan can be agreed upon. Social plans usually include increased severance pay, company pension payments until the retirement age is reached, further use of company housing, covering re-training costs etc. If no agreement is reached with management, the works council may enforce a social plan through a conciliation procedure.

There are no data on how frequently social plans are agreed. In our interviews it became clear, however, that this is the most widespread form of negotiation on employment in Austria. Based on the legal provisions referred to above, social plans are concluded in many companies if the conditions apply. There are differences, however, between large and small companies and between sectors. In the metal industry, for example, apart from cases of insolvency social plans are agreed in case of large-scale lay-offs and restructuring in virtually all companies with a works council. The representative of the white collar workers union GPA estimated that in such cases two thirds of all large companies in industry - as compared to crafts – do reach an agreement on a social plan.

After Austria's accession to the European Union a special fund was established for the dairy industry to provide funds for social plans agreed at company level. In that industry social plans were very frequent during a limited period of accelerated structural change.

Several trade unionists observed that transnational companies seem to be more willing to agree to works councils' demands in such negotiations. Employment guarantees for the remaining employees are rare, partly unheard of. It is, however, sometimes stated in the preamble of the agreement that the measure aims at safeguarding the employment or, as the case of PTA shows (see case-study in part 2), regulations on voluntary

redundancies implicitly mean that the company does without compulsory lay-offs. The *Printing and Paper Union* reports their involvement in three negotiations on a social plan in 1998. In none of these cases the provisions for those made redundant were accompanied by employment guarantees for the remaining workforce. The *retail trade* experienced many cases of restructuring and negotiations on social plans in recent years. According to the union GPA, in none of these cases an employment guarantee was concluded for the remaining workforce.

Example: Site Guarantee at Unilever

Unilever is an Anglo-Dutch food company with several sites in Austria. From 1995 onwards after Austria joined the EU (as a result of which the import controls on food to protect Austrian agriculture were lifted), the company started restructuring its business activities in Austria. Their result was the sale, transfer and discontinued production of certain lines and closure of sites. Since 1992, the number of Unilever employees in Austria has fallen from 4,000 to 1,200. For two threatened sites, Vienna-Atzgersdorf (Kuner) and Groß Enzersdorf (Austrofrost), the company management declared itself ready to include a site guarantee up to the year 2000 and 2001 respectively in the works agreements. These site guarantees, however, do not constitute employment guarantees. The works council demanded guarantees for the sites during the negotiations on redundancies and social plans. In the case of Groß Enzersdorf the workforce has been almost halved, cut by some 400 employees, based on a social plan, because of the discontinuance of ice-cream production. At the same time, the employees declared their readiness to forgo "fringe benefits" and to take wage cuts of 10 to 20 per cent. Continuous shift working is also to be introduced this year, again in a works agreement. Since the discontinuance of ice-cream production, frozen foods products (vegetables and pastries) are still produced at Austrofrost. Kuner produces lard, cooking oil, margarine and mayonnaise. From 1995, the product range here has also been reined in and the workforce reduced from 350 to 120 employees. According to the works council, both plants were highly profitable enterprises before the restructuring. Nevertheless, in both cases it is not clear what will happen after the expiry of the site guarantees. Unilever is endeavouring to centralise its foodstuffs production in so-called Euro-factories. The ice-cream that was produced in Groß Enzersdorf is now being manufactured in Italy and Germany.

Re-negotiation of wages:

The legal situation is, in principle, that the wage is set in the individual employment contract. This contract is not valid if it provides a wage below the wage floor set in the (sector) collective agreement. In such a case the regulation on minimum wages of the collective agreement applies. Apart from wage increases through (usually annual) bargaining rounds, white collar workers are entitled to regular increments based on seniority.

Many companies pay wages above the floor set by the collective agreement. The reduction of the actual wages requires the consent of every single employee because

wages are primarily agreed on in individual employment contracts. In case of collective negotiations the consent of the works council therefore is formally not sufficient.

Based on the hourly wage set in the collective agreement wages are directly linked with working hours in a way that any reduction of working time leads to a decrease in wages. In case of performance related pay the average pay has to be equal to or above the wage floor of the collective agreement.

There are cases where wages are reduced in companies with economic difficulties or at the brink of insolvency. In rare cases this is linked to a job guarantee. It can also be agreed that the wages of the current workforce remain the same but new employees get a lower pay. The union GMBE, for example, estimates that there have been two or three such cases in the *metal industry* in recent years. Wage reductions can be negotiated at company level if the actual wages exceed the minimum wages set in the sector collective agreement. Such a wage reduction is usually conceded on a temporary basis. This was the case at Wolff-Wäsche, a lingerie producer in Vorarlberg.

Example: Agreement on a short-term wage cut at Wolff-Wäsche in Hard (Vorarlberg)

Wolff-Wäsche is a lingerie producer in Hard in the province of Vorarlberg. In 1996, the company was in a very difficult economic position and because of its production costs in danger of being left behind in the intensifying price war – 60 per cent of its products go to a British bulk buyer. In this situation, the management proposed that the 460-strong workforce should take a temporary wage cut. Originally, management put forward a reduction of 10 per cent. The aim was to use the wage cuts to be able to produce more cheaply in the short term. The money saved was to be invested in the modernisation of the plant in order to make it competitive again.

A staff meeting agreed to authorise the works council to enter into negotiations with management on an appropriate agreement. In the event, the works agreement, effective from 1 October 1996, agreed a three-year wage cut. In the first year, the staff agreed to a 3.9 per cent wage reduction. In the second year this was to be reduced to two per cent, and in the third year to one per cent. After orders rose again in the first half of 1997, and faster than the company had expected, the previous wage levels were paid again from the end of the second year. According to the works council, the company had saved ATS 8m in the first year of the wage cut and ATS 4m in the second.

Though the terms of the wage cut were laid down in the framework of the works agreement, on top of this each employee had to sign a declaration agreeing to the cut. There was no jobs guarantee in the works agreement, but it was agreed that if there were any redundancies in the three years the agreement applied, any employee affected would be repaid the wages they had given up through the reduction. The works agreement served as a guarantee of jobs inasmuch as, without the wage cut, the company might have had to declare itself bankrupt, with the loss of 460 jobs.

Alongside the cut in wages, the works agreement also included measures to improve productivity. Employees who made appropriate suggestions received a

reward of 10 to 20 per cent of the resulting cost savings. The money for this came from the funds available to the company from the wage cut. The company is aiming at sales of ATS 800m to 900m in the current business year. Not least because of the modernisation of the machinery that was actually carried out, the company seems to be secure for the moment. To that extent, in the view of the works councillor, the temporary wage cut has paid off.

In recent years the wage drift declined in Austria. Yet, in many industries actual wages are still considerably above minimum wages, which means a scope for the re-negotiation of wages at company level. The following table gives the actual wage as a percentage of the minimum wage in selected industries.

Sector	wage-drift in April 1998
Gas and other utilities	126
Paper producing industry	119
Construction	109
Iron and steel works	137
Engineering	122
Glassworks	112
Chemical Industry	131
Vehicles industry	128
Food and beverages	111
Mining	142
Stone and ceramics	120
Metal industry	132
Electrical engineering and electronics	122
Paper and board manufacturing industry	112
Iron and metal wares	116
Wood manufacturing industry	115
Textiles	129
Leather manufacturing	135
Garment industry	120
Leather production	113

(Rosner 1999:80; source: WIFO)

Example: Hallein Paper Mill

In response to an investment of around ATS 100m, the workforce at the Hallein paper mill, which after several changes of ownership is now in the hands of the Swedish company SCA, declared that they were prepared to forgo part of their overtime bonus if a particular operating income was not achieved. After the investment had been confirmed by the company management in a letter to the works council, they signed a plant agreement on the overtime bonus provision. This envisaged that overtime bonuses would be "parked" until the end of the year and, dependent on the previously agreed operating income, would be withheld by the company or paid out in arrears. Bonuses on up to 178 overtime hours per year per worker could be "parked". Overtime hours above this level had to be paid with overtime bonus immediately. Originally the company management had envisaged that all workers would work two extra unpaid hours per week. The works council, however, would not get involved in this. Although the agreed operating income was not quite achieved, the company management paid out the "parked" overtime bonuses at the end of the year. 1997 had in any case brought a clear uphill trend. The plant agreement helped safeguard jobs inasmuch as it persuaded the company management to commit considerable investment to the Hallein site.

Trade unionists argue that transnational companies increasingly put pressure on the workforce to accept worse terms and conditions under the threat of relocation of production. In such cases the income reduction is not temporary but permanent. The case-study on Philips (see part 2 of this report) describes such a situation.

Fringe Benefits:

Voluntary benefits are granted by the employer initially without obligation. Examples are holiday activities for employees and their children, companies' leisure areas, social funds for hardship cases, allowances for marriage or childbirth, works canteens or works busses. If these are well established and do have organisational stability, they are legally defined welfare facilities. They can be established and abolished unilaterally by the employer. Only the administration of the welfare facilities may be regulated by works agreement.

Other voluntary benefits such as remuneration or bonuses may lose the character of voluntariness if granted over a longer time period. Employees are entitled to such benefits if they have become part of the employment contract. This can be realised also through so-called free works agreements. In all cases where there is a legitimate claim of the employees, benefits can only be reduced or abolished with the consent of the employees.

The topic is of considerable importance in Austrian industrial relations. Companies aim at reducing labour costs to increase their competitiveness. The representative of the *Agriculture, Food, Beverages and Tobacco Workers Union* ANG argues, for example, that some companies put pressure on their workforces saying that the site can only be maintained if bonuses and fringe benefits are reduced. There are no employment guarantees involved.

Works agreements that regulate the reduction of fringe benefits are said to be widespread in the *printing* and in the *paper and board manufacturing industry*. It is assumed that works councils as a rule consult the union in case of such negotiations. In *transport* agreements on the reduction of benefits are frequent, but union is rarely involved and there are no employment guarantees in these agreements either.

The representative of the *Wood and Construction Workers Union* argued that demands for the reduction of fringe benefits are frequently made when the company is under threat of insolvency. In such a situation the works council has little chance and few opportunities to prevent the changes of individual contracts that are formally carried out by "changing contract through lay-off" (*Änderungskündigung*). In the *retail trade* the reduction of fringe benefits has recently been a frequent issue in negotiations. Bonus payments or company pension schemes were affected.

Flexible working hours and extended operating hours:

We have already presented the legal situation and in particular the new options for flexible working hours (see above chapter 1.1.). On this bases collective agreements were concluded in a large number of industries (for examples see chapter 1.2.). Both, the law and the collective agreements empower the negotiating parties at company level to conclude works agreements on flexible working hours. The following table shows the number of establishments in the *metal industry* and *mining* with agreements on the basis of the collective agreement on flexible working hours described in chapter 1.2.

weekly working hours (April 1998) ...	number of establishments	Percentage of establishments ¹	percentage of employees
... do not vary	603	83,2	31,0
... do vary, but fixed in advance	77	10,6	3,2
... do vary, not fixed in advance (new option in the collective agreement)	61	8,4	4,2
total	725	725	124.142

The representative of the Metal Workers Union GMBE argued that these results show that only those companies utilise far-reaching flexibility schemes that really need flexible working hours for maintaining their competitiveness. In principle that view was shared by the representatives of the employers' association *Wirtschaftskammer Österreich WKÖ*.

¹ Establishments may operate more than one working hours arrangement.

The so-called opening hours collective agreement for the *retail trade* lays down a 50 to 100% bonus payment for work in the evenings and on Saturday afternoons. Employers can reach a reduction if they give these bonuses in time off instead of money. The time off has to be in full days or in connection with weekends or holidays. In companies with a works council a works agreement is required. According to GPA some 50% of the retail companies have concluded such a works agreement. The agreed option of reduced time bonuses indicates that the concern was not only employment but also the quality of free time.

A collective agreement for the *textile industry* on flexible working hours was concluded in 1996. Within a period of 26 weeks 40 hours overtime may be worked in addition to the 8 hours day and have to be compensated by time off. Through works agreement and the acceptance by the union and the employers' association the period can be expanded to 52 weeks and 80 hours overtime. The effect of flexible working hours schemes is that companies may avoid the payment of overtime bonuses. Yet management and works council have to agree on the scheduling of these 40 hours half a year in advance. The textile workers union TBL estimates that one third of the companies covered by the collective agreement make use of the regulation.

Negotiations on working hours may also relate to employment. For example in large companies of the *metal industry* the reduction of working hours was introduced by way of works agreements. For instance, work on weekends was made conditional upon shorter working weeks. From the trade union perspective there is a risk that reducing working hours leads to an intensification of work and therefore lacks the intended employment effects. A very recent agreement at BMW Motorenwerke in Steyr combines flexibility and expansion of operating hours with employment protection. It is one of the rare cases where there is an explicit employment guarantee.

Example: BMW Motorenwerke Steyr

The engine manufacturer BMW Steyr in Upper Austria employs some 3000 workers in manufacturing, research and development of car engines. In May 1999 a new working hours scheme became effective in diesel engine assembly. It is based on the model implemented at the parent company's works in Munich. The working hours regulation at BMW Motorenwerke Steyr includes an annual working hours scheme or individual "working hours account" that aims at increasing the flexibility of operating hours. The maximum of excess or lacking hours is 250, the time account has to be balanced more or less after a year. There is an overtime bonus of 50% for Saturdays and 100% for the night shift. The company conceded to refrain from lay-offs of persons subject to this working hours regulation during the period of validity of the agreement.

As the production plans exceed the capacity of the diesel engine assembly unit the operating hours are expanded from 83 hours a week to 99 hours a week. This is achieved by introducing 11 shifts a week with 9 hours a day instead of 10 shift with a 8,3 hours day. This implies the option to operate on Saturdays, however not a second shift, i.e. on Saturday afternoons and evenings. The average weekly working hours are reduced from 38,5 hours to 37 hours, individual breaks are 35

minutes instead of 25, and the time for team meetings (2 times 38 hours a month) does not have to be made up for any more. This reduction of working hours does not diminish the workers' income. In other parts of the company, where there are night shifts, the weekly working hours are 36.

As far as the effects on employment are concerned the works councillor concludes: "More than 40 additional jobs were created through the working time model that we negotiated and agreed upon" (Der BMW Arbeiter, May 1999, p.4).

An agreement between the unions and the employers' association made possible a continuous shift system seven days a week and 24 hours a day at the tyre producer Semperit Reifen, Traiskirchen. The representative of the Union of Chemical Workers maintains this agreement is an employment securing measure because the increase in machine utilisation reduced production costs. The subsequent increase in production volume led to the employment of additional personnel that work on the new shifts.

Example: Semperit Reifen AG, Traiskirchen

Semperit in Traiskirchen is an established Austrian company. In 1985, first 75 per cent and then 100 per cent of the tyre maker was sold to Continental of Germany. Just as the plant was about to celebrate its 100th anniversary in spring 1996, plans for ending production in Traiskirchen became known. After strike threats – the workers wanted to prevent the removal of machinery – and intervention by Austrian politicians, the German company management were persuaded to keep at least some production in Traiskirchen. In the framework of a social plan including a work foundation, the workforce was cut by more than 1000. At the same time an austerity plan with cuts in various "fringe benefits" (e.g. free milk) was put in place. According to the works council, the company saved ATS 600m in the first year of implementation of these measures. Although there was no jobs or site guarantee, the works council interpreted a letter from the company management as a declaration of intent to maintain the location.

In the course of a general economic upturn, tyre demand in 1997 increased. As a result, new workers were taken on again, although at first on 7.5 per cent and later 5 per cent lower wages (as part of the austerity plan). The turning point came in 1998: the same company that was to be closed two years previously, faced the problem of not being able to keep up with the enormous demand. In this situation, management came to the works council to negotiate the introduction of continuous shift-working in goods-vehicle tyre production (until then there had been a three-shift system with no weekend working).

The involvement of the works council was decisive in the agreement of a five-shift system, which, firstly, included a cut in working hours from 38 to 34.6 (with a 2 per cent cut in gross pay, which however had hardly any effect on net wages); secondly, it resulted in a considerable increase in jobs, and thirdly it offered attractive blocks of time-off. "A four-shift model had also been discussed. This would have meant more work and also more pay for the individual workers. But we managed to convince the management that the extra burden also increased the risk of errors, and possible savings through the four-shift system could be lost in

possible production defects," the works councillor said. In a ballot, 80 per cent of the workers voted for the introduction of the five-shift model.

Implementation took place within the framework of a works agreement on the basis of the possibility envisaged in the 1997 law on working hours that the partners to the national collective agreement can give approval for exemption from the regulations on Sunday working in cases of economic necessity. As a result, 400 new workers were taken on in 1998. The personnel levels had thus risen to around 1.900. Whereas 400,000 truck tyres per year were manufactured under the three-shift system, in the five-shift system the figure is 900,000 (on the same number of machines). On top of this, there are two to three million car tyres per year. "The high use of capacity means we can produce more cheaply. At the moment we are thus economic – but only as long as the economic situation stays the same. A plant the size of Traiskirchen has certain fixed costs, independent of how many tyres are being produced. If the orders fall, we automatically become more expensive. Continental has taken stakes in tyre factories in the Czech Republic, Slovakia and Romania. By 2001 they will be far enough advanced to produce to the same standards as us. If the economic situation slackens then, the Traiskirchen site could very quickly be in trouble again," the works councillor believes.

At an other company, Semperit Wimpassing, continuous shift-work was implemented temporarily for one year in order to accomplish the orders and to keep the customers after a workshop hall burned down.

Example: Flexibility and shorter working hours at Eternit-Haschek

The Haschek Eternit works in Vöcklabruck manufactures building materials. As a result of a downturn in the construction industry, the order situation in the Eternit works has also been deteriorating continuously in recent years. At the same time, productivity has been raised through the modernisation of the machinery. Management and the works council attempted to avoid "downsizing" by introducing a flexible working-hours model complete with shortening the average working week from 38.5 to 35 hours. The new working-hours model was negotiated and agreed in a works agreement between management and the works council. Average weekly working hours were reduced by three-and-a-half hours (9.09 per cent), giving a 35-hour week since the agreement came into effect on 16 January 1997. The weekly hours can be increased to 42 hours or reduced to 32 (band width) according to requirements. At the end of the year, plus and minus hours are balanced off. Normal hours are Monday to Thursday from 7.30 to 16.00 (with a half-hour lunch break) and Friday from 8.30 to 11.30. Any extension of working hours normally takes place as Monday to Thursday 7.00 to 18.00, and Friday from 7.00 to 15.00. In return the employees have accepted a 3.5 per cent wage reduction. According to the works council, purely arithmetically, the reduced working hours had created 60 new jobs. In fact, however, continuing personnel cuts were prevented. At the same time, the introduction of flexibility brought the seasonal fluctuations in the order situation under control. "Elsewhere in this branch it is quite normal to lay off workers over the winter," the works councillor reported. At the moment, 465 workers are employed at the Vöcklabruck site (in 1992 it was still around 1,000, in 1995 it was 500).

Night-work for women:

In the *food industry* night-work for women requires, apart from the agreement of unions and employers' association, a works agreement. At Suchard in Vorarlberg management and works council agreed on bonuses and on renouncing agency workers and outsourcing when work during the night and over weekend was introduced in one production area. The union agreed to night-work for women because there was a danger of relocation to Switzerland or Germany of part of the production.

The twelve-hour day at Suchard

Jacobs-Suchard is an international food company. In January 1997, a special collective agreement was concluded at the "chocolate factory" in Bludenz (in the Austrian province of Vorarlberg), and as a further result a works agreement to guarantee cocoa powder production and thus employment in cocoa powder production. The background: The company is planning to modernise and centralise cocoa powder production on just one site. This site must consequently take over all production. For cocoa powder production in Bludenz this plan means either that the site attempts to take over all cocoa powder production of the company, or that production is closed down and the six workers in this department lose their jobs. The company management and the works council decided for the first of these options. The precondition for coping with all cocoa powder production was the possibility of running the two cocoa powder mills non-stop when necessary. For this, again, it was necessary to introduce continuous shift working. As there were only six workers in this department, continuous shift working could only be achieved by the introduction of 12-hour shifts. The workers concerned had nothing against this. "The work is primarily monitoring work, that is to say, not particularly strenuous work. Otherwise a 12-hour day would certainly not be possible," the works councillor explained. As a result, a special collective agreement had to be agreed first, as according to the national collective agreement, average daily working hours must not exceed 10 hours, and then the bonuses and exact shift plan had to be laid down in a works agreement. A three-shift system was worked out, with one shift consisting of two workers. For the workers this means that they work 4 x 12 hours a week and have three days free (an average of a 48-hour week). The special collective agreement must be extended every six months. Although this measure did not produce any increase in employment – at best, six jobs were secured – the trade union for agriculture and the food and drink industry gave its agreement in order to keep cocoa powder production in Bludenz. Alongside Bludenz, the nearby sites in Switzerland and Germany had also attempted to take over all cocoa powder production. The current situation with the 12-hour shifts represents a test phase. In the long term, production in Bludenz is to be modernised and built up. In this case, an actual increase in jobs can be expected.

Women's night-working at Manner

The sweets manufacturer Manner is an established Viennese company. A large proportion of its nationwide 700 to 750 employees are women. After the partners to the national collective agreement on 1 October 1998 had agreed to allow women to carry out night work, the management asked the works council to negotiate the

introduction of women's night-working at Manner. Under the national collective agreement, an additional works agreement is required for this. In order to ensure that the legal working breaks were kept and to offer a certain degree of compensation for the extra burden of night work, it was agreed that more workers would be employed in the areas where night work was carried out than were normally employed there during the day. According to the personnel department, no extra workers had to be taken on for this. Because orders were rising at the same time, employment has risen by 20 per cent since the women's night-work collective agreement and the associated works agreement came into force.

In the *metal industry* a collective agreement on night-work for women was concluded in 1998. During the first year after the conclusion of the collective agreement 16 companies, that employ 2.100 female workers between them, utilised the new regulation (ÖGB-Nachrichtendienst Nr. 2976, 1999, p.15).

Solidarity bonus model:

As described above (see chapter 1.1) legislation improved the options for individual working hours reductions. In the case of the so-called solidarity bonus model the law allows for sector or company level agreements to regulate the conditions of the application of the model. So far no collective agreements and hardly any works agreements were concluded on that matter. We want to present such a rare case because of the 'positive' nature of the measure and its potentials to re-distribute work to the advantage of the unemployed.

Example: Individual reduction of working hours at VBSA

The Austrian Association for Probation Service and Social Work employs some 650 people, 300 of which are social workers. For this group the works council developed a model of individual and voluntary reduction of working hours. The aim was to reduce the workload, to enhance the quality of life and at the same time to create additional employment. According to the works councillor at the beginning a total of 30 to 40 persons expressed their interest in individual reductions of working hours. In one unit of the company the scheme was realised even in 1996 without any wage subsidies and, as a consequence, with proportional reduction of wages. This was before the legislation on the solidarity bonus model was passed. Later, and based on the new opportunities for financial support by the Public Employment Service the scheme was taken up by further units. At central level management and works council negotiated an agreement on the conditions of implementing the solidarity bonus model. According to the management, the aim was to support initiatives that are suited to improve the work situation of social workers and that lead to the creation of new employment. The content of the agreement was not controversial. The works agreement from February 1998 states that the employees have to put forward an appropriate plan that includes in particular a service schedule. It is agreed that the working hours have to be reduced on a permanent basis. Further points of the agreement provide that there is no change in the actual duration of those parts of the annual holidays that were not

consumed until the change in working hours or that the severance pay is calculated on the base of the previous salary. Based on the agreement and the allowances paid by the Public Employment Service a unit in Innsbruck with 8 employees and a unit in Vienna employing 4 persons created one additional job each. Currently the application of the model is being discussed in a further unit of VBSA. According to the works council the experiences with the reduction of working hours are positive. The quality of life is said to have increased to an extent that people want to keep up the arrangement. The limitations of the model are that the allowance does not fully compensate the loss of income and therefore not all can afford to reduce their working hours. Management pointed to minor bureaucratic obstacles or at least uncertainties.

The reasons for this are not fully known. Our interlocutors from the trade unions, the employers' association WKÖ, the Federal Ministry for Labour, Health and Social Affairs, and from the Public Employment Service stressed the following points:

- there was too little involvement of the interested parties in the design of the models and in legislation
- the benefit for people on training leave is too small, so hardly anybody can afford to take the leave
- companies do not plan their training needs sufficiently to make use of the opportunities provided
- the "Solidarity Bonus Model" does not work in the case of under-employment because the amount of working hours remains the same; this would require far-sighted personnel planning

As a consequence of these and other shortcomings neither the employers nor the employees have so far had an immediate interest in the implementation of the measures of which the legal basis was already established in the beginning of 1998. This is in stark contrast to the utilisation of work foundations as a means of solving employment problems. There is little indication that the models will become, or will be made, more popular in the near future. Therefore their potential for the redistribution of work can hardly be realised. In chapter 1.3. we will describe a rare example of a company agreement on the implementation of the "Solidarity Bonus Model" in order to show which concrete measure can, or rather: could, be taken.

1.4. *Conclusions: the nature of agreements and consequences for collective bargaining*

As has been shown in the previous chapters, in Austria explicit employment pacts at company level are rare. Only in a small number of cases specific employment targets were agreed on. These relate mainly to temporary reductions of wages or working hours in order to overcome economic difficulties of the company. Employment is nevertheless an important bargaining issue, though in most cases in a more traditional sense. This becomes obvious if we distinguish between different categories of agreement that are typical of the Austrian situation.

I. Agreements on "down-sizing", lay-off and loss of employment:

The majority of negotiations on employment at company level deal with reductions of the number of employees. The negotiating parties usually aim at finding "acceptable" ways of reaching lower levels of employment. In this context, early retirement schemes do have a long tradition in Austria. In the case of redundancies, "social plans" are agreed on, based on employment law that, above all, lays down the financial terms of lay-off. As the case studies on PTA and on Erste Bank (see part 2 of this report) clearly indicate, it is the high level of employment security in some sectors that forms the background of negotiations. Liberalisation of markets, privatisation of companies or the restructuring of the banking sector often lead to reduction of personnel. In this situation management is confronted with explicit and implicit employment guarantees for the workforce that have been typical of the particular sector up to now. In recent years therefore dealing with, relaxing or lifting guarantees, rather than providing some, was on the industrial relations agenda in such sectors.

Social plans are quite frequent agreements in case of large-scale restructuring and lay-off. Yet, the quality in terms of support for the workers made redundant differs widely according to the financial resources of the companies and the bargaining power of workers' representatives. In comparative terms work foundations can be seen as innovative measures to deal with lay-off and loss of employment. They are widely acknowledged as successful ways of mitigating the consequences of redundancies, and they provide an option for companies to pursue a "responsible" policy without having to refrain from lay-off. Based on the co-operation between the social partners at company and at sector levels, and supported by the Public Employment Service, work foundations have become well established in Austria (for details see the case-study on Open Work Foundation Steyr in Part 2 of this report).

II. 'Defensive' agreements:

One of the reasons for defensive agreements are immediate economic threats to the company and, as a consequence, to employment. Workers renounce part of their income either to avoid insolvency or to provide funds for measures to improve the standing of the company. In some cases a reduction of working hours with a corresponding wage

reduction is agreed on as an alternative to compulsory redundancies. The concessions by the workforce are temporary; it is agreed that after a certain period of time the previous terms and conditions apply. These defensive agreements are not exceptional cases, however, their dissemination is limited. For each of the main manufacturing industries experts mentioned a handful of these agreements in recent years.

If defensive agreements provide a permanent reduction of wages or other labour costs we would call this "concession bargaining". Doubts about the viability of an establishment overshadow many negotiations at company level. In transnational companies this often takes the form of competition between locations and of benchmarking exercises. Explicit employment guarantees are rare. Representatives of employers' associations and trade unionists agreed in their estimation that the most frequent way the issue of employment is dealt with in company level negotiations is the following: Concessions have to be made, otherwise the establishment is not viable and therefore employment is threatened. The case study on Philips is an illustrative example of such a situation (see part 2 of this report).

III. Compensatory agreements:

Agreements on cost reductions or other measures to increase competitiveness are often not directly aimed at stabilising or increasing employment. Works councils might be more likely to accept or support them if management additionally concedes job-securing measures. Typical examples are flexible working hours arrangements that are accompanied by a reduction of working hours. The reduction may relate to average weekly working hours or stem from bonuses granted as time off. Depending on the specific situation of the business the actual reduction of working hours may compensate for the productivity gains. Frequently the extension of operating hours is exchanged for a reduction of working hours, as was shown above in the case of the paper industry or BMW Motorenwerke.

Another issue relating to employment is the restriction of agency labour. The collective agreement for the metal industry mentioned above states that companies that conclude works agreements on flexible working hours based on the collective agreement have to do without employing agency workers. The case-study on Philips, too, showed that the reduction of the number of agency workers was an important issue in the negotiations.

According to our findings, such compensatory agreements seem to be limited to large companies in the metal industries or in process industries such as pulp and paper or chemicals and – to a lesser extent – in the retail trade.

IV. 'Positive' agreements:

'Positive' agreements aim at creating new employment, for example by way of sharing the available work among more people. This can take the form of sabbaticals or reductions of weekly working hours. Such agreements are very rare in Austria, although legal provisions on the public financial support of such schemes exist. As described above, training leave and solidarity bonus models are hardly utilised.

It is not possible here to thoroughly assess the consequences of agreements concerning employment and competitiveness on collective bargaining. We can only address the two most important aspects. First, the agreements can be seen as part of a wider process of "organised decentralisation" (Traxler 1995a) in which the company level is gaining importance. Second, the incidence of "concession bargaining" raises the question as to what extent sector level multi-employer bargaining is being undermined.

As far as decentralisation is concerned, the issue of securing employment played a prominent role in the attempts to provide options for companies to adapt collective agreement provisions to their particular situation. In the metal industry, in 1993 the negotiating parties to the collective agreement decided on a so-called "opening clause" that allowed exemptions from the wage increase. Companies could use the total of the wage increase agreed at sector level for employment securing measures, provided a firm level works agreement was concluded. This attempt was not very successful in terms of the number of companies making use of the opening clause. One of the problems was that the definition of employment securing measures was rather vague. Trade unions in particular were not satisfied with the outcomes. In consequence, no "opening clauses" were agreed on in the following years (see Flecker 1998).

It is important to note that the exemption did not refer to the increase of the minimum wages but only to the increase of the actual wage, which is also set by a number of sector collective agreements in Austria. As a consequence, the decentralisation did not at all affect the capacity of sector collective agreements to regulate minimum wages. By and large, this also applies to the re-negotiation of wages and fringe benefits to safeguard jobs in a company. As usually only those terms and conditions are re-negotiated that exceed the minimum requirements set by the collective agreement there are few legal and political problems involved. The issue of flexible working hours is an exception to the rule because, in relative terms, provisions of the law and of collective agreements are quite frequently not complied with. However, the amendment of the Working Hours Act and the collective agreements mentioned above have probably resulted in overcoming large parts of previously "disorganised" decentralisation.

Concession bargaining is a widespread phenomenon in Austrian industrial relations if measured by the reduction of the wage-drift, the cuts of various fringe benefits or the diffusion of working hours arrangements that imply disadvantages for workers. Saving jobs is of course the most important motive on the part of labour. This view is supported by the fact that most of these concessions are permanent rather than temporary ones to overcome transient economic difficulties. Concession bargaining at company level may affect the bargaining system because trade unions and employers' associations may find it difficult to ensure that companies comply with the provisions of collective agreements.

In Austria, there is, however, no immediate threat to sector level multi-employer bargaining. On the one hand membership to the business and employers' association WKÖ is compulsory and therefore the coverage by collective agreements is very high. This makes the situation rather stable, yet representatives of WKÖ speak of pressure

that is building up "within a closed container". On the other hand collective bargaining is responsive to demands by companies. Examples are changes in salary systems, empowerment of the negotiating parties at company level to conclude works agreements or exemptions from the law or from collective agreements. The overall picture is that on average there is still some room for manoeuvre for company level negotiations so that sector level bargaining is not immediately affected by the incidence of concession bargaining.

2. CASE STUDIES

2.1. *The flexible seven-day week model at Philips Lebring*

Summary

Alongside TV monitor tubes, computer monitor tubes (colour monitor tubes – CMT) have been manufactured at Philips Lebring since 1994. After a considerable fall in prices of computer monitor tubes – prices fell by around 60 per cent over the last two years – the enterprise has recently been recording losses. In order to increase competitiveness, management and the works council negotiated a works agreement in 1998 to introduce a flexible seven-day-week working hours model. Average weekly hours were reduced from 38.5 to 36.43 hours as a result of seven-day working. The flexibility consists in the fact that when the order situation is good, the weekly working hours can be extended, and they can be reduced when the order situation is bad. Plus and minus hours are balanced off against each other at the end of the year. Orders can thus be dealt with more quickly. The company saves overtime bonuses, which again cuts production costs. According to management, flexibility represents an important precondition for remaining competitive in a high-wage country like Austria. By the end of the first year after it came into effect the agreement proved itself. The works council would have liked the introduction of a further, fifth shift group alongside the introduction of the seven-day-week model, which would have led to a significant cut in hours and to more jobs. The current arrangement means a worsening of the employees' situation inasmuch as the agreed shift plan leads to unattractive free shifts (the workers go from the nightshift into the free shift, which means that at least the first half day of the free shift is spent catching up on lost sleep). Despite this, the large majority of the employees voted for the introduction of the flexible seven-day week model – not least in order to safeguard the site at Lebring and thereby the jobs. The shop steward reported that management had repeatedly hinted to him that without the agreement the future of the plant would not look good. Despite the introduction of the seven-day-week model, in 1999 the management saw themselves forced to adopt further measures to cut production costs. TV monitor tube production will be shut down by June 1999 and the workforce halved. Above and beyond this, the workforce agreed to a 15 per cent wage reduction. Despite all these measures, the future of the plant is still not guaranteed.

2.1.1. *The company*

Lebring Philips Components Lebring GmbH was founded in 1974 as a production centre for small-format television tubes (TVT). The plant is to the south of Graz in an agricultural area with little industry. For this reason, the plant is of considerable importance for regional employment, even after the workforce being almost halved in June 1999, from just over 1,000 to a little more than 500 workers. After the Ministry for Employment and Social Security made an agreement with management to exempt the plant from the Sunday working regulations for technical reasons – the manufacture of TV tubes includes thermal processes, turning off the machines makes warm-up times necessary and in some circumstances can lead to loss of quality – a seven-day-week model was introduced in the boom period of TVT production from 1985 to 1988, which, however, was not flexible.² When television sales began to fall off, the plant was put back on a five-day week.

Since the beginning of the 90s, TV tube production in Lebring has been considered to be precarious. According to a Philips Austria spokesman, it has been clear since then that the TVT production in Lebring "... is a model in the course of being phased out, which will only be continued as long as demand permits, or possibly until there has been a complete changeover."³ Since then, the management has been looking for a way of nevertheless keeping the site, not least because they want to be able to continue to use the knowledge and skills that have been built up there over the years. In 1994 there was a change in as much as going into the manufacture of computer monitor tubes – colour monitor tubes (CMT) – staked future production on an emerging market. The company centre gave the green light for the establishment initially of two CMT production lines. Since then Lebring has been building 15" and 17" monitor tubes – larger tubes are produced exclusively in Asia. In the following years the CMT market showed growth rates of 10 per cent a year and more.

Despite increasing competition and falling prices for monitor tubes, the computer market is expected to continue to grow over the next few years. The four CTM production lines originally planned would have needed an investment of ATS 1.3bn, with guaranteed subsidies from the national government and the province of Styria. As, to date, only two of the four planned lines have been built, only half of this amount has actually been invested. The remaining two production lines may follow in the next two to three years. Company management has put the decision on ice in view of the recent uncertain profitability of the plant. According to the Philips Austria spokesman, whether they are built or not is very dependent on a reduction of production costs at Lebring. At completion it is intended to have four million monitor tubes per year coming off the lines at Lebring.

² The Ministry of Employment and Social Security has the authority to grant exemption, on technical grounds, from the regulations against Sunday working. Alongside Philips Lebring, the Philips video factory in Vienna also has such an exemption.

³ This and following quotations are taken from an interview with the Philips Austria spokesperson Dr Herbert Denk, which we conducted with him on 3 March 1999.

From June 1999, TVT production at Lebring was stopped in order to be concentrated at the Philips site in Barcelona. As a result, the workforce was reduced from 1,046 to 560. The "successive conversion" of the plant from TVT to CMT production was thereby complete. In contrast to TVT, Lebring is the only Philips production site for CMT in Europe, and to a certain extent even a "competence centre". At Philips this describes a site in which both the development and the production and marketing of a particular product or product range is concentrated. Within the company there is only one "competence centre" for each product or product range. The status of "competence centre" partly protects the site from direct comparison within the company and thus from the increasing internal competition in the company.

Although there is no development taking place at Lebring, it is the only Philips CMT producer in Europe, and the monitor tubes made there are not only used in Philips machines, but also sold independently from the plant to other monitor suppliers – also to suppliers outside Europe. One of the great advantages of the Lebring site, according to the Philips Austria spokesman, is its central location in Europe. Additionally there is the proximity to the "low-wage country" Hungary, where the monitors are cheaply assembled at the Philips plant at Szombathely 100 km away, and the experience and qualifications of the workers, which guarantees the high quality of the products made in Lebring.⁴

Philips has twelve plants in Austria with a total of 6,670 employees in 1998. In the same year the total turnover of Philips Austria came to around ATS 25bn.⁵ The Austrian Philips Industrie GmbH only plays a minor role in the internal structure of the multinational company. The company's approximately 80 different business fields are divided worldwide into nine different "product divisions" (PDs). Philips Components Lebring GmbH belongs to the Components and Services PD.⁶ Worldwide, in 1998 this PD achieved sales of 8.4bn Dutch guilder, even if profits were to some extent reduced by heavy falls in prices – not least for computer monitor tubes, too.⁷ The specific Philips structure means that the Philips sites in Austria belong to different PDs, and the strategic decisions concerning the future of individual plants are thus made by different departments in the company management. In the case of Vienna, there are even several PDs in one location.

According to the Philips Austria spokesman, Philips has traditionally been interested in maintaining good labour relations. Thus any problems arising have, as a rule, been

4 Denk characterises the proximity to production plants in eastern Europe as Austria's biggest advantage as an industrial location. Core skills like development and the production of the first series are kept in Austria, while finishing is outsourced to Hungary and other eastern European countries. This leads to a kind of symbiosis which would even make Europe an interesting location in comparison to competition from the Far East.

5 Cf. *Industrie* No 1, 18 Feb. 1999, p. 46.

6 Cf. *Philips Annual Report 1998*, p. 9. The remaining PDs are: Lighting, Consumer Electronics, Domestic Appliances and Personal Care, Semiconductors, Business Electronics, Medical Systems, Origin and Miscellaneous.

7 See *Philips Annual Report 1998*, p. 45.

solved by tough but constructive negotiations between management and the works council. Company agreements are an essential component of regulating internal conditions of employment. The Philips Austria spokesman does not believe in personal contracts arrangements. The Philips Austria shop steward describes relations as "basically fair": "There are always things that need to be discussed and on which we have diverging opinions. That's the nature of things. ... If it is a question of really fundamental matters, then we argue it out and find a solution." He sees more of a problem in the development of increasing competition inside and outside the company, which leads to constantly increasing pressure on the respective management and respective shop steward.⁸

2.1.2. *The background to the agreement*

Despite increasing sales, from 1997 the price for computer monitor tubes came under increasing pressure as a result of enormous investment in the computer market and the kind of competition inevitably arising from it – "everyone wanted a piece of the cake" (Denk). According to the management, the world market prices have fallen by around 60 per cent in the last two years. For 17" monitors from \$250 to \$100, and for 15" monitors from \$150 to \$65. The price collapse meant that the Lebring site, too, came under pressure. The high production costs in comparison to Asian conditions had led to a significant loss in the 1998 business year. The Philips Austria spokesman does not want to mention figures, but makes it clear that "... in the long term, no company can afford loss-making production."

Since the start-up of CMT production, operating time in Lebring has continually been extended in order to reduce production costs, not least through working the production plants to a higher capacity. A six-day-week model was then introduced in 1995. For Saturday work, first of all, temporary agency workers were brought in. As a result, according to the Lebring shop steward, production on the Saturday shift did not always run very smoothly.⁹

A central problem was the fluctuating numbers of temporary workers. Around a quarter of the temporary workers changed every Monday. Some worked at Lebring for only a few days, others for only a week. Regardless of the length of time they were employed, each new temporary worker had to receive individual training. The training was carried out by the permanent staff. This continual training led to a significant extra burden on the permanent staff. Because of the limited time they were there, and wages around 20 to 25 per cent lower than permanent staff, the temporary workers to some extent had little or no motivation and sometimes were unable to cope. Before the implementation of the seven-day week, up to 40 per cent of the workforce at Lebring were temporary

⁸ This and the following quotations from Philips Austria shop steward Gerhard Koch come from an interview we conducted with him on 2 February 1999.

⁹ This and all following quotations from the Philips Lebring shop steward Harald Leodolter come from an interview we conducted with him on 16 March 1999

workers. Under these circumstances it was not always easy to guarantee the high quality standards for which Lebring is well known inside and outside the company.

2.1.3. *The motives for the agreement*

According to the Philips Austria spokesman, for the management, alongside the technical necessity¹⁰ and the higher utilisation of capacity, *flexibility* was the main motivation for introducing a seven-day week model: "If I receive an order for X number of monitor tubes that have to be delivered as quickly as possible, I can't say, today is Sunday, tomorrow is a bank holiday and the day after tomorrow I am going on holiday, so I can't fulfil the order. In a market where the competition is as great as this, every stoppage can mean a step backwards in relation to the competition, which ultimately should also be avoided from the employees' point of view. Optimum flexibility is one of the ways in which a high-wage country like Austria can maintain a certain extent of competitiveness." But flexibility does not just bring management the advantage of being able to react rapidly to fluctuating orders, but also the disappearance of overtime payments, and thus a reduction of wage costs and, in consequence, of production costs too.

The Lebring management summarises the motives as follows:

- "It is thus important that we here in Lebring can satisfy the wishes of the market, i.e., our customers' wishes, with a modern, future-oriented and, above all, perfectly functioning production. On the other hand, however, we are confronted in the CMT market with a constant and deepening decline in prices, which again reduces our sales prospects. This means in the first place being able to react rapidly to the respective market demand, i.e. producing more just when the market demands it, and reducing production if the demand is not quite so high. The only real chance of meeting these demands for us here in Lebring is precisely the model of flexible working-hours that, after lengthy negotiations with the works council, we now want to introduce."
- "Our aim is to further develop CMT production; we would like the approval from Philips for further CMT lines. However, investments are increasingly critically appraised by the company management. Before we receive approval for further development of the plant and the money for it is made available, there is a detailed investigation of just how economic, profitable and future-oriented production here really is. And we need the flexible working hours model for this objective too."
- "We have to show that we are in the position to organise production here in Lebring in such a way that it is modern, crisis-proof and suited to the market. In short, that it makes sense to continue investing in this location. That means, therefore, that the

¹⁰ The technical necessity was repeatedly mentioned as a reason, but may only have played a subordinate role. In fact, the flexible seven-day week model also envisages reducing production by taking out individual shifts including Sundays when orders are down.

introduction of the flexible working hours model not only represents a chance of getting approval for a third and fourth CMT line, but that it also represents a precondition *for guaranteeing the existing production and thereby the existing jobs.*"

- "Apart from this I am personally of the view that, with the redistribution between temporary workers and permanent staff established in the framework of the flexible working hours model, we have found a good solution which will help to improve the relationship between the "old" and then the "new" permanent workers. Because it will not be enough just to produce flexibly and economically, but in my view it is also necessary to do this as a team. Together. And so I want to achieve the position *where permanent staff and temporary workers become one unit* which complement each other well. In this respect, too, it seems to me that the flexible hours model, as already mentioned, is the right and important step."¹¹

On the last point, finding a solution to the "temporary worker problem", the motives of management coincided with those of the works council, which was otherwise somewhat sceptical on the introduction of a flexible seven-day week. As a result, the works council made its agreement dependent on a reduction in the proportion of temporary workers. Above and beyond this, the works council hoped that the introduction of two additional shift groups instead of only the one proposed by the management, would mean a further cut in hours to 32 hours a week – a hope that was not subsequently fulfilled.

Despite their reservations, *the guarantee of existing production and existing jobs* ultimately also represented the central motive for the works council in agreeing to the introduction of a flexible seven-day week model. The works council had received repeated hints from management that without such an agreement the future of the plant would not look very bright. "Without the introduction of seven-day working we wouldn't have been able to do much more for Lebring," the Philips Austria shop steward confirmed.

2.1.4. *The course of the negotiations*

The negotiations are described both by the management and the works council as "not easy", and "tough but fair". They dragged on for over three-quarters of a year. In contrast to the works council, the management is not prepared to give information on controversial positions and on the course of the negotiations. We must therefore restrict our description of the negotiating process to the account given by the works council.

- One point of conflict, according to the works council, was the shift plan, or rather the working hours associated with the introduction of flexible seven-day working. The works council had had a shift plan worked out by experts at the Technical University of Vienna that was tailor-made to the requirements of the employees, and

¹¹ Cf. Franz Leinholz in *Wir im Team. Die Zeitung für die Lebring Mitarbeiterinnen und Mitarbeiter* (Lebring staff journal), October 1997, p. 2. There is no italic in the original text, the above emphases are ours.

went into the negotiations with management with this plan. In contrast to the shift plan finally agreed, according to the wishes of the works council not just one, but two additional shifts would have been added to the existing three shifts (three times eight hours). This would have increased the number of shifts to five. The weekly working hours would in consequence have been reduced to 32 hours a week, not as is now the case from 38.35 to 36.43 (for "old permanent workers").¹² The staff were prepared, according to the works council, to accept a loss of earnings in return (the hours reduction finally agreed was with no loss of earnings). A second additional shift would have meant the employment of 140 more workers. The proposal was rejected by the management on grounds of cost.

- A second point of conflict was wage levels. The management had originally demanded that the works council should agree to a reduction in earnings on the basis of the cut in weekly hours from 38.5 to 36.43. The works council was obstinate on this point and pushed through a cut in hours with no loss of earnings (one year later there was a voluntary wage cut of 15 per cent without a cut in hours).
- The works council, in contrast, did not achieve its demand for double time for Sunday working. The management was only prepared to grant time-and-a-half and a 25 per cent time credit. In the 1980s, Sunday working in Lebring was still paid as double time.
- In relation to the temporary workers, there were also diverging views originally, but on this point agreement was reached relatively quickly. One reason for this could have been the fact that the management themselves saw the high proportion of temporary workers as a problem. This would seem to be supported at least by the following sentence in the agreement: *"The allocation of permanent workers must ensure that the skills necessary for production are available in the Saturday and Sunday afternoon shifts"* (in which temporary workers are increasingly employed).

After the management had broadly pushed through the controversial points, the works council assessed the result in all as *"not exactly an employee-friendly solution"* (Leodolter). The agreement was nevertheless confirmed in a ballot of employees in November 1997, not least because of the threatened closures of the site, and subsequently signed by the management and the works council.

2.1.5. Contents of the agreement

The agreement, entitled "Works agreement concerning the introduction of continuous shift working" came into force on 2 February 1998. Its validity was initially limited to one year. In February 1999 it was extended. It included the following points:

- *Shift plan:* A fourth shift is introduced in addition to the existing three shifts. The Saturday and Sunday afternoon shifts are made up by 50 per cent "old permanent

¹² "Old permanent workers" means the workers who were already employed at Lebring before the flexible seven-day-week model came into force. New workers were taken on on the new terms.

workers" and 50 per cent temporary workers, in order to create additional time off for half of the "old permanent workers" (cut in working hours). The distribution of "old permanent workers" must ensure that the necessary skills for production are available on the Saturday and Sunday afternoon shifts.

- *Cut in working hours:* The weekly "normal working hours" for "old permanent workers" is reduced from 38.5 to 36.43 hours. This is a reduction of 1.92 hours per week with no loss of earnings. (Not included in the agreement: for new workers the "normal working hours" are 35 hours.)
- *Structure of personnel (share of temporary workers):* The proportion of temporary workers in the total number of employees is reduced within one year of the entry into force of the agreement to a norm of 20 per cent and a peak coverage of 25 per cent. Temporary workers employed on Saturday and Sunday afternoons are not included in this calculation (as a result of their employment, half of the "old permanent workers" receive additional time off). Additional workers required above and beyond the agreed proportion of temporary workers will be taken on as new Philips workers, with the Philips contract of employment.
- *Flexibility:* Weekly hours can be extended or reduced according to requirements in order to be able to react to fluctuations in orders quickly and economically. The extension takes place by extending the length of shifts to 38.35 hours and beyond. The reduction takes place through the removal of individual shifts, including Sundays. The divergences from normal hours are calculated against plus or minus hours over a period of 52 weeks (one year). Plus hours can be run down within a period of 13 weeks after the calculation period or paid immediately without any bonus as "additional working hours" (that is, hours to the extent of the difference between the new 36.43-hour week and the previous 38.5-hour week). Plus hours over this level must be paid at a 50 per cent bonus. After the end of the 13 week period, any remaining plus hours are to be paid with an 87.5 per cent bonus. Minus hours to a maximum of 120 hours can be carried over into the next year. This means that the minus balance of 240 hours may not be exceeded. Over and above this, minus hours are not taken into account in the cross-checking. Measures to extend or reduce the weekly normal working hours are to be made known to the works council twelve days before, and to the workers ten days before they come into effect. This period of advance notice can be reduced in particularly urgent cases. After the expiry of the measure, the previous shift plan automatically comes back into force.
- *Sunday bonus:* "Old permanent workers" receive time-and-a-half for Sunday work (6 am Sunday to 6 am Monday). The bonus is calculated on the basic pay. Above and beyond this, a 25 per cent time credit is credited to their time account.

2.1.6. *The effects of the agreement*

The management assesses the experience with the seven-day week model as entirely positive: The agreement fully proved itself in the first year of its validity. It actually made it possible for management to smooth out fluctuations in the order situation.

"Seven-day working by no means led to there no longer being a single free day in Lebring last year" (Denk). On the contrary: according to the works council, production in the first half of the year was throttled back on account of the poor orders situation and extended it in the second half of the year in response to increased orders. In this sense, according to the Philips Austria spokesman, the agreement had a clearly positive effect on the balance of the plant. He cannot or does not want to go into specific figures. The agreement and the flexibility related to it, however, certainly represented an important contribution to the plant's competitiveness and thus to guaranteeing the site and the jobs.

Against this, the works council feels the introduction of the flexible seven-day week model to be a significant worsening in comparison to the previous status quo. The big disadvantage lies in the fact that because of the specific shift rhythm, workers as a rule go directly from the night shift into the two-day free shift (or the three-day free shift once a month). This arises from the two- or three-day rhythm.

A typical shift plan would look as follows:

Mon.	Early shift	<i>Free shift</i>	Night shift	Late shift
Tue.	Early shift	<i>Free shift</i>	Night shift	Late shift
Wed.	Late shift	Early shift	<i>Free shift</i>	Night shift
Thurs.	Late shift	Early shift	<i>Free shift</i>	Night shift
Fri.	Night shift	Late shift	Early shift	<i>Free shift</i>
Sat.	Night shift	Late shift	Early shift	<i>Free shift</i>
Sun.	Night shift	Late shift	Early shift	<i>Free shift</i>

The change from nightshift to free shift means that at least the first half day of the free shift is used for recovering the sleep lost on the nightshift. In this sense one cannot speak of two full days' relaxation, as would be the case on a "normal weekend". Those particularly affected were the employees who were part-time farmers alongside their work at Philips, and used the weekend to deal with any outstanding work on the farm. In the opinion of the works council, this disadvantage was not balanced by the cut in working hours.

The solution to the "temporary workers problem" was positively assessed by both sides. In fact, in the course of the implementation of the agreement, some of the earlier temporary agency workers received a Philips contract of employment. True, on the target date, 1 February 1999, the proportion of temporary workers was still over 20 per cent, but in view of the impending shut-down of TVT production and the associated redundancies, which mainly affect the temporary workers, the works council showed understanding for the six-month delay. In any case, the earlier friction between permanent workers and temporary workers no longer existed.

2.1.7. *The future of the enterprise*

Although the introduction of the flexible seven-day week was characterised by management as an important contribution to maintaining the site and employment, according to the Philips Austria spokesman it did not solve all the problems. Despite the introduction of flexible seven-day working, Lebring was still showing a deficit in 1998. In the management's view, this is the result of the continuing high production costs. More drastic steps were therefore taken at the end of 1998, and the closure of TVT production by June 1999 was announced. This affected around 430 of the 1064 workers, many of them temporary workers. Around 100 workers from TVT production were taken over to CMT production. Management and the works council negotiated a social plan for redundant permanent workers. This, however, was not enough. In order to reduce production costs further, management came to the works council at the end of 1998 with a proposal for a voluntary wage reduction for the remaining workers. According to the Philips Austria spokesman, in the times when the plant was doing well, Philips had paid well over the rate in the [national sector] collective agreement. In the present situation, however, the plant could no longer afford this. In February 1999, the majority of workers accepted a voluntary 15 per cent pay cut, by which, however, wages still remained significantly above the rate in the [national] collective agreement.

After this, the site and employment at Lebring only seems to be secured provisionally. One uncertainty factor is the stability of the world market price for monitor tubes, which neither management nor the works council can influence. From this point of view, the works council feels under permanent pressure. "We don't know what's going to hit us next," says the shop steward regarding the feelings of uncertainty in the workforce. An essential indicator for the security of the site and thus of the workforce, will be the actual implementation of the two CMT production lines still planned.

2.1.8. *Evaluation of the agreement*

In connection with the closure of TVT production and the employees' voluntary pay cut, the introduction of the flexible seven-day week has to be seen as a contribution to the reduction of production costs and to increased flexibility of the plant, and as such in consequence to the guarantee of the site and employment at it. Under the production-cost reduction paradigm, the agreement as a whole acquires a rather defensive character and can thus only conditionally be considered as being innovative. Thus, for example, the works council's central demand for two additional shifts instead of one, which alongside the increase in flexibility would have led to a significant cut in working hours and an increase in jobs (for which the staff would have given up part of their wages), was rejected by management on grounds of cost. In the view of the works council, the current solution represents a worsening of the situation for the employees in comparison to the previous status quo, which has not been balanced out by the 1.92 hours reduction in weekly working hours. Nevertheless, the works council and the workforce voted for the agreement, as they subsequently agreed to a voluntary pay cut, in order to secure the maintenance of the site and at least part of the jobs there. Even if, according to the

management, the flexible seven-day working model has proved itself in the first year of its existence, the increase in flexibility and competitiveness under the paradigm of reduced production costs tends to be at the expense of the employees – at least that is how it is seen by the works council.

Actually, the agreement may be regarded as unsatisfactory in as much as the future of the plant remains uncertain despite the introduction of the flexible seven-day week model, the subsequent closure of TVT production and the voluntary wage cut taken by the employees. The agreement can only then be regarded as a success if it and subsequent measures lead to long-term security of production in Lebring. Only the future will show if this is the case.

2.2. *The Social Plan at Austria Post and Telecom (Post- und Telekom Austria AG, PTA)*

Summary

In 1996, in reaction to the commitment to liberalisation in the European telecommunications market, the nationalised Austrian Post and Telegraph Authority (PTV) was turned into a public limited company, the PTA. Along with the assets and business, the PTA also took on the personnel, two thirds of whom were civil servants now assigned to the PTA. According to the company management, the PTA showed a lower productivity rate in comparison with private telecommunication providers (measured in telephone connections per worker). The management announced a personnel reduction, in order to be armed to face the competition that would be allowed on the terrestrial network from 1 January 1998. As the majority of the personnel were civil servants, who could not be made redundant, the personnel reduction had to take place within the context of a social plan in which the workers could be given an incentive to leave active employment voluntarily. This took place primarily through an early retirement arrangement, in which employees over the age of 55 were offered early retirement on 80 per cent of their wage (without being registered as unemployed or having to suffer loss of pension payments). In addition, the company declared that it was prepared to make voluntary redundancy payments to younger workers. The social plan was negotiated between the management and the works council in 1997. The employees had two months in which to decide whether take up any of the measures on offer. As a result 4,500 took the opportunity (3,000 early retirement, 1,500 voluntary redundancy). This is approximately half of the personnel reduction originally planned. The management is satisfied with the numbers taking up the offer. The increased productivity and the consequent maintenance of market share, would also secure the employment of the remaining workers. Whereas personnel reductions because of rationalisation in the telecoms business (as a result of digitalisation of the terrestrial network) went through smoothly, in the Post Office the reductions led to personnel shortages and in the short term a negative effect on the running of the business. The shop steward criticised the “indiscriminate personnel reduction”. He would rather have seen a personnel plan and training and retraining measures in order to keep the more experienced workers. In addition, he called for the setting up of a work foundation. The management was not prepared to do this. After the realisation of around half of the planned personnel reduction through the 1997 social plan, new social plans are now being negotiated. As far as the content is concerned, these will follow the lines of the first social plan. Since the PTA has meanwhile been broken up into Telekom Austria AG (with the telecoms business area) and the Österreichische Post AG (with the Post Office and (passenger) Post Bus business areas) other, separate social plans will be negotiated this time.

2.2.1. *The company*

The previously nationalised Post and Telegraph Authority (PTV) was converted into the Austria Post and Telecom (PTA) in 1996. The basis for this was the *Poststrukturgesetz* 1996 (Post Office Structure Act). Alongside the assets and personnel – of which two thirds were civil servants assigned to the PTA – the traditional core operations areas, post, post buses (passenger services) and telecommunications, were also taken over. In 1997 the PTA made a profit of ATS 9.7bn on a total turnover of ATS 67.3bn. Investment amounted to ATS 12.9bn. Most funds were invested in technical plant and equipment for the telecoms section of the business (digitalisation, development of the fibre-optic network and radio network). The company employed an annual average of 60,082 workers (corresponding to 57,586 full-time workers).¹³ After re-establishment as a public limited company, the PTA was reorganised on the basis of its business fields and since then has been restructured several times.

After the social plan came into force in 1998, the whole telecoms section, which in 1997 still accounted for 67 per cent of company profits (ATS 45.6bn), was split off and the terrestrial network business, Telekom, was merged with Mobilkom (mobile phones) and Datakom (data transmission) in an independent public limited company, Telekom Austria AG. Telecom Italia, which was already involved in Mobilkom, holds a 25 per cent share of Telekom Austria. This participation provided Telekom Austria with the funds needed to arm itself against the competition permitted on the terrestrial network market since 1 January 1998.¹⁴

After the Telecom section was split off, the Österreichische Post AG was set up as a public limited company for the post and post-bus sections. After telecoms, the post represents the PTA's second most important business area. In 1997 it delivered 2.3bn letters and accounted for 29 per cent of company turnover (ATS 19.5bn). The post is planning to invest in modernising and automating post offices. In Vienna alone, it is planned to invest ATS 900m in an automated post centre.¹⁵

The post-bus section is the post office's passenger transport service. It exists primarily in the rural areas and, with a 50 per cent market share, is even market leader there. Nevertheless, with 3.1 per cent of the PTA's total turnover (ATS 2.1bn), the post-bus section plays only a subsidiary role. Since the conversion of the PTV into the PTA, the post-bus section has been subject to stricter profitability criteria. Thus, 600 of the 25,000 post-bus routes were cut in 1997 because of non-profitability.¹⁶

¹³ Cf. *PTA Geschäftsbericht* [company report] 1997, p. 12 f., and *PTA Finanzbericht* [financial report] 1997, p. 4 f.

¹⁴ Cf. *ibid.*, p. 20 f.

¹⁵ Cf. *ibid.*, p. 40 f.

¹⁶ Cf. *ibid.*, p. 50 f.

2.2.2. *The background*

Since the 1980s there has been a liberalisation in the telecommunications market. Following the US example, a range of European countries have abolished the traditional government monopoly of voice telephony and allowed private service providers. For a long time Austria closed its eyes to this trend. But with the entry into force of EU guidelines on liberalisation of the telecommunications market, Austria too saw itself forced to make preparations for the abolition of the PTV monopoly. With this in mind, the nationalised PTV was converted into the PTA public limited company in 1996 on the basis of the Post Office Structure Act.

After this, management prepared the company for the competition with private terrestrial service providers after 1 January 1998. One of the first reactions was the announcement of a significant reduction in personnel (9,600 full-time jobs by the year 2002). According to the management this was necessary in order to achieve international productivity standards, based on comparisons with private service providers' figures. Productivity in the voice telephony sector is usually measured by telephone connections per worker. Productivity can consequently either be increased by increasing the number of telephone connections or by reducing the number of staff employed. Since the first of these was ruled out in view of the impending entry of private service providers to the market, which would in any case cost the former 98 per cent monopoly some of its market share, there was, according to management, "absolutely nothing else to do other than reduce staffing levels in order to increase productivity."¹⁷ This plan was made easier by digitalisation of the terrestrial network, as a result of which enormous rationalisation potential had been created in recent years. Between 1993 and 1997 the digitalisation level in Austria was increased from 35 to 82 per cent. Digitalisation is to be fully completed in 1999.¹⁸ "Much fewer personnel are involved in a digitalised exchange than an analogue exchange in view of the maintenance and clearing of interference. For this reason there was a whole range of workers who we no longer needed," the Telekom spokesman explained.

In the post the situation was not quite so simple: the EU liberalisation efforts were taken account of in the 1997 Post Office Structure Act. Whereas the parcels service was already competing with private service providers (the post was already cooperating with private service providers in this sector), the post still enjoyed a monopoly on letters up to 350 g. Liberalisation in this sector is to be expected in 2003 at the earliest. Nevertheless the post has been arming itself for the impending competition. It is attempting to save on personnel and increase productivity through the establishment of automated letter centres. There are narrow limits on rationalisation potential in the delivery field as long as it is supposed to be carried out on a nationwide basis. Thus in 1997 the post was responsible for less than a third of the company's turnover but needed

¹⁷ This and the following quotations from Dr Manfred Lang come from an interview we conducted with him on 25 March 1999. Lang was involved in negotiating the PTA social plan. After the break-up of the telecom section, "competence centre he can now only speak for Telekom Austria AG.

¹⁸ Cf. *PTA Geschäftsbericht* 1997, p. 23.

more than half of the personnel. True, the post also implemented staff cuts in 1998, but because of the limited rationalisation potential had greater difficulties in laying off workers without affecting the running of the business.

2.2.3. *Motives*

The central motive of company management was in the reduction of staff levels in order to increase productivity (measured by connections per worker in the voice telephony sector). "The aim is to guarantee the economic basis of an efficient enterprise, that it remains number one on the telecoms market in Austria not thanks to its origin as a monopoly but because of its ability to compete," the Telekom Austria spokesman explained. "Because two thirds of the personnel were civil servants, and a civil servants employment contract cannot as a rule be terminated, we had to find another, economical way of removing these workers from the active enterprise. Practically, this was only possible by a social plan in which we offered an incentive, in particular to those civil servants who were approaching retirement age, to give up active employment voluntarily."

In contrast to this, the works council was of the view that staff levels should be fundamentally maintained. True, the works council also recognised the sense of early retirement arrangements, but above and beyond this it regarded it as irresponsible to dispense with the knowledge and skills of young and middle-aged workers without having planned how many would be needed in future and with what qualifications. In the view of the works council, reskilling and further training measures would have had to be set up on the basis of a personnel plan before the workers were indiscriminately offered voluntary redundancy. In this way, for example, a technician retrained as a sales representative would be able to benefit as a sales representative on the basis of their long experience as a technician.

In the preamble to the social plan finally negotiated, both sides stated: *"According to the PTA business plan, the company must undertake a significant reduction in staffing levels in order to guarantee competitiveness and to increase productivity. This social plan is being agreed in order to be able to cut down in a socially acceptable way on excess personnel created by the necessary rationalisation and structural adaptation measures."*

2.2.4. *The course of the negotiations*

Statements on the length of the negotiations differ between nine months and a year. Both sides describe the negotiating climate as having been good. Negotiations were very intensive, sometimes almost daily. Both sides were on friendly terms. The company management is convinced that the time invested in detailed negotiations drawing up the agreement was repaid in implementation of the agreement.

"Before the start of negotiations we looked at a range of social plans, primarily those agreed in the previously nationalised industries, and discussed their advantages and disadvantages with our colleagues.¹⁹ On the basis of this experience we wanted absolutely to guarantee that in the case of early retirement the company would continue to pay the full health and pension insurance contribution, and that the colleagues affected would not be registered as unemployed. Then we worked out an appropriate proposal and went into the negotiations with it," the spokesman for the Post and Telephone Services Union (GPF) explained.²⁰

Two central points that the works council envisaged in this plan were rejected by management:

- *Priority for training and retraining and for transfer before redundancy:* The works council called for management to commit the PTA in the agreement to exhaust all possible internal training and retraining possibilities in order to avoid redundancies.
- *Work foundation:* The works council called for the establishment of a work foundation for training and retraining to make it easier for displaced employees to find new jobs. The PTA was to pay ATS 200,000 per participant into the foundation.

According to the works council, the management was not prepared to establish a work foundation because they did not want to train personnel for future competitors.

In principle there was consensus on the nature of the remaining measures for early retirement and voluntary redundancy. There was no agreement at the beginning on the level of the payments. "Here we had to compromise," the Telekom spokesman said. "In retrospect, it was to our advantage in as much as we thereby increased the attractiveness and thus the take-up of the measures."

According to the works council, the time factor played an essential role. Management was under enormous pressure because of the impending liberalisation and the business plan that had to be drawn up. "Towards the end the negotiations became ever more hectic," the GPF spokesman explained. "At the end it all had to go through very rapidly. The colleagues were informed of the measures in November and had to come to a decision by the end of January."

Almost at the last minute the law on civil service employment was changed. Without this change, it would have been impossible to implement the social plan. Since the 29 December 1997 amendment, civil servants who have been assigned to a company outside government service have been allowed to take voluntary redundancy, and in the case of early retirement to forego a part of their income. Previously neither of these were possible.

¹⁹ One of the crucial points was the question as to whether those leaving the company and receiving support from both the company and the Public Employment Service are registered as unemployed and therefore have to accept a job offered by the Public Employment Service.

²⁰ This and the following quotations from Dr Gottfried Sommer come from an interview we conducted with him on 17 February 1999. He is the general secretary of the union of post and telephone service workers and in this capacity he took part in the negotiations on the social plan for the works council.

2.2.5. Contents of the agreement

- *Area of application/period of validity:* The agreement applies to all civil servants and employees of the PTA who entered service before 1 January 1995. Above and beyond this, it also applies to the PTA civil servants assigned to work for the subsidiary companies Datakom, Mobilkom and PTI (the post's real-estate company). The declaration taking up the measures offered must take place by the 31 January 1998 cut-off date (the agreement was concluded on 24 November 1997).
- *Basic principle:* "The social plan is based on the principle of mutual agreement, that is to say, the agreement of both the employee and the PTA is necessary. No legal claim to the social plan can be asserted."
- *Early retirement for civil servants:* This rule applies to civil servants who have completed their 55th year by the cut-off date and who are not older than 59½ years. They have the chance to stop active work before retirement age. They receive 80 per cent of their gross monthly income, or at least 75 per cent of their net monthly income until they are of pensionable age. The PTA further takes on the employer's share of the national insurance contribution and in cases of low income (under ATS 22,036 gross per month) the employee's share as well. Above and beyond this, the PTA undertakes to compensate for any reduction in pension payments caused by taking early retirement. The civil servants, for their part, commit themselves to take retirement on reaching the age of 60 (civil servants have the legal right not to retire until the age of 65).
- *Voluntary redundancy for civil servants:* This provision applies to civil servants who are under the age of 54 on the cut-off date and who have more than three years of service with the PTA or PTV. On leaving the company they receive a voluntary redundancy payment corresponding to their years of service. In return, the civil servants commit themselves not to work for a competitor company or to establish their own competitor company without the agreement of the PTA.

3 years	5 months' income	+ 90,000 ATS
5 years	6 months' income	+ 100,000 ATS
10 years	7 months' income	+ 120,000 ATS
15 years	9 months' income	+ 150,000 ATS
20 years	12 months' income	+ 180,000 ATS
25 years	15 months' income	+ 220,000 ATS

- *Early retirement for non-civil-service employees:* This provision concerns women who have completed their fiftieth year of age and men who have completed their fifty-fifth year of age at the cut-off date. In essence the same rules apply as for the civil servants. Workers commit themselves, however, to go into retirement at the earliest possible date and to undertake all possible steps in this direction.

- *Voluntary redundancy for non-civil-service employees:* This provision applies to men who are under 54 and women who are under 49 on the cut-off date and are in permanent employment. On mutually agreed termination of employment they are entitled, alongside the statutory redundancy payment, to voluntary redundancy pay corresponding to their period of service of:

3 years	5 months' income	+ 70,000 ATS
5 years	6 months' income	+ 90,000 ATS
10 years	7 months' income	+ 110,000 ATS
15 years	9 months' income	+ 140,000 ATS
20 years	12 months' income	+ 170,000 ATS
25 years	15 months' income	+ 200,000 ATS

- For *special and hardship cases*, a commission was established with equal representation, with the power to make special arrangements on basis of fairness.

2.2.6. *Effects*

The whole social plan is characterised positively by both sides. 4,500 employees have taken early retirement, and a further 1,500 – according to the shop steward, "more the young dynamic workers who think they will find a job on the open labour market" – have taken voluntary redundancy. This means that about half of the planned staff cuts have been achieved (9,600 full-time jobs by 2002). "We are very pleased with the take-up of the measures. Above all, the take-up of early retirement has exceeded our expectations. At Telekom, 90 per cent of those entitled to it took up the option. Naturally we could have made younger employees redundant, but that would have not been so ideal, because it concerns cheaper workers with a more modern training," the Telekom spokesman explained. For the company, the social plan will pay off despite the costs associated with it – for those taking early retirement, the company saves 20 per cent of their income, though dispensing with all of their services. "The economies arise out of the disappearance of the incidental costs associated with the establishment of a workplace. If we close an analogue exchange, we can now get rid of all these things right down to desks and chairs without needing to replace them. That saves us a great deal of money," the Telekom spokesman explained.

Instead of the "indiscriminate personnel reduction", the shop steward would have liked the establishment of a personnel plan with corresponding training and retraining measures to tie the experienced workers to the company. To this extent he is "not exactly very happy" that 1,500 former colleagues have chosen to take voluntary redundancy. He is more happy with the early retirement provision, which represents a definite success in comparison with the usual early retirement schemes, above all

because of the guaranteed sickness and pension contributions and not needing to register as unemployed.

The commission for special arrangements for special and hardship cases dealt with 180 cases. Most were women with a (non-civil-service) employee's contract of employment and with an earlier retirement age (55 instead of 60 for women civil servants and non-civil-service male employees).

In the case of the post, the high take-up of the social plan and the associated personnel reductions led to problems keeping some post offices open in summer 1998. The workers even threatened to go on strike in view of the short-term overload.

2.2.7. The future of the enterprise

Despite the liberalisation of the telecommunications market, there is no serious threat to the PTA or Telekom Austria AG. Nevertheless, the level of employment will be dependent on the ability of the enterprise to protect its market share against private competition. So in future, too, the management will therefore strive to raise company productivity through personnel cuts. "We will be watching developments very closely," the Telekom spokesperson assured us.

The next social plans are already being planned both in Telekom Austria and in the Österreichische Post AG. "As far as the content is concerned, the measures will by and large follow the lines of the first social plan," the Telekom spokesman explained. Alongside the 10 per cent who did not take early retirement last time, it is intended to address those workers who in the meantime have turned 55. This time the shop steward wants to insist on the drawing up of a personnel plan.

2.2.8. Evaluation

Although management emphasises that the increase in productivity has secured remaining jobs in the enterprise, safeguarding jobs may only have come second on their list of concerns. Actually, in order to score points in the sale of parts of the enterprise and in the planned floatation, the management was above all clearly concerned with achieving a short-term increase in productivity through the quickest possible personnel reduction – because of the permanent status of civil servants of large parts of the workforce, this was only possible voluntarily and thus in the form of a social plan. Against this background, management accepted costs of ATS 8bn for the social plan (ATS 8bn were reserved in the business plan, of which only ATS 5bn were actually spent). It was not prepared to invest this money in training and retraining, or in the establishment of a work foundation.

This means that although management reached its objectives through the social plan (personnel reduction to raise productivity), the measure must nevertheless be described as not particularly innovative with regard to safeguarding employment.

2.3. *The Steyr Open Work Foundation*

Summary

Work foundations usually provide measures for people facing redundancy. In the case of company foundations they are based on agreements between the management and the works council. Funds are provided by the company and by the Public Employment Service. The Open Work Foundation Steyr was founded by several companies in a region with traditional engineering industries. In the early 1990s, structural economic change and above all the falling away of markets in the east led to major structural changes, which massively increased the unemployment rate. For the first time in Austria, ten individual enterprises joined together in one foundation in order to increase the financial resources. The aim of the Steyr Open Work Foundation is to create employment policy initiatives for the region; to build up a personnel pool; to develop a pool for qualification and re-skilling; and to create a reasonable-cost instrument for dealing with unemployment. The Steyr Open Work Foundation is constituted as an association. This association for training and further education consists of a management board put together from employers' and employees' representatives on the basis of parity, with the chairperson being taken from one of the company representatives. The Steyr Open Work Foundation is funded by membership contributions from the individual companies, i.e. from funds established in the company agreement. Thus far, around 500 people, mostly men, have joined the Foundation, of whom at present 150 are pursuing Foundation activities. After taking part, 97% have been able to find jobs. New activities include ongoing advice for participants on the establishment of new companies; company formation by the Foundation in order to create jobs; enterprise development; and sale of services outside the region of Steyr.

2.3.1. General development of work foundations in Austria

Work foundations provide job-related bundles of measures for people facing redundancy or for unemployed people (*MISEP* (1998), p. 113). As part of their objectives, the foundations thus seek to find new employment for the unemployed through retraining, and thereby to prevent disintegration. It is not just a case of conventional training and further education measures, but also concerns the development of future-oriented, innovative measures, such as, for example, the setting up of new companies.

Essentially there are four types of work foundation:

- Company foundations: in these the enterprise itself plays a major role in the legal framework and financing of the work foundation.
- Insolvency foundations: these are work foundations set up for the former workforce after a company goes into receivership.
- Regional foundations: these are foundations created solely for people in a particular region.
- Sector foundations: nationwide foundations.
- Foundation-like measures: e.g., the Steyr Women's Foundation, which has a different legal basis. ²¹

The first Austrian foundation, the renowned "Steel Foundation", was established in 1987 and by the end of 1995, there were already 52 work foundations in Austria (*Soziales Europa* 7 (1997), p. 19).

The Steel Foundation: From shock to opportunity

The steel crisis in the mid 1980s was an incentive for Austrian labour market policy to create a holding structure for the workers who had been hit by the massive staff reductions in the state-owned VOEST-Alpine AG. As a result, in 1987, works councils and staff representatives created the first Austrian foundation – in the VOEST crisis area of Eisenerz in Styria and in Linz in Upper Austria – in the style of the German Saarland model: the steel foundation (*Arbeitsstiftung ÖSB* 1994/95). Since there was no experience of such a project in Austria, this was in the nature of a pilot project. The Steel Foundation and the work foundations arose in general from the initiatives of regional players. Thus they could be tailored to regional characteristics (*ÖSB, Fünf Jahre (s.a.)*). Their formation required agreement by the "social partners".

A condition for acceptance in the foundation is the mutually agreed ending of the employment contract. Participants have to carry through a self-developed training plan over two (maximum three) years in order to improve their chances of re-employment (Lechner/Reiter (1991), p. 19).

²¹ One-year funding, measures are outside the Unemployed Insurance Act and are promoted in the context of active employment policy based on the Job Creation Act.) These are exclusively publicly funded. The target groups are thus also people with no entitlement to unemployment pay (*Soziales Europa* 7 (1997), p. 20). This is particularly relevant to women, as in bringing up children they are often excluded from the labour market and thus often from the unemployment statistics, too, and would thus have no entitlement to measures within a work foundation.

The measures include:

- A six-week induction orientation phase: activation instead of support; new orientation instead of resignation.
- Short-, medium- and long-term training and further education: re-skilling instead of de-qualification (training may last up to four years).
- Intensive job-seeking with programmatic support: outplacement and integration instead of exclusion; cooperation instead of confrontation. (Job seeking can last up to four months.)
- Participation in projects and setting up companies, which can last up to three years. (*Stahlstiftung/Leitbild*, 1-96/1.)

Where a temporary job is taken up it is possible to return to the Foundation within two years, for a permanent job, within six months. An outplacement that is unsuccessful after six months results in loss of eligibility for the Foundation unless it concerns people over 50. These receive an extension of a further six months, only after the end of which are they no longer eligible for the Foundation. (*Stiftungsinfo 1995*, p. 3.)

The Foundation's qualification programme includes both conventional and innovative programmes. If participants decide for conventional training measures, then they commit themselves to a 38.5-hour week, in accordance with the normal working week.

Funding:

- Foundation participants' own resources
On joining the Foundation participants have to make a personal contribution. This consists of the interest on 50% of the redundancy money required by law (max. ATS 100,000), which is paid into a separate account and only paid out when they leave the Foundation.
- Employees' solidarity contribution
A fixed solidarity contribution by the employees of the company – 0.25% of their gross monthly income – is laid down in a company agreement (Lechner/Reiter, 1991, p. 16).
- Company funding
The VOEST contribution when the Foundation was set up in 1987 consisted of an initial payment of ATS 10m to the foundation budget. Above and beyond this, the companies make a contribution of 50% of the monthly staff solidarity contributions (Lechner/Reiter (1991), p. 21). In addition, VOEST-Alpine AG made its premises, personnel and administrative structure available to the Foundation.
- Public funding
The participants receive an extended period of unemployment pay – up to two years – alongside which they receive a monthly grant of a maximum of ATS 5,000 14 times per year. Sole earners receive an additional grant of ATS 1,000 and ATS 500 per month 12 times a year for each child not otherwise provided for (VOEST Alpine AG/1996/5.) The unemployment pay and the basic grant may not exceed 80% of the last net income. The 13th and 14th basic grant is

not counted in this limitation. Together with the payments from the Steel Foundation, payments may not exceed 100% of the last net income.

In general, despite the staff solidarity contributions, the funding from the Employment Office and the companies, those affected by unemployment have to expect that they will make the greatest contribution to re-integration in the employment system themselves.

Organisation:

The establishment of a work foundation has to be recognised by notification from the provincial directorate of the Employment Service. The foundation itself is set up by the social partners. The management consists of equal representation from the company and staff representatives, and is headed by a foundation manager. A care and coordination team is responsible for the fine tuning and for advising the foundation participants. The Employment Office is directly involved in the foundation.

On the survey date, 30 September 1998, 2,387 people had joined the Steel Foundation since 1987 (*VOEST-Alpine/2/1998*, p.14). 48.5% achieved a higher professional qualification, 28.6% completed a school or university education, 3.6% founded companies. 6.1% left the foundation after a very short time without having completed a training objective. 74% of the participants found a new job after leaving the Foundation, 4.2% did not succeed in finding work and 4.7% retired from economic activity (*VOEST-Alpine/2/1998*, p. 26.) 42% of the participants between 1987 and 1998 were between 20 and 30 years of age; 6.5% were over fifty (*VOEST-Alpine/2/1998*, p. 14). This means that the reskilling measures primarily benefited young people, which, considering the high replacement quota, will be of good use in their future careers. In all, only 14% of the Foundation members are women. The Foundation thus primarily promotes the re-training and further education of men. This is on the one hand conditioned by the sector, on the other hand it also corresponds to the location in question. The average length of time spent in the Foundation is 18.6 months, which shows that a significantly higher qualification is thereby achieved (*VOEST-Alpine/2/1998*, p. 28).

Evaluation of the work foundation model:

In quantitative terms the work foundation model is successful as it is increasingly used to solve problems resulting from redundancies. The following table shows the annual averages of participants over the 1990s:

1991	270
1992	403
1993	810
1994	1448
1995	1889
1996	2820
1997	3208

(MISEP 1998, p. 109)

In qualitative terms, the work foundation model has proved itself on three levels:

- The individual level – rapid re-integration into working life is guaranteed through flexible design of the qualification measures, thus absorbing the shock of personal or social destabilisation.
- Employment policy level – an efficient employment policy instrument is created by the linking of diverse measures. The potential workforce can largely be kept in the region (*MISEP* (1998), p. 113).
- Socio-political level – despite extensive personnel reductions, the involvement of former employers, the employment office and former colleagues means that the burden has been spread, which was previously not the case (Lechner/Reiter (1991), p. 70 f.). The activities of the company that makes the employees redundant, and its participation in the funding and organisation of the measures, mean that it also takes responsibility for its employees after redundancy. In this way the work foundation distinguishes itself from conventional labour-market policy measures. The work foundation approach thus contains a cooperative, conflict-resolution strategy. In contrast to employment policy, however, they swing into action in the run-up to possible unemployment and thereby have a preventative nature.

In total, the work foundation model can be seen as a type of organisation that, as a flexible, small-scale but systematic initiative, represents a valuable addition for the Employment Office (Lechner/Reiter (1991), p. 69). In summary it has proved itself to be an efficient instrument of an offensive employment policy. At the moment the work foundations in general represent a "top-quality instrument for the integration of the unemployed" (*Branchenstiftung* (1998), p. 10).

2.3.2. *The Steyr Open Work Foundation – "founding not dole"*

Origins:

The Steyr region is an area shaped by its traditional engineering industries, whose employment opportunities have largely determined the regional labour market since the second half of the 19th century. Its good reputation, based primarily on the development of engines, trucks, buses and motor vehicles, has made Steyr well known beyond the borders of Austria. "Steyr lives and dies with its factories" (works councillor, SNF-Steyr, Int. Feb. 1999). There is a strong, historically conditioned, trade union presence here. This expresses itself in local authority politics, which is strongly Social Democrat. The interchange between [local] politics and the Steyr Open Work Foundation draws its cohesion from the strong local roots and relationship of the people involved.

In the early 1990s, structural economic change and above all the falling away of markets in the east led to major structural changes, which massively increased the unemployment rate. The employment office repeatedly organised initiatives with a view to setting up of foundations. There were also ventures in this direction from the trade union side. An urgent need for action arose when GFM, a company in Steyr, announced 100 redundancies in 1993. In response, in cooperation with the Austrian trade union confederation ÖGB and the deputy mayor, a new instrument to deal with the crisis – the Steyr Open Work Foundation – was created in April 1993. In contrast to the Steel Foundation, most member enterprises of the Steyr Open Work Foundation are small or medium sized. For the first time in Austria, ten individual enterprises therefore joined together in one foundation in order to increase the financial resources. Although the majority of the member enterprises are in the engineering industry and are based in Steyr, since 1994 the foundation has also included non-engineering industries based outside the region. Although the reason for setting it up was the urgent need for action because of personnel reduction in one company, enterprises that had no need for action but which were motivated out of solidarity with the region, the companies and the employees, have also joined the foundation. Thus the biggest member company, BMW Steyr, which with approx. 3,000 employees has the biggest workforce, has still had no need to make use of the foundation.

Member companies are:

		Workforce (approx.)
Since 1993	BMW Steyr GmbH.	3,000
	GFM	300
	Ennskraftwerke	220
	SKF-Österreich AG	900
	Steyr-Antriebstechnik	840
	Steyr-Nutzfahrzeuge	2,300
Since 1994	Steyr Mannlicher AG	200
	Steyr-Rechenzentrum	35
Outside Steyr – in Austria		
	Solvay Österreich	150
	Fresenius GmbH.	270
	Mischek Bau	700

At present the rough total of all employees in the member companies is 9,000.

At the same time as the Work Foundation was set up, a women's foundation was initiated to cater for women with no current qualifications.

The founding companies consisted of six individual enterprises with approximately 7,260 employees. Since 1994, the Foundation has extended to five further enterprises with approximately 1,500 employees. The new companies are primarily distinguished by the fact that their are not based in Steyr. Since 1993, a total of 500 people have used the foundation, of whom 450 have been able to find jobs. This represents a 96% replacement quota (*Offene Arbeitsstiftung Steyr* (1998), p. 2 ff.).

Objectives:

The aim of the Steyr Open Work Foundation is

- to create employment policy initiatives for the region
- to build up a personnel pool (primarily wanted by BMW)
- to develop a pool for qualification and re-skilling
- the creation of a reasonable-cost instrument for dealing with unemployment
- financial autonomy
- autonomous decision-making
- no public subsidy

The Foundation sees itself as a service enterprise for member companies in personnel questions and rationalisation measures, and in subjects relating to training and further education. Those taken on are people who have been discharged from a member company by the mutually agreed ending of the contract of employment.

Funding:

The Foundation was set up with a one-off subsidy from the member companies and starting support from the Employment Service (AMS) together totalling ATS 900,000.

The Steyr Open Work Foundation is constituted as an association based in Steyr. The association for training and further education consists of a management board put together from employers' and employees' representatives on the basis of parity, with the chairperson being taken from one of the company representatives. When a company introduces one of its own employees for training or retraining, then a separate section with its own accounting and administrative sphere and its own committee is set up, which decides on admission and the training objectives. The funds can only be used for the people from the company concerned and are calculated on the basis of the actual expenses. Any remaining funds are returned to the company.

The Steyr Open Work Foundation is funded by membership contributions from the individual companies, i.e. from funds established in the company agreement. The membership fees are different for each enterprise. An amount between ATS 50,000 and ATS 100,000 is paid on first joining. The monthly membership contribution per employee is a uniform ATS 20, with BMW being responsible for half of this solidarity contribution.

Foundation time is working time:

Thus far, around 500 people (7% women) have joined the Foundation, of whom at present 150 are pursuing Foundation activities. After taking part, 97% have been able to find jobs, which is attributable among other things to the participants' high level of training (only 8% have secondary education qualifications, but 79% have apprenticeship qualifications) and which represents a nation-wide exception. 40% of those who have joined the Work Foundation returned to a member company. 50% are between the ages of 21 and 29 (*Offene Arbeitsstiftung Steyr* (1998), p. 3 ff.). The age profile of the participants shows that the companies, in line with the basic premises of the Foundation, do not release primarily their older workers, but pursue socially responsible personnel reduction measures (*Offene Arbeitsstiftung Steyr* (1998), p. 3).

Spheres of activities:

In 1994 a Board decision was made to extend the Foundation's sphere of activities. The new orientation was to work according to market criteria, since membership contributions were not providing sufficient capital to maintain the Foundation. The

result was the establishment of a holding company for enterprise formation. This pursued new priorities:

- I. Development of ongoing advice for participants on the establishment of new companies.
- II. Company formation by the Foundation in order to create jobs.

On the basis of a demand survey in the region, innovative companies are set up. In total, 15 enterprises were set up with an average of three jobs per enterprise being created (*Arbeitsstiftung 1998*, p. 4). Among these were a sunshine and weather protection company, a technical agency, a trading agency, an electrical goods shop, a bicycle shop, a locksmith's, an environmental technology agency, an electrical goods and service shop, a tailor's, a translation agency, a restaurant and dance hall, a video shop, a computer service centre, a programming centre, and an apiary and honey shop.

The Cooperative for Work in Steyr, founded in 1996, is worthy of particular mention. It is unique in central Europe as a self-organisation and participatory model that attempts to take over the role of the traditional manpower services agencies. Companies and employees take cooperative shares with the aim of marketing their own labour. Co-op members each pay an ATS 10,000 Co-op contribution (also in the form of monthly instalments) which is paid back on leaving, and an ATS 12,000 membership fee.

In 1997, the membership consisted of four companies and 21 loan workers, i.e., unemployed or members of the Open Work Foundation. The cooperative has charitable status and receives no public subsidy. At 11 people the cooperative breaks even. From 15 it makes a profit. The level of the co-op dividend paid out can be determined by the joint owners, i.e., the cooperative members themselves. In each case, however, 50% must be invested in a qualification/reskilling fund (*Genossenschaft für Arbeit, Geschäftsbericht 1997*).

Activity is essentially limited to the metal-working trades and the engineering industry. Qualification, however, is from skilled worker level. The loan workers are employed in the form of a normal contract of employment. Of those who left the Co-op in 1997, eight took up jobs. The average length of time in the cooperative was 6.4 months per person. The declared aim is to establish a transfer platform with the help of the cooperative, to admit the loan workers to the co-op only as an interim solution and consequently to move them back into employment again.

III. Enterprise development

The holding company for enterprise formation, which is a 100% holding of the Association, buys enterprises itself. This holding company is intended to reduce the Foundation participants' risk in cases of new company formation, in as much as it makes professional planning and implementation available.

Objectives

- playing an advisory role in the drawing up of an enterprise concept

- providing a legal entity
- providing risk capital

The holding company provides support in the development and start-up phase. After a participant takes over a company, 20% of profits must be paid back to the holding company over a period of five years.

One example is the establishment of "Milchmann" in 1998 that has the following objectives:

1. Maintenance of a local sales and distribution network for dairy products.
2. Creation of employment effects, also for those with low qualifications.

At present ten trucks deliver to 650 customers in large parts of Austria. The company employs 30 people, among whom there is no differentiation between white collar and blue collar workers [or "employees" and "workers", as is otherwise the norm in Austria].

3. Profit orientation and redistribution

1/3 of profits goes to the workers

1/3 must be invested

1/3 of the profit belongs to the company

IV. Sale of services outside Steyr

The holding company provides enterprise advice, seminars, presentation, training, etc. The services on offer include a wide spectrum of qualifications.

In summary it can be said that the individual board members of the Steyr Open Work Foundation are strongly rooted in the region. Shop stewards often also hold political office (mayor, deputy mayor, councillor). This regional policy alignment was thus an essential motive in the establishment of the Foundation. The political and financial autonomy of the Foundation has facilitated a rapid and flexible response. The Foundation would not exist if the funding had been dependent on the local councils.

The innovative element is its financial autonomy, its market-orientated activity alongside simultaneous solidarity with the employees. In this way it seeks to strike a balance between micro-economic costs and macro-economic benefits. The direct link to the companies makes efficient action possible.

A declared aim for the future is the development of the personnel administration service sector through

- qualification
- placement
- head hunting
- enterprise foundation
- development of the cooperative

Due to the dynamic development the shape of the Steyr Open Work Foundation will be subject to change also in the near future.

2.3.3. *An exemplary member company: SNF (Steyr Nutzfahrzeug AG)*

SNF is a truck manufacturer which exports to European, Asian and African countries. With its 2,692 workers, SNF was a founder company in the Steyr Open Work Foundation in 1993. It decided to join out of solidarity, without facing any urgent need for action. From the company viewpoint, the experience of the previous years in the region, in which structural changes had repeatedly led to personnel reductions, was an essential reason for a sensitive and open approach to the unemployment problem. Similarly, a future structural change within the engineering industry was to be expected. If initial membership was thus still on a solidarity basis, it proved its worth through the subsequent shock to the enterprise. SNF had two massive job-cutting phases. Whereas in 1998 it was possible to redeploy 100 workers internally, in 1994 206 workers had to be made redundant. An active information campaign among the workforce was conducted in order to counter the shock. The works council provided information on the possibilities available under the Foundation. As a result, 56 of the 206 people made redundant joined the Foundation, of whom 44 had completed an apprenticeship and 48 of whom were aged between 20 and 40. After training, two of these returned to the company. The average length of time in the Foundation was 1.5 years.

What was noticeable was that a large number of the skills courses were not within engineering. Ten participants, for example, chose social professions like masseur or nursing and remained in the region after retraining (source: *Statistik, Offene Arbeitsstiftung 1999*). The reorientation of participants away from the engineering industry represents something new, as many employees are linked to this sector by a kind of traditional thinking handed down from grandfathers and fathers. The Steyr Open Work Foundation's measures support a gentle shift away from manufacturing industry towards the service sector, and thus hinders the outflow of labour. The Foundation thus provides support in breaking up the mono-structural economic landscape of the region.

Financial conditions:

SNF founds its own section within the foundation and transfers a contribution of ATS 55,000 per participant to the Foundation's account. This is paid in two instalments, one on admission to the foundation (ATS 30,000) and one at the start of the second year (ATS 25,000). The participants receive a grant of ATS 1,000 per month and after the job orientation phase, the participant pays an individual contribution of ATS 5,000 for a projected training period of up to a year. If the training goes on for longer, then the individual contribution is raised by a further ATS 5,000. (Source: SNF company agreement.)

The company motives are the following:

- cushioning the redundancy procedure
- reducing conflict potential through mutually agreed ending of contracts of employment
- protecting the company's reputation.

In addition:

- the company is not released from its responsibilities
- the company supports the creation of a safety net for people in the region
- support is provided for new skills and qualifications needed in the region
- extra costs of the social plans can be used for reskilling and qualification measures.

Assessment of the company:

- The Steyr Open Work Foundation is an extremely effective instrument in protecting social harmony in the region at a time of massive structural change.
- It has been successful both in relation to qualification, or rather reskilling, and in relation to re-integration of the participants into employment.
- The Steyr Open Work Foundation member companies feel they have increased their standing through the international interest in the Foundation, and the region receives recognition beyond its borders.
- A successful search for new employment possibilities has become reality inasmuch as, for example, the Cooperative has proved itself as a new bridge between employment and the labour market.
- Micro-economic costs are balanced by macro-economic benefits.
- There is a balance between market-oriented activity and an employment oriented approach (i.e., a cooperative: profit oriented, but redistributing its profits).

Demand for goods vehicles has increased as a result of the revival in international economic activity and improved competitiveness. In this context, an expansion of the plant with the creation of approximately 100 new jobs is expected. Thus the Foundation will take on a new role in recruitment.

Future plans:

The number of apprentices has fallen rapidly in recent years as a result of the transfer of engine building to Germany and through changes in the assembly process. The SNF manages an apprentice workshop with facilities for 100 people which is running at only half its capacity. For various additional reasons, the existing form of training workshop is not really effective. There is therefore the concept of establishing a regional, inter-company apprenticeship foundation within the Steyr Open Work Foundation (*Lehrlingsstiftung Steyr* (April, 1998)).

2.4. *DIE ERSTE BANK – The first of the Austrian Savings Banks*

Summary

In March 1997 DIE ERSTE österreichische Sparkasse – Bank Aktiengesellschaft acquired a majority stake in GiroCredit Aktienbank der Sparkassen. The companies were merged and the name changed to Erste Bank der österreichischen Sparkassen AG. An agreement was negotiated on the employment consequences of the merger. The motive of the employer was to reduce uncertainty on the part of the employees because that could have had negative effects on the service to customers. The works council aimed at involvement in the decision-making and attempted to avoid pending job-loss. The agreement provides that apart from changed seniority salary increases the employment contracts remain unchanged. The employer renounced compulsory redundancies, and the works council agreed to the promotion of mobility of workers within the group of companies. As a result, compulsory redundancies could be avoided in spite of a planned reduction of the workforce by 7% per year until the year 2000. The "downsizing" is realised through voluntary redundancies and early retirement. It has to be noted that the sector collective agreement for savings banks provides a rather strong protection against lay-off for workers with a length of service of 20 years or more. This limits the options for compulsory redundancies. Currently, the reduction of personnel is being continued to increase productivity, while the works council points out the limitations of such a policy.

2.4.1. The Company

History of the Erste Bank

The *Erste Bank* is Austria's oldest savings bank. It is the savings bank sector's central institution.

In the economically difficult period after the end of the Napoleonic Wars, the Emperor Franz I encouraged the foundation of a savings bank on the German and English model. Johann Baptist Weber, parish priest in Leopoldstadt, took up the idea. In 1819 he founded the "Verein der Ersten österreichischen Spar-Casse" ("Association of the First Austrian Savings Bank"), and on 4 October 1819, the first *Erste* opened its doors. Its business was described in its founding statutes as follows: "... [it has] the aim of putting in the hands of the factory worker, the countryman or any other diligent tradesman and thrifty person, minor or adult, the means to lay aside a little capital from their hard-won earnings from time to time, in order to be able to employ it later for better care, as dowry, for support during sickness, in old age or for the attainment of some praiseworthy end." This leitmotiv of the savings bank, the promotion of thrift and planning for the future, remained unchanged at its core over the generations right up to the present day.

Over the years, *Die Erste* developed together with the *Allgemeine Versorgungsanstalt* into an institution covering the whole of the Danube area. The introduction of the Austrian Banking Act, the liberalisation in establishing branches and credit interest deals led to a fundamentally new situation in the Austrian credit business. In an atmosphere of deregulation (i.e., the liberalisation of the legislative conditions) as well as internationalisation and rapidly advancing use of technology in the banking business, competition developed among all credit companies for customer groups that had previously predominantly been catered for by other institutions.

In 1993, the business of *Die Erste* was transferred to a public limited company in line with the 1986 banking act amendment. This had the effect that *Die Erste österreichische Spar-Casse – Bank* transferred its entire banking business to *Die Erste österreichische Spar-Casse – Bank Aktiengesellschaft*, a newly founded subsidiary company which became the operative bank. *Die Erste österreichische Spar-Casse* remained in existence as the holding company for the shares in the newly founded subsidiary, and simultaneously with the transfer of the banking business, changed its name to *DIE ERSTE österreichische Spar-Casse Anteilsverwaltungsparkasse (AVS)*.

GiroCredit

GiroCredit was established by the savings banks in 1937 as the "Giro Association of Austrian Savings Banks", to serve as a central institute of the savings bank sector in Austria as well as a clearing bank for payments between the savings banks. In 1992, the institute, in the meantime renamed as the *Girozentrale der österreichischen Sparkassen Aktiengesellschaft*, merged with the ÖCI (Österreichisches Credit Institut) bank to form

the *GiroCredit Bank Aktiengesellschaft der Sparkassen*. In this role, as the successor to GiroCredit, *Die Erste Bank* will provide a wide range of financial services for the savings bank sector. This relationship should bring advantages both for *Die Erste* and for the savings bank sector, in particular through a common distribution channel for products, joint marketing and other arrangements.

Area of operations of Die Erste Bank group

Die Erste Bank group offers the whole range of banking and financial services, including deposits, credit, investment banking, portfolio and asset management, securities trading, and security deposit business as well as electronic and telephone banking services.

The commercial customer business of *Die Erste* includes commercial credit for small, medium-sized and large companies, as well as projects and structured financing, and trade and export financing.

Internationally, *Die Erste Bank* group is active in various central European countries, which practically represent an extended core market, in particular Hungary, the Czech Republic, Croatia, Slovakia and Poland. Additionally, the group maintains offices in the rest of Europe, in America, Asia and Australia, as well as having branches in London, New York and Hong Kong.

2.4.2. The Background

On 19 March 1997, *Die Erste* and AVS acquired a majority holding in the *GiroCredit Bank Aktiengesellschaft der Sparkassen* (GiroCredit) with the purchase of 56.1 per cent of the ordinary shares in GiroCredit (51.1 per cent of the total capital base), which was previously held by the Anteilsverwaltungssparkasse-Zentralsparkasse. Together with the 26 per cent of the ordinary share capital (24.7 per cent of total capital base), which had already been held by *Die Erste* group (*DIE ERSTE*, *Salzburger Sparkasse* and *Sparkasse Mistelbach*), AVS and *Die Erste* group gained control of 82.1 per cent of GiroCredit's ordinary shares (75 per cent of the capital base).

Die Erste was merged with GiroCredit on the basis of the merger contract of 27 June 1997. The merger was carried out by the absorption of GiroCredit into *Die Erste*; in the course of the total legal succession, all of GiroCredit's rights and obligations were transferred to *Die Erste*.

The merger was approved by general meetings of *Die Erste* and GiroCredit on 21 August 1997, and came into effect with the entry into the companies register on 4 October 1997. At the same time, the bank's name was changed from *DIE ERSTE österreichischen Spar-Casse –Bank AG* to *Erste Bank der oesterreichischen Sparkassen AG*.

The merger should be seen as a political reaction to the acquisition of the Creditanstalt-Bankverein (CA) bank by Bank Austria (BA). *Die Erste* had been interested in taking

over CA right up to the last minute. On the other hand, the size of the institute now guarantees business growth. With a joint turnover of ATS 660bn, *Erste Bank* and GiroCredit are in second place in the Austrian banking world (*News* no. 9, 27 Feb. 1997).

2.4.3. *Motives*

Like every service-sector company, the outward face of *Die Erste* is essentially presented through the courtesy and friendliness of its employees. Uncertainty over the effects of a merger on jobs in the company can lead to heavy pressure on every member of staff.

The employer thus made the effort to relieve staff of at least some of this uncertainty. The public appearance of an employee who has doubts about their immediate future career cannot be good either for themselves or for the company.

For the *Erste Bank* works councillors, it was essential they were involved from the beginning. This is the only way to ensure that staff interests are properly represented. The head of the works council had the impression that it was essential to the employer that the works council was "on board" in this merger.

Of course the merger had raised fears of redundancies mainly because central functions such as EDP could be subject to rationalisation. It was therefore the main motive of the employees' side to safeguard jobs. In addition terms and conditions of employment were an important issue.

2.4.4. *Course of the negotiations*

Negotiations on the merger opened in early 1997. The legal form was the take-over of GiroCredit and its incorporation in the *Erste Bank*. The works council's demands were, first, that the *Erste Bank* is the incorporating institution, and second, that there should be no redundancies in connection with the merger. In return, the works council gave its assurance that it would support the mobility of individual staff members as long as this did not involve any financial disadvantage. The negotiations on a "written agreement" containing all these demands were speedily concluded within three months. It is significant, however, that the GiroCredit works council was included in the negotiations, although in this period there was no meeting between the employer's representatives (personnel management), the *Erste Bank* works council and the GiroCredit works council. The personnel management negotiated separately with the *Erste Bank* works council and with the GiroCredit works council. Discussions between members of the two works councils did, however, take place. The reason why this course of action was chosen remained an open question in our interviews. Possibly it was part of company strategy.

In employment law, the result of the merger is that the works council of the institute being taken over (i.e. GiroCredit) ceases its activity *ex lege* from the moment the merger is concluded. The works council of the incorporating institution – *Erste Bank* – is from this moment also authorised to act for the employees of the former GiroCredit. This legal provision does not lead to any disagreement if the number of employees being taken in is low. In this case, the ratio was 1:2. Around 1,700 former GiroCredit employees were integrated into the *Erste Bank*, which had 3,400 employees. In addition, at the time of the merger the *Erste Bank* works council had been in office for just a year. New elections were therefore not imminent.

The *Erste Bank* has got an ombudsman in each organisational unit of five or more people. In the course of the merger, a vote was held in the group of ombudsmen as to whether elections for the works council should be brought forward. This was rejected with a clear majority. The next works council elections therefore do not take place until March 2000.

Under the terms of the Works Constitution Act, the period in office of the GiroCredit works council ended prematurely as a result of the merger.

The GiroCredit shop steward believes that the legal provisions are not ideal in cases where the merger affects this number of workers. It would be worth considering if new elections should be held a year after a merger so that, on the one hand, all of the merged staff can decide their representative bodies for themselves, and on the other hand that those formerly ambitious shop stewards whose period in office is ended automatically would not become "too remote from their work" until the next regular works council elections (which are possibly held only after four years).

A compromise was reached in the *Erste Bank* taking account of the previous GiroCredit works council membership. The full members, provided they had not left the company, were co-opted onto the *Erste Bank* works council. They can speak in an advisory capacity in meetings. The previously full-time works council chair also continues in a full-time capacity. This agreement applies until the next works council elections.

2.4.5. *Content of the agreement*

a) Continued validity of contracts of employment, but with salary review

All contracts of employment within the group continue to apply without qualification. The *Erste Bank* terms of employment continue to apply to its employees unreservedly. For the GiroCredit employees, their terms of employment applied until the creation of common terms of employment. In the meantime, these common terms of employment have been agreed, being negotiated both with the *Erste Bank* works council and the former GiroCredit works council. The unanimous view of all parties involved is that this approach not only brought advantages but also involved disadvantages for the workers concerned. In short, it meant stretching the salary increases based on seniority. Similarly, the number of monthly salaries was standardised (14 salaries per year for all

employees). Further, the individual employees' personal career perspectives within the company had changed as a result of the merger. With a new superior, a career path can take a completely different course than was previously expected. The former GiroCredit shop steward said these employees saw themselves as victims of the merger.

b) No redundancies on economic grounds – no pressure in the direction of voluntary redundancies

The agreement that there should be no call for redundancies on economic grounds was made, according to the employer's representative, in order to cope with the consequences of the merger. *Expressis verbis* there was no time limit on the agreement. In the employer's view, the consequences of the merger appear within a limited time frame, meaning that this "after-effect period" should actually be over soon. It is now almost two years since the merger.

c) Agreement on promoting mobility within the company, with maintenance of financial entitlements

The possibility of transfer within the group is given priority over taking on workers from outside. There are to be no financial incentives for anyone to take on a different job, but the company will provide financial support to help with a change of residence. The works council is only prepared to support mobility if it is voluntary. The works council is not against a transfer if someone had voluntarily given up a (job) function, but transfers involving financial losses are not supported. Above and beyond this, the whole group intends to develop a consistent training and retraining strategy.

d) No transfer of employees from subsidiary companies

As early as 1992 an agreement had been concluded between the Board and the central works council that workers from subsidiary companies would not be transferred to the parent company or seconded to a job there unless the savings bank collective agreement was also applicable to the subsidiary company. This provision prevents competition between employees who are paid on different terms and conditions.

This provision was expressly included in the works agreement.

2.4.6. Effects

In 1995 and 1996, that is to say, in a period when a merger with GiroCredit was not being considered, some 300 workers were made redundant as a result of a rationalisation programme.

With the merger, the Board also attempted to consider personnel reductions. The target was a reduction of 20 per cent in three years (1998, 1999 and 2000), or minus seven per cent per year. This aim was to be achieved by "natural" labour turnover. From the

employer's point of view, increased mobility, early retirement, reduced working hours and extension of parental leave are appropriate methods of fulfilling this plan.

According to the *Erste Bank* shop steward, early retirement among workers who came into the company in the growth years of the 1960s has increased. There is a provision that men who joined the company before 1984 can take early retirement at 55 as long as they have served 35 years with the company. In this case, however there is a reduction in the company pension entitlement. In addition, since the merger, there has been an increase of around 20 per cent in the take up of parental leave under the Maternity Act. Apart from this, it is significant that, according to the works councillors of both parts of the new company, some good GiroCredit employees have chosen to leave the company of their own free will.

In 1998 the aimed for seven per cent staff reduction was achieved within the terms of the works agreement.

2.4.7. *The current situation and future perspectives*

The target figure for planned staff reductions was raised from seven to ten per cent in 1999. The employer justified this on the grounds that it was a necessary measure to meet internal guidelines after balancing profit and loss. As with the figure for 1998, on the employer's estimation it will be possible to achieve the higher figure for 1999 without compulsory redundancies. However, the employer sees it as essential that the functioning of the company should not be adversely affected by the personnel reductions.

What the level of personnel reductions for the year 2000 will be, whether three, seven or perhaps even ten per cent, cannot be estimated at present. The *Erste Bank* works council made its position clear in no uncertain terms when they said that these personnel reductions and non-replacement of vacant positions must come to an end at some time.

The employer's representative points out that individual cuts in working hours can turn two jobs into one (full-time equivalent). Women are seen as being particularly keen to take up this opportunity. Therefore, the personnel reduction need not necessarily have negative effects on the workforce. Approximately 20 per cent of the company's jobs are already on a part-time basis. By the way, this was one reason why the Ministry for the Environment, Youth and the Family has named the *Erste Bank* as a "family-friendly company".

Apart from this, even in advance of the terms of the current national collective agreement, *Erste Bank's* terms of employment incorporated the equalisation of rights for full-timers and part-timers (in particular in relation to pension rights), so that the reduction of hours does not involve any major disadvantages as regards employment rights.

The *Erste Bank* and GiroCredit shop stewards point out that however good the agreement may be, one thing that cannot be put in writing is the working atmosphere.

Whether it is called culture shock or *Kulturkampf*, if the staff of two institutions with a different history and different structures suddenly have to work together, friction is almost inevitable.

In the view of the *Erste Bank* shop steward, the integration process started well. An analysis was made of the two sides' different agendas. A discussion process should have been started. But all concerned probably lost patience with this difficult opinion forming process too quickly. It would have meant showing people what a possible solution might look like. Involving company consultants who only based their assessment on a head count did not really help. Improvements might be possible once the consultants have ended their work for the bank.

For the GiroCredit shop steward, the human side of personnel integration was neglected. She herself had already experienced the Girozentrale-ÖCI merger. She was amazed to see that what she had thought had meanwhile become a unified GiroCredit workforce separated into a Girozentrale part and an ÖCI part in the course of the latest merger. The staff who had previously been taken over from ÖCI into the then Girozentrale were far more relaxed about the current merger than those who had only worked for GiroCredit.

For the employer's representative, two examples were particularly striking. GiroCredit had company cars, the *Erste Bank* did not. The GiroCredit staff were used to having their own offices to themselves. In the *Erste Bank* the offices were for several people. In the last two years, because of the large number of transfers, there had been a lot of reorganisation of communal offices. Further, the hierarchy in the *Erste Bank* is not (now) so marked. Thus, for example, the function of deputy has been abolished.

These changes, all of which affect a person's standing, certainly did not make the integration any easier.

2.4.8. Final assessment

For the employer, the works agreement has in many respects been successfully implemented. The results are assessed as positive in many respects. This mainly refers to the reform of salaries which allows to keep labour costs down. It is, however, not possible to speak of total satisfaction because in the sector the pressures for cost reductions are very high.

For the GiroCredit works council, the agreement led to a reduction of uncertainties for the employees but the "human growing together" is a high priority. It will take a while before the staff identify with the "new company". For the *Erste Bank* works council, it is necessary to strengthen identification with the new institution. An eye should be kept on internal communication in order to improve the working atmosphere.

As far as the employment guarantee is concerned it has to be said that workers in savings banks in general enjoy a high level of job security. After 20 years of service a strong protection against lay-off applies.

A N N E X

BIBLIOGRAPHY

- MISEP (1998): "Arbeitsstiftungen"; in: Beschäftigungsobservatorium MISEP, Basisinformati-
onsbericht Österreich, European Commission
- Bau – Holz (1997): BUAK - Winterfeiertagsvergütung – erste Bewährungsprobe in der Praxis;
in: Bau – Holz 4/97, Zeitschrift der Gewerkschaft Bau – Holz
- Gächter, A. (1998): Decentralised regulation of women's night work; in: EIRO / features,
February 1998
- Flecker, J. (1998): Stabilität und Erosion – aktuelle Entwicklungen im österreichischen
Kollektivvertragssystem; in: WSI-Mitteilungen 7/1998
- Gewerkschaft Bau – Holz (1996): Informationsunterlagen über den Kollektivvertrag zur
Verbesserung der Jahresbeschäftigung in der Bauwirtschaft
- Kain, E./Rosian I. (1997): Partnerschaften zur Förderung des sozialen Zusammenhalts; in
Soziales Europa 7, (Hg.) Bundesministerium für Arbeit, Gesundheit und Soziales, Wien
- Ferdinand Lechner/ Walter Reiter (1991), Arbeitsstiftungen, Wissenschaftsverlag, Wien
- Offene Arbeitsstiftung Steyr, April 1998
- Offene Arbeitsstiftung Steyr: Genossenschaft für Arbeit, Geschäftsbericht 1997
- Offene Arbeitsstiftung Steyr: Streiflichter 1/97, 1/98, 2/98, 3/98
- ÖGB-Nachrichtendienst Nr. 2976, April 1999
- ÖSB Unternehmensberatung Gesellschaft: Arbeitsstiftung – Innovativ und bewährt, 1994/95
- Österreichisches Statistisches Zentralamt (1998): Statistisches Jahrbuch für die Republik
Österreich, Wien
- Rosner, P. (1999): Lohnbewegung und Bewegung der Lohnpolitik; in: Karlhofer, F./Talos, E.
(Hg.), Zukunft der Sozialpartnerschaft, Schriftenreihe des Zentrums für angewandte
Politikforschung, Wien
- Saurug, M./Stoppacher, P./Zingerle, R. (1998): Branchenstiftungen in Österreich, Arbeits-
marktservice, Wien
- Steyr Nutzfahrzeuge AG (1998): Geschäftsbericht 1997/1998
- Traxler, F. (1995a): Farewell to Labour Market Associations? in: Crouch/Traxler (eds.),
Organized Industrial Relations in Europe: What Future? Aldershot, Avebury, pp. 3 - 19

- Traxler, F. (1995b): From Demand-side to Supply-side Corporatism? Austria's Labour Relations and Public Policy; in: Crouch/Traxler (eds.), *Organized Industrial Relations in Europe: What Future?* Aldershot, Avebury, pp. 271 – 286
- Traxler, F. (1997): Der Flächentarifvertrag in der OECD. Entwicklung, Bestandsbedingungen und Effekte; in: *Industrielle Beziehungen*, 4. Jg. Heft 2
- VOEST-Alpine Stahlstiftung (1995): *Stiftungs Info*
- VOEST-Alpine Stahlstiftung (1998): *Leitbild*
- VOEST-Alpine Stahlstiftung: *Perspektiven für die Zukunft* (o.J.)
- Wirtschaftskammer Österreichs (1998): *Rahmenkollektivvertrag für Angestellte der Industrie*, Wien
- Zagelmeyer, S. (1999): *Collective Bargaining on Employment in the European Union and Norway*, Report for project No. 0211 "Collective bargaining on employment and competitiveness", Köln

ACKNOWLEDGEMENTS

We would like to thank in particular the following persons for their valuable support:

Günter Benischek	Erste Bank der österreichischen Sparkassen AG
Dr. Rupert Dollinger	Erste Bank der österreichischen Sparkassen AG
Elfriede Junger	Erste Bank der österreichischen Sparkassen AG
Dr. Herbert Denk	Philips Österreich
Gerhard Koch	Philips Österreich
Harald Leodolter	Philips Österreich
Dipl. Soz. Herbert Köfler	Offene Arbeitsstiftung Steyr
Wolfgang Martschin	Steyr Nutzfahrzeuge AG
Helmut Oberreiter	Steyr Nutzfahrzeuge AG
Dr. Manfred Lang	Telekom Austria AG
Mag. Rainer Klien	Bundesministerium für Arbeit, Gesundheit und Soziales
Dr. Manfred Engelmann	Wirtschaftskammer Österreich
Dr. Christoph Kainz	Wirtschaftskammer Österreich
Walter Laichmann	Gewerkschaft der Privatangestellten, Industrie
Karl Proyer	Gewerkschaft der Privatangestellten, Industrie
Gerhard Loibl	Gewerkschaft der Privatangestellten, Versicherung
Christine Keil	Gewerkschaft der Privatangestellten, Versicherung
Günter Benischek	Gewerkschaft der Privatangestellten, Banken
Erich Reichelt	Gewerkschaft der Privatangestellten, Handel
Karl Dürtscher	Gewerkschaft der Privatangestellten, Handel
René Schindler	Gewerkschaft Metall – Bergbau - Energie
Wilhelm Beck	Gewerkschaft der Chemiarbeiter
Peter Scherz	Gewerkschaft Druck und Papier
Gerhard Riess	Gewerkschaft Agrar-Nahrung-Genuß
Gottfried Sommer	Gewerkschaft der Post- und Fernmeldebediensteten
Dr. Stefan Mann	Gewerkschaft Bau-Holz
Rudolf Tresdner	Gewerkschaft Handel, Transport, Verkehr
Claus Bauer	Gewerkschaft Textil, Bekleidung, Leder