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## **Trust-based Working Time in Branch Banks**

### **1 Introduction**

Since the nineties, the topic of working time has been of burning interest to companies throughout the Federal Republic of Germany. The resounding and reverberating call for flexible working-time patterns is a perfect yardstick for gauging the present state of affairs in this matter. The call for flexibility is by no means heard in the economic sectors of the New Economy alone, whose novel forms of working time organisation enjoy an increasing public interest. Quite to the contrary. The wish is voiced in the most different branches of the service sector and of industry. Again and again, two reasons differing in weight are put forward in support of the need for more flexible working times: On the one hand, the employees' interest in self-determined working time design has grown, on the other hand there are new operational necessities resulting from longer working and service times, from a more intensive use of machines and installations, and from an enhanced congruence between labour employment and trends of orders or customer frequency.

In terms of quality, the rise of flexible working time patterns experienced in the course of the nineties constitutes a new trend. Certainly, it was already in the eighties that the entrepreneurial cohort was enlarging upon an expansion of possibilities with regard to time flexibility in companies. And it was of course not by chance that, well into the nineties, collective bargaining agreements on shortened working hours used to be characterised by a coupling of shorter working hours and working time flexibilisation. Options for differentiation and diversification were granted from above, compensation periods for working time fluctuations emerging in the framework of flexibilisation were defined, and portions of regulatory power were bestowed on the collective bargainers. The regulatory level had been set in motion. However, it was astonishing to see how few of this was implemented in real company life. The companies were far from fully

exploiting their collectively agreed design options (for information on the metal and electrical industries, please refer to Promberger/Trinczek 1993). The only major innovation at the level of working time policy was the introduction of flexitime systems in the white-collar areas. Not only were these systems characterised by a definition of relatively long core hours, but they showed further marked deficits because they had not been established systematically in the framework of companies' flexibilisation strategies. In the nineties, the situation became inverse. Since then, all signs have been pointing to the fact that companies no longer consider the flexibility scope offered by the collectively agreed regulations sufficient. They press for a higher degree of collectively agreed flexibilisation and for further decentralisation of regulatory power. The decisive motivating force propelling this development may be perceived in the fundamental processes of reorganisation which have left their mark on the shape of many Federal-German companies since the deep crisis experienced at the beginning of the nineties. The aspect of working time is an important component of more comprehensive reorganisation strategies, in the centre of which the creation of flexible company structures stands out. The "breathing company" (Hartz 1996) is considered a new model of organisational development.

This setting provides fertile ground for flexible working time arrangements and pro-flexibility consulting agencies shooting up like mushrooms. The future seems to belong to variable working time patterns geared to flexibilising labour employment as thoroughly and completely as possible. These models propagate a removal of fixed core hours, which had been a characteristic of the well-known flexitime models, in favour of a temporally – and locally –variable working time organisation. This is the panorama in which, for some time now, concepts of "trust-based" working time have been capturing much attention. Trust-based working time is characterised by variable working hours going along with the abandonment of centralised time recording. The time clock, symbol of controlled working and attendance times, shall disappear from company life. Time recording shall be decentralised instead, by conferring the responsibility for time organisation and for the definition of individual working times to employees. By way of defining so-called service times employees shall be provided with a delimited working time frame, in the bounds of which they are required to organise their working times on their own initiative.

The promising potential held by the principle of trust-based working time makes the concept appear attractive to both employees and companies (Hoff 1998). The appeal of this new tool for employees resides in two major aspects:

- Employees can expect new design options as regards the definition of duration, scheduling/location and distribution of working hours.
- The substitution of hierarchically shaped controlling relationships by a relationship based on mutual trust promises a participative leadership culture and growing chances for co-determination.

The attractiveness of the concept for the companies can be summed up in three aspects:

- Time resource allocation can be enhanced by flexibly adapting work volumes to fluctuations in order intake or customer flow.
- Organisational weaknesses can be identified by reviewing work organisation in the case of structural overtime.
- The concept fosters a new leadership culture exploiting the creative potential of the human resources by means of autonomy and self-organisation and it effectively ties employees to the mission and goals of their companies.

But can trust-based working time really keep the promises it seems to make? Is it really the “future model” for working time regulation (Frankfurter Rundschau, 22 April 2000, page 6)? The advocates of the concept have themselves pointed to the fact that the principle of trust-based working time can only yield the results expected in theory if *certain conditions exist* in operational practice (Hoff/Weidinger 1999). In the following, the nature of these conditions will be analysed in greater detail. It will be shown that an evaluation of the new working-time models will hardly be possible without taking into account work organisation, existing wage-performance ratios, company hierarchies and the availability of personnel resources. The analysis will be based on case studies conducted in a service sector which is rich in tradition: the bank branches. We shall have a closer look at two branches of two different banks, which had introduced trust-based

working time only shortly before the date of the survey. The case studies were compiled in the framework of a comparative European project on the development of new working time and employment forms in the service sector, with Institut Arbeit und Technik being in charge of the project. However, before embarking on the envisaged detailed analysis of working-time systems, I should like to present a brief survey on the structural change of the banking business throughout the nineties. This structural change constitutes the context in which trust-based working time in branch banks will have to prove its worth.

## **2 The Structural Change in the Banking Business**

For the banking business, the eighties were a phase of stability and growth. The institutions of the German “bank-based” financial system continued to work in the same manner as in the centuries before. The universal-bank-mindedness of the German banks seemed to be a matter of course. The financial institutions produced respectable overall company results. In addition, they were gradually steering for a quality strategy, which, as far as the *product* aspect was concerned, implied growing product complexity and differentiation/diversification, and which, as far as the *personnel* aspect was concerned, entailed increasing qualification requirements and more comprehensive work contents (Baethge, Overbeck 1996). The branches in their function as the banks’ main distribution channels were right in the centre of this development.

In the course of the nineties, the panorama changed all of a sudden. As early as during the German Reunification boom, the trade struck up a “crisis discourse” (Sperling 1995), which conjured the hazards of aggravating international competition, both from a business-operational point of view, and from a personnel policy angle (for example: Cartelleri 1990). There seemed to be only one way out of this dilemma: An overall reorganisation of the financial institutions and rigorous cost reductions. This development was fostered by the growing institutional significance of the financial markets both in the German and in international financial systems, and it was fostered in two ways. On the one hand, the national and above all the international financial markets offered the German banks lucrative new fields of business, not only in share trade and share administration, but also in the handling of financial transactions staged by multinational groups of compa-

nies in the framework of investment banking. On the other hand, the refinancing of the financial establishments via financial markets led to an increasing weight of shareholder interests in their own governing bodies. Enterprise value and return on capital employed assumed the importance of a new guiding star on the horizon of bank management (Huffscheid 1999).

The banks' adaptation measures were soon provided with a label of their own: Lean Banking. This concept, developed by the management consulting firm McKinsey, followed the famous MIT study on Lean Production, which was widely debated and implemented in German financial institutions - in varying aspects and to different degrees (Bierer/Fassbender/Rüdel 1992). Lean Banking required an increased market and cost orientation in organisational structures. In the name of Lean Banking, credit institutions started to orientate their organisation to products and groups of customers and to realise cost savings by means of product standardisation, automation, personnel cutbacks, and, last but not least, by means of consistent controlling.

And this is where matters stand at the end of the decade, : The fear of operational or labour-political hazards caused by intensified competition and globalised financial markets was not confirmed. On the contrary, throughout the nineties, balance sheets of companies in the banking trade showed profits, and the employment rate was moving around a high level. Nevertheless, the basic setting of this development has changed. Due to radical organisational reforms, cost pressure has deeply penetrated the organisational structures of banks. In this context, the following major points deserve being mentioned:

- The introduction of new distribution channels (direct banks, e-commerce);
- The opening up of new fields of business (investment banking);
- The internationalisation above all of private credit institutions;
- The segmentation of company organisation according to product and customer groups;
- The elimination of back-office functions from on-floor areas.

Various analyses have convincingly proved that the translation of the Lean Bank concept into company practice was mainly used as a tool of rationalisation and cost reduction. Potential contradictions between market or customer orientation on the one hand and cost reduction at cus-

tomers interfaces were also brought to attention (D'Alessio/Oberbeck 1994, Baethge / D'Alessio / Oberbeck 1999, Foullong 1993). Increasing cost pressure which mirrors in tight personnel planning and allocation, mandatory sales targets or weakening qualification efforts may lead to a noticeable loss in service quality.

In the nineties, the branch business remains the pivot of development, just as it used to be throughout the preceding decade, yet in a totally different environment, characterised by greater rate-of-return expectations, fiercer cost pressure and aggravated competition with profitable fields of business such as investment banking. Personnel cutbacks as well as reductions in branch density went along with restructuring efforts that were implemented according to the guiding principles of segmentation, standardisation and automation. These measures have all changed the shape of this formerly venerable distribution channel.

### **3 The Branch Banks**

The two branch banks surveyed by us have much in common. These shared features refer to the role which they play within the product and personnel strategies of their financial institutions, they refer to their internal structures, and, last but by no means least, they refer to the development of working-time organisation. Both financial institutions place their stakes on standardising their range of products and on segmenting product markets.

In order to start with the aspect of segmentation: In both branch organisations, product portfolios characterised by individual product profiles were cut out of branch organisation. The business and individual client areas were transferred into organisationally autonomous centres and were thus more strongly centralised. What was left to the branches, was the mass client business, which from then on was bound to be managed solely on the basis of highly standardised products. The professed goal of the two institutions is the realisation of economies of scale by means of standardisation. With the same goal in mind, the back-office areas formerly located in the branches were relocated to centralised departments in charge of payment transactions. Another characteristic shared by both branch banks is the fact that branch organisation in its function as a distribution channel was exposed to strong cost pressure. In one of the two establishments, referred to as Bank A in the following, the entire branch organisation was transferred into an autonomous subsidiary.

The new company sets up ambitious profitability targets and endeavours to achieve them in the organisation by means of centrally allocated budgets. Strong pressure on personnel expenses is the consequence. In the other establishment, Bank B, cost management is not directly controlled via budgets, but directly via personnel planning and allocation. Currently, a cost reduction programme is being negotiated with the workers' council, which provides for an overall personnel cutback by 20% over the next five years.

At first glance, there are also many similarities in internal branch structuring, in the following referred to as Branch A and Branch B. In both Branches, there is a simple formal hierarchical structure: All relevant deciding power and command authority is focussed in the person of the Branch Manager. The "Team" term was introduced in both Branches. However, this does not influence formal structures in the sense that it constitutes an enforceable claim for participation or co-determination of workers. In both Branches, a delegation of powers and responsibilities has only taken place in the framework of individual scopes of decision in loan-granting consultations. Here, we are expressly not talking about group competence. In addition, both Branches show a similar design of their organisational areas: Cashier's Office, Customer Service, Consultancy and Constructional Financing – these are the labels of the various functional areas, which are also distinguishable locally. In Branch B, we come across a further subdivision of consultation activities: These are split into General Consultancy and Consultancy for prosperous mass clients.

The development of working-time organisation is taking a common course, too. Prior to the introduction of trust-based working hours, a conventional flexitime model with central time recording had been used. Time recording had been effected via a computer log-in – Branch A – or via registration by phone – Branch B. The formerly used system was based on long core hours and monthly accounts with low limits and without transfer options. This latter aspect held special dynamite: The impossibility of transferring time credits had the consequence that extra hours exceeding the balance limits of the flexitime system were simply cut off – without the least compensation in terms of time or money. Since in both Branches a "Time-consuming culture" (Weidinger 1995) of long working hours was the order of the day, and sometimes in the true sense of the word when they were demanded by the former Branch managers, considerable amounts of extra hours used to accumulate – hours which were neither registered nor compensated in the form of time or money.

In both cases, this situation triggered the introduction of the working-time model termed trust-based working time. And again, in both cases it was the workers' council who started the ball rolling. In both companies the council – i.e. in the case of Branch A the workers' council of the corresponding regional organisation, in the case of Branch B the central workers' council – contacted a working-time consultation agency and asked for a presentation of the concept of “trust-based working time” as a new working-time pattern. With this newly obtained information on their mind, the workers' councils approached their respective Human Resources Department, who finally took the cause up as a matter of personal concern, because they estimated that trust-based working time was well suited for incorporation into their Branch strategies. Seen from an overall perspective, the decision-making process in both cases took the form of a careful search process of the corporate actors. It was a discovery by tentative groping rather than a result supported by rational choice. It was true try-storming.

In the next step, the two Branches introduced the new working-time pattern into their organisations. They did so with much information effort and in co-operation with the working time consultant and the workers' council. In Branch B, the introduction was even accompanied by elements of employee participation. Here, ideas and suggestions brought to bear by employees were included in actual working time design. Our respondents, representatives of the workers' council on the one hand and of the Human Resources department on the other hand, agreed that it was mainly this carefully planned and comprehensive information and participation policy which had ensured acceptance of the model right from the outset. This acceptance could also be felt in our discussions.

However, one small yet noticeable difference should be kept in mind: In the regional organisation of Branch A the new working time model was introduced without being embedded in other reform measures, whereas Branch B tied up the topic of trust-based working time, together with two further innovations from the realm of personnel policy into a more comprehensive reform package. These further two innovations referred to the Bank's performance and remuneration system. In the first place, formerly exempt fixed salary components were transferred into a performance-related remuneration system. In the second place, a goal-setting system was established and installed, in the framework of which the evaluation basis for the assessment of individual

performance is agreed between superiors and employees. The system aims at strengthening the employees' result orientation.

#### **4 The Regulation of Trust-based Working Time**

As regards the actual regulatory organisation of trust-based working time, the working time systems of the two Branches are also very similar at first sight. Based on a delegation of regulatory powers with respect to the arrangement of working time, as provided for in the industry-specific bargaining agreement, both regulatory systems were stipulated by way of works agreements. The regulation of trust-based working time as applied in the analysed Branch Banks therefore presents a fairly uniform picture, by means of which the common cornerstones of trust-based working time can best be shown:

- *Goals:* On a basis of mutual trust, an autonomous scheduling of working times by employees shall be permitted - *within the bounds* of company requirements and in accordance with the principle of customer orientation on the basis of mutual trust.
- *Responsibility and time withdrawal principles:* Personnel placement control remains the responsibility of the managerial staff, i.e. of the Branch Managers. Following prior consultation with the respective Manager, time can be withdrawn day- or hourwise. In principle, the accumulation of time debits is also permitted.
- *Time frame:* A work or service time frame is fixed, in the bounds of which working time location may vary. Job hours outside of this time frame are subject to approval and are liable to surcharge.
- *Time recording:* Time recording is effected by the employees themselves. They register daily deviations of the actually performed job hours from the agreed working time. The deviations are recorded by means of time intervals of 30 minutes – Branch A – and in intervals of 15 minutes – Branch B, respectively. The question of which parts of attendance time are to be considered true working time, is left to the employees' estimation and discretion.
- *Account management and compensation principles:* Working time accounts are established for the documentation of positive or negative working time balances. These accounts show differ-

ent accumulation limits: In Branch A, the limits only apply to time credits, in Branch B to both credits and debits. In both Banks, so-called balance reduction dialogues constitute the core of the compensation arrangements. In Bank B, these have to be staged as soon as a balance amount of half a week's working time has been hoarded, and they must lead to a written agreement, whereas in Bank A they are linked to a traffic-light model with three time phases. The three time phases read 30, 60 and above 60 hours. Within the first phase, the employee manages his or her time account autonomously. As soon as the second phase has been reached, employees have to reach agreement on time balance reduction to phase 1 together with their respective Manager, and from phase 3 onwards a written agreement on reducing the time balance to at least phase two must be established between the employees concerned and his/her respective manager. In Bank A, balance reduction has to be carried out within three months, whereas in the case of Bank B only the general time stipulation "in the shortest possible term" is found.

- *Rights of the works council:* In both works agreements, the works council is accorded the basic right to peruse the employee's documentation. The more sophisticated arrangement is found in Bank A, where the works council is to receive regular lists of working time balances in the "amber-" and "red"-light phase, of balance reduction agreements as well as of agreed working time budgets. Should there be differences of opinion concerning the practice of working time arrangement, a consensual and amicable solution between works council and Human Resources will be striven for.

Both agreements allow an extraction of three core aspects that are characteristic of the concept of trust-based working time in the Branch Banks. These read as follows:

- Delegation of time recording. The employer delegates his responsibility for time recording in accordance with the provisions stipulated by working-time law to his employees. Documentation is only done in the case of deviations from the contractually agreed working time and is limited to major time intervals.
- Decoupling of attendance and working time. Not the entire attendance time after deduction of unpaid breaks counts as working time, but only that part of attendance time spent produc-

tively on achieving work results. The employees are entrusted with the responsibility for this delimitation. Time recording is thus shifted into a grey area of individual interpretation.

- The individualisation of working time conflicts. In the case of strained time balance limits, the practice of trust-based working time in companies places employees under the obligation (in the words of the Personnel Manager of Bank B) “to go to the manager with the works agreement in their hands and to demand credit reduction”. The principle of balance reduction seems to be considered both a right and an obligation at the same time.

## 5 Trust-based Working Time in Company Practice

Despite the common ground rules and despite the shared formal structures of the two Branches, a comparison of *actually practised* working time arrangements shows considerable differences. One significant difference lies in the expectations which Branch Managers have regarding their employees’ handling of such newly won time-recording responsibilities. Both Branch Managers emphasise that in their view the new system can only work on condition that employees are not pedantic about the recording of individual minutes. They state that the manner of working-time recording, i.e. if employees are very meticulous in this respect or if high intrinsic motivation induces them to interpret their time data more in favour of their Bank, is to a certain degree a matter of personality. The Manageress of Branch A underlined that she attached great importance to the performance quality yielded by her employees during job hours and not to their extension of working time. In her view, trust-based working time brings a big move in terms of justice, which definitely qualifies the new system over former flexitime models:

“Earlier on, we used to work overtime like mad. These hours were neither recorded nor remunerated. It was simply a career investment, an investment into our own future with the Bank. This is quite different now.”

She therefore encourages employees gathering experience in time-recording matters to look after their own interests:

“Once in a while problems emerge with the crediting of working time. I sometimes wonder how hours come about. An example: I once checked a time report sheet after the end of a staff meeting held late in the evening. I found entries ranging between zero and three hours. I then told the staff that I considered this to be working time and that they should record it correspondingly.”

The situation is quite different in Branch B: Here, the Branch Manager also refers to employee autonomy, but he has a clear view on how the new self-recording freedom is to be interpreted by the Branch staff:

“The big asset of flexible working time lies in increased employee autonomy. Every staff member makes a record of his or her time data on their own authority. In doing so, only real working hours are registered. The basis is no longer single minutes, but intervals of 15 minutes. I expect employees not to interpret their working time pedantically, but rather in favour of the Bank. I take this for granted in employees cherishing career ambitions. I personally proceed in the same way.”

Differences in expectation with regard to the practice of job-hour recording also mirror in the time withdrawal arrangements. These differences refer both to the expectations which the Branch Managers have regarding the practice of time withdrawal and to the question as to how decisions on the duration, location and distribution of working time are basically organised, and according to which criteria such decisions are made. The Branch Managers' expectations and the criteria according to which time withdrawal is effected, are in both Branches dominated by the increasing demand for customer orientation. It is obvious that employees can only withdraw time from their accounts if fluctuations in client flow allow them to. In both Branches, this attitude has the status of an unwritten rule, and it is unanimously supported by both the Branch Managers and by the employees interviewed by us. The differences become visible at a level below this common orientation. Time-withdrawal practice shows that the actual implementation of trust-based working time leaves much room for manoeuvre. This is because it is not clear at all which time withdrawal practice results from fluctuations in client flow and how time-balance management is to be organised. In the case of Branch A, the expectations of the Branch Manageress largely depend on the performance willingness and readiness of her staff.

“I see it this way: If a person gives input and accepts client appointments until, say, 6 o'clock in the evening, he or she must have the right to take away excess time later on. We usually always find a solution for this here, if necessary. However, time withdrawals should not necessarily take place on peak days, i.e. on Thursdays or Fridays. I don't mind if this time is withdrawn in the form of entire days, half days or hours. The team handle this themselves. On principle I reserve the right of veto. Usually, however, I only receive some brief information. When someone shows strong commitment, I also tolerate if he withdraws time on Thursdays and Fridays, provided that the team consider

this o.k. I do not like to see personnel sweating away with a run of clients, while one of them is having an easy time of it in the sun. This would cause me a problem of justice.”

The decision-making power over the withdrawal of compensatory time has been largely delegated to the Branch personnel in their capacity as a group, i.e. to the team. The principle of formal responsibility of the Branch Manageress is adhered to by means of the information she will obtain by the team on arrangements made. The Branch Manageress understands the delegation of time-organisation power as a tie-in deal: If employees show willingness of performance to the degree expected by her, she will show herself willing to delegate time management largely to her staff.

In-house communication about working-time management seems to foster rather than to hinder co-operation among employees. There were at least no reports on major conflicts triggered by the issue of working time. On the contrary, the internal tuning process was described as running smoothly and without problems. This also applies to the co-ordination with the Branch Manageress. The statement of an employee working in the Constructional Financing department may serve as an example in this respect:

“Co-ordination of working time with my colleagues of the Constructional Financing department works very well. Of course, there is not always exactly the same margin. Wednesday, for example, is never a problem, Thursday is already more difficult. But even then half a day off will be possible. First, we come to an agreements within the group, then we inform the Branch Manageress... This is all no longer a problem. It only has to be agreed. And it must keep within bounds.”

In Branch B, instructions are tighter, and the delegation of power is less pronounced. The instructions refer to three aspects: The first aspect is the determination of a minimum personnel deployment. The Branch Manager has resolved that up to three employees may be absent at a time. In view of a Branch size of 22 employees, this principle may be deemed restrictive, all the more since it must be assumed that part of the flexibility potential will already be absorbed by cases of illness or holiday. The second aspect is the Branch Manager’s demand for an hour-based withdrawal of time credits. What accumulates by the hour must be reduced by the hour, his credo reads. The goal standing behind this principle is a time management which responds as perfectly and congruently as possible to fluctuations in client flow. However, this view only finds very

limited approval among employees – because the withdrawal of entire or half days is more attractive than the withdrawal of individual hours, as one female employee puts it:

“In practice, day-based withdrawals of overtime take priority over the withdrawal of individual hours. Entire or half days are of course of much more interest to the employees. Two hours in between do not yield much. What should I do during that time? I personally always take entire days framing my holiday periods.”

The third aspect is the required consultation with the Branch Manager. The co-ordination of time management within the set framework is effected among the employees themselves, however, consultation with the Branch Manager is mandatory. What the Branch Manager sees in this consultation is less a veto option, but rather a mode of active time management. The reason behind this policy is that the Branch Manager has only limited trust in the sense of responsibility of his staff. This lower degree of trust entails a lower degree of decision delegation in the context of working-time management and control:

“Co-ordination of non-productive times must also be agreed with the Manager. Proper team functioning is essential. What we need is the responsible decision of the employee. He or she must realise company requirements. Many employees, however, have a problem with autonomy. In my experience, employees must be told what to do and what not to do. It is my task to set a frame. Employee responsibility is practised within this frame. And it is within this frame that they have any room for manoeuvre. I expect them to fill this scope autonomously – until they reach the frame’s limits.”

Another significant difference in the working-time arrangements as implemented in the two Branches resides in the balance reduction dialogues. These dialogues represent the link between time regulation on the one hand and human-resource regulation as well as performance policy on the other hand. The concept of trust-based working time is therefore a tool which systematically encompasses rationalisation by means of increased labour productivity in the balance reduction dialogues (Hoff 1999). Looking at Branch A, we came to the astonishing result that the balance reduction dialogues were not used as an instrument of rationalisation. The Branch Manageress does not consider overtime as a result of individual or organisational deficits. However, this attitude does not relegate rationalisation as being of no importance: It rather means that rationalisation shall be inspired and implemented by the employees within the group. What the Branch Manageress has in mind is self-developing rationalisation which will keep going under its own

momentum. And with this end in view she wishes to provide a nourishing climate and beneficial conditions. Yet she does not see a connection with working time in it:

“We do of course have rationalisation in our Branch. And employee contributions are in high demand. Employees must be able to voice constructive and implementable criticism. However, I feel that this is independent of trust-based working time. At least I see no connection here. Overtime is not the result of inefficient work, but is due to preparatory and follow-up work as well as to appointments with clients. Overtime hours revolve around the client for that matter. They are therefore no reason for rationalisation.”

Since the balance reduction dialogues are no tool of rationalisation, employees experience no performance-related pressure regarding their individual recording of working time. Overtime hours are not considered a result of individual performance deficits. The employees did admit in the interviews that they had the tendency to interpret working-time in favour of their Bank, yet it was not the fear of performance-related political sanctions which they stated as the driving force, but rather their high intrinsic motivation. In the words of an employee:

“I personally have the following attitude: I enjoy my work; it matters a lot to me. I am therefore ready to start work earlier and to stay longer. I see this time-recording business very generously. Yet I am under no external pressure to note down less than the actually worked hours. We find a very good support in our Branch Manageress. The recorded data are reasonable and will be accepted. There is no problem.”

Rationalisation in Branch A is an indirect consequence of trust-based working time. As far as it concerns working-time regulation, it is implemented on the one hand by means of an improved temporal adaptation of labour employment to fluctuations in client flow, and on the other hand by means of increased motivation and job satisfaction of employees. Time sovereignty is a productive factor of trust-based working time.

In contrast, trust-based working time in Branch B is used as a direct tool of rationalisation. The starting point of rationalisation here is the balance-reduction dialogue. The mechanism which allows using the balance reduction dialogue in the spirit of rationalisation is the reinterpretation of the responsibility situation: It is not only the Branch Manager who is responsible to the employee in helping him or her reduce time balances, but it is primarily the employee himself who is accountable to the Branch Manager for justifying his or her time requirements:

“For me, balance-reduction dialogues are a central management tool. In balance-reduction dialogues the employee’s responsibility for his or her time becomes evident. The employee must assume responsibility for his accumulation of overtime hours. He must state reasons for his time organisation, and he must justify extra hours done – especially as set against the time balance of his colleagues. Why does he not manage to do what others accomplish in their normal working time?”

At exactly this point the Branch Manager’s performance analysis will begin. The causes of extra time requirements must especially be identified if a reduction of positive flexitime balances cannot be effected easily:

“Is the employee too slow? Or are there other obstacles, hindrances or constraints? In such cases I establish a process analysis, and I have so far managed to reduce time effort spent on activities – usually by means of simple measures such as specialisation. ... I use flexible working time as a tool of rationalisation. It allows the identification of weaknesses and process improvements.”

The differences between Branch A and Branch B are obvious: In Branch A, the Branch Manageress tries to establish the setting in which rationalisation developed and staged by the employees themselves can prosper, whereas in Branch B the institution of trust-based working time is used to serve rationalisation from above. However, the question is how far the reinterpretation of the responsibility situation going along with this view is compatible with the regulations of time balance handling – because the employees’ right to get their positive flexitime balance reduced may become a burden if excess time balances are reinterpreted as a mere confession of performance deficits. In this manner the buck is passed to the employee. The consequence is an exertion of pressure on the employees’ time-recording practice. Many employees might yield to the temptation of avoiding excess time balances altogether by dispensing with the recording of working time and by evading the obligation to justify their behaviour imposed by the Branch Manager. The system of goal-setting agreements and of performance-oriented remuneration applied in Branch B also offers economic incentives, because the performance assessment made by the Branch Manager is decisive for determining the level of variable remuneration components.

It can, of course, not be proved that the non-recording of working time is common practice. However, the described mechanism is definitely at work and spreads its effect, as the statement of a female employee confirms:

“The basic problem about working extra hours is that the management receives the signal: I can’t do it. Then you have to find a justification and report it to your superior. You have to confess this to yourself. Therefore there is a big temptation not to record extra hours. I, too, found this temptation difficult to resist. But then I decided to talk to the manager instead. Because otherwise nothing would have changed for me, and I would have had to leave more and more overtime unrecorded. The pressure and the temptation are of course considerable. But as far as I know, people in our Branch are honest about their time-recording.”

## **6 Influencing Factors of Trust-based Working Time**

The differences in working-time practice between the two Branches are so considerable that one is bound to speak of different working-time patterns – despite their common label of trust-based working time. The practice applied in Branch A is characterised by an enlarged room for manoeuvre with respect to working time organisation and by co-operative performance arrangements, whereas the practice applied in Branch B shows restricted organisational scope and a strongly felt individual pressure for rationalisation. How can these differences be explained? How could different practices gain ground in the two Branches, despite similar regulation patterns? The answer to this question can be found in the influencing factors impacting on the working time practice of employees in the two Branches. The way in which trust-based working time operates in practice depends on the conditions determining its implementation. In detail, five influencing factors can be identified:

*The leadership cultures.* A performance and trust arrangement between the Manageress and her employees in Branch A is opposed by a hierarchically shaped regime masked by elements of human-resource management in Branch B. The regulatory frame of trust-based working time is filled with a culture of participation in the first case and with a hierarchically shaped culture in the second case. It is this participative culture of Branch A which stands in a coherent and consistent relationship with the regulatory content of trust-based working time, and not the control-based culture of Branch B. The three core elements of trust-based working time in the two Branches – delegation of time recording, decoupling of working time and attendance time as well as individualisation of working-time conflicts – are after all based on the autonomy and the freedom of choice of individual employees. If their sense of responsibility is called into question to such a fundamental degree and if their decision-making power in matters of working-time organisation is curtailed as massively as it is being done in Branch B, the principles of trust-based

working time are deprived of their true and genuine basis. The concept of trust-based working time cannot thrive in a culture marked by mistrust, where pressure and control are replacing trust and delegation. This does, however, not mean that the working-time system of Branch B is not able to work or that it cannot lead to progress in rationalisation. On the contrary, it may well entail rationalisation because the individualisation of working-time conflicts in the balance reduction dialogue is implemented in such an asymmetrical field that the Branch Manager can easily avail himself of a new rationalisation mechanism: the reinterpretation of working-time responsibility. This mechanism places the employees under an immediate obligation to justify their time requirements; it fosters the non-recording of working time and uncovers organisational weaknesses. However, and this is the decisive point, this is not done on a basis of trust, but of mistrust. The label of trust-based working time is thus unmasked as a mere case of name juggling. In Branch A, where trust-based working time meets with a culture based on trust, the situation is completely different: Here, the regulatory content of the working-time concept can blossom to the full. The delegation of time powers supports a more fundamental decentralisation of decision-making processes which is fostered by the Branch Manageress.

*The wage/performance ratio.* In Bank A, there is a wage/performance regime which is traditional for white-collar functions. The employees draw a fixed salary. Expectations as to employee performance are rather indistinct and depend largely on deep-rooted practice and the individual expectations of Managers. There are no performance control systems. The Branch Manageress prefers relying fully on her own visual impressions:

“I personally do not control my employees. From my work station, I can overlook the entire Bank and thus see how diligent people are.”

Visual controls are thus the only controlling mechanism she uses. Employee performance springs from intrinsic motivation rather than from hierarchically exerted pressure. Hierarchical pressure would only be applied if the employees lowered their level of performance. The Branch Manageress would deem such development a termination of the performance and trust arrangement characterising the Branch's atmosphere. But for the time being she sees no cause for such proceeding:

“There is no one in here who doesn't show commitment. We are a splendid team. If this wasn't the case, I would have a face-to-face meeting with the respective employees and tell them what I think of the situation. I prefer getting things sorted out directly.”

The Branch Manageress focuses on the performance of her Branch employees as a team. What finally counts is group performance and not individual achievements. And she puts the decision-making power as to how this group performance can best be achieved and organised, into the hands of the employees as a team. Both pressure for performance and time pressure can thus be distributed flexibly among the group members by way of self-organisation and can lead to strengthened performance and trust arrangements.

Bank B, in contrast, is dominated by a wage/performance regime activated and individualised by means of goal-setting agreements and a performance-oriented remuneration system. Activated, because the wage/performance ratio was redesigned to become an active management tool geared to increasing employees' individual performance. Individualised, because this is done by way of individual goal-setting agreements and individual bonuses. The individualised performance goals and bonuses constitute incentives fostering both the extension and the non-recording of working time, because bonus prospects may induce employees to shrink from entering balance reduction dialogues and from confessing their excess time requirements. At the same time, the described individualisation may lead to a weakened relationship of co-operation among the employees and reduce their temporal scope for compromise.

*Work organisation.* The relationship of co-operation is not restricted to the communicative relations of employees, but also and even primarily results from the structures of labour division. If it is true that intensified co-operation among employees goes along with increased time scopes, the logical inversion will be that more strictly handled labour division will entail reduced time scopes. The structure report compiled by the IAT provides ample evidence that the scope for working time design increases in group-shaped work environments and that it diminishes in individualised surroundings (Nordhaus-Jantz/Pekruhl 2000). This is due to the fact that employees working in a group tend to adapt their organisation more efficiently to time forces and that they can stand in for one another (Bosch 2000).

Although there are no formal group structures in the two Branches surveyed by us, the quality of relationships of co-operation can be easily distinguished at an informal level. An important indication in this respect is the employees' functional deployment flexibility in the various areas of the Branch. It becomes evident that the functional flexibility of employees working in Branch A

considerably exceeds that of the Branch B staff. This difference is not alone due to the employees' qualification structures. The conditions for an implementation of functional flexibility do not differ in quality, because all of the Branch employees, with the only exception of those working at the cash desk, have at least gone through one complete training qualifying them as bank clerks. The conclusion that bank education provides the fundamental background and that is the basic prerequisite for functional flexibility can be drawn from the fact that employees working at the cash desk without any bank qualification whatsoever are not involved in the flexibility process - in neither of the two Branches.

The differences can rather be explained by meanwhile deeply rooted organisational practices and the strategies pursued by the respective Branch Managements. In Branch A, the team concept is the turntable and focus of attention. Functional flexibility is demanded by the Branch Manageress and implemented by her employees. It refers to the areas of service desks, client counselling and constructional financing. Consultants help out at the service desks, service employees take over consultancy functions, and employees working in the constructional financing department carry out both client counselling and service work. Functional flexibility also exists in Branch B. However, there it is less pronounced. In addition, the Branch areas are still more strongly subdivided: Counselling work is split into two groups of clients. In the interviews which we conducted mainly with client counsellors of the two Branches, the scope of work was estimated quite differently: The counsellors of Branch A stated that they spent approx. 30% of their working time on client service, whereas those of Branch B stated a figure of 15%.

*The anchoring of internal co-operation relationships.* The considerable variety which we have detected with respect to the cultures and forms of organisation in the two Branches is not at least attributable to their hierarchical structures. The two Branches are alike in this respect. The only thing which is expressly anchored in the organisational structures of the Branches is the Branch Management's authority to give instructions. This undisputed hierarchical position of the Branch Manager opens up a wide entrance gate taking in all of the described organisational and cultural leeways. Therefore working and working time practice in the Branches largely depend on the Branch Manager's leadership attitude and organisational ideals. The Branches' unilateral structures of command can turn organisation into a mere plaything of decision-making at the lower management level. This level can obstruct and impede not only claims for participation from

below, but also well-meaning organisational concepts from above which might be intended for introduction into the Branches. The most effective countermeasure seems to reside in the creation of counterweights by firmly rooting decision-making powers and responsibilities of employees in formal structures. Only in this way can co-operation relationships among employees be put on a more stable footing and become emancipated of the good or ill will of Branch Managements.

For working time organisation in the framework of trust-based working time much depends on such innovation in several respects: In the first place, relationships of trust can thrive more easily if they meet with formal structures taking fair account of the employees' ability to make decisions and of their sense of responsibility. In the second place, the nature of balance-reduction dialogues will change because the employees' status in labour relations will be enhanced so that they would become embedded as a group into the rationalisation process of the Branch. Asymmetrical negotiation structures of the type prevailing in Branch B would then be corrected in favour of employees. And in the third place, formally protected scopes for group self-organisation might further foster and consolidate the delegation of organisational rights with respect to working time.

*Personnel allocation.* Personnel allocation is the connecting link between performance and working time. In both of the two Branches it is an externally set factor. It is the cost and personnel strategies pursued by the entire corporate group which mirror in the Branches' personnel allocation. The aspect of personnel allocation must be viewed in the context of the changed strategic position of branch organisations as a distribution channel within Bank concepts. In both Banks, retail banking has come under serious cost pressure. This is due to the existence of new distribution channels, to segmentation strategies and to the competition with new and highly profitable spheres of business. And in both Banks, this cost pressure is being passed on to the individual Branches in various ways, either by tight budgeting or by means of direct personnel cutbacks. It can therefore be established as true for both Banks that Branch staffing will be reduced in the foreseeable future – yet without the performance range being lowered. On the contrary, increasing sales targets go along with reduced personnel budgets.

As regards the employees' design options in terms of working-time policy, this development may well entail serious and far-reaching consequences. Tight personnel budgeting leads to an increased per-capita distribution of the volume of work, to increased performance standards and to

increased time requirements. Structurally extra work which can no longer be reduced may be the lasting aftermath (Lehndorff 2000). Responding to this dilemma by means of mere rationalisation measures would imply turning performance and working time into a buffer for shrinking personnel volumes and increasing work requirements – with the consequence that employees would no longer be in a position to exploit their entitlements to leisure time. Wearing out the performance spiral may entail a negative aftermath for the economic efficiency of the entire Branch organisation when former co-operation structures turn into conflict structures and when the employees' readiness to perform breaks down due to excessive stress and strain. The Manageress of Branch A depicts such a scenario for us:

"I have the impression that the prescribed reduction of personnel expenses has come to fruition in the Bank on a broad basis. It is highly valued at the moment. I see great dangers in this development. The problems inherent in low personnel ceilings always come to light when spirits fall. Then the employees' readiness to absorb stress diminishes. Their willingness to work on several issues at a time and to simply swallow constraints and bottlenecks fades away. Motivation declines. It is essential that the team's good spirits are maintained. It still works at the moment. But in many cases it is becoming increasingly difficult to contribute your own ideas and to implement them when your days at work are marked by tight schedules in the co-ordination of which you have to participate. Personnel cutbacks involve the risk of exhausting and wearing out employees. The whole thing works long as they are in good spirits. But as soon as energy wanes, it can no longer be done. ... I see a definite lower limit for personnel reduction."

Motivation, efficiency and creativity are all affected detrimentally by unrealistic personnel allocations. This does not only entail negative effects for the employees' organisational leeway and group cohesion, but also for the rationalisation processes implemented in the Branches. Short-term savings of staff costs may entail long-term cost increases due to impaired productivity trends.

## **7 Final Remarks**

Which conclusion can be drawn on balance? At first sight, the evaluation result of the two Branches seems unambiguous: Branch A appears as a perfect model of successfully implemented trust-based working time. Trust-based working time there forms part of modern leadership and organisational cultures. The Branch Manageress has perceived the participatory content inherent in the regulatory model of trust-based working time. She fosters employee autonomy, delegates decision-making powers, assesses the employees' performance in terms of team performance, and

she promotes group-shaped work structures for her employees. In this manner, an interplay of influencing factors is set in train, which may lead to a self-reinforcing process heading towards increasing time sovereignty, growing motivation and improved performance.

Branch B presents a totally different picture. Trust-based working time there seems to be an alien element within the hierarchical leadership and organisational culture characterising the Branch. The Branch Manager's ideas and notions in terms of personnel and organisational policy correspond to a traditional management style which places no confidence in employee efficiency and responsibility. In these circumstances, control, labour division and the hierarchical centralisation of decisions are considered essential guarantors of enhanced individual efficiency. In such an environment, the inclusion of several components of American human resource management serves rather a consolidation of existing structures; because performance-related remuneration systems oriented along the lines of employees' individual performance can support structures based on labour division. And goal-setting systems resting on individual negotiation processes between managers and employees may strengthen a manager's position of power and consolidate an asymmetrical field of negotiation. The hierarchical organisation model of Branch B impedes self-organisation of working time and degrades trust-based working time to a mere tool of rationalisation in the Branch Managers' well- or ill-meaning hands.

It is an open question whether in Branch B trust-based working time will in the long run work as a germ from which modern leadership cultures can spring or whether it will rather contribute to stabilising the existing hierarchical culture. But anyway, it may well be assumed that the situation found in Branch B is characteristic of many business enterprises who have not yet managed to perform the transition to modern participatory leadership models. In Branch B, a former insight is corroborated: It is the lower and middle management ranks who may act as a brake to change because they cannot get used to the idea of self-restraint and role changes required by managers in the framework of modern personnel management. In the branch organisations of banks, the preconditions for such a change in notion with respect to leadership and organisation principles is most unfavourable. This is because of their formal organisational structures, tailored to branch managers' all-pervading decision-making powers.

Only very few definite statements can be made about the economic superiority of one of the variants over the other. However, we are led to assume that in the long run the higher degree of motivation of employees in Branch A helps them cope better with situations of time squeeze and pressure for performance. Under productivity aspects, it may well make a difference whether time pressure is imposed from above or whether it passes the employees' filter of intrinsic motivation. From the perspective of humanisation policy at least, evaluation is not difficult at all. Branch A is an example of a desirable high-road strategy, in which high qualifications are linked up with decentralised decision-making powers, co-operative work structures, intrinsic motivation of employees and high-quality service. It is therefore suitable for being referred to as a model case of successful organisational design, able to meet the needs of both employees and customers (Heskett et al. 1994).

The evaluation might end at this point, were it not for the problem of personnel allocation. The topic of personnel allocation is the Achilles heel in the beautifully intact world of Branch A; because Branch A, just like Branch B, is exposed to the pressures of increasing performance requirements and diminishing equipment with personnel. The decisive setting screw in this context is the centrally defined budgets of Branch A. The budgets, which are oriented along the lines of prescribed yield and cost targets constitute a form of centralised regulation which is conveyed by economic means. What plays an increasingly important role in budget allocation is the branches' operational performance. Although no comprehensive benchmark comparisons have been conducted so far, economic indicators are meanwhile increasingly being used for branches of similar size and location when it comes to allocating resources. According to the economic actors, the regulatory pressure exerted by means of budgeting will further aggravate in the future.

This development involves considerable hazards for the workability of trust-based working time in the branches. Shrinking personnel resources entail increased pressure in terms of time and performance. Time scopes are restricted. The branches are threatened with a negative spiral in which time pressure is translated and transformed into group pressure, dissatisfaction, loss of motivation, time conflicts and reduced performance, which in turn may entail further budgetary restrictions. "Overload situations", this is the term coined for scenarios of this type in the con-

cepts of trust-based working time. According to the working-time consultant Andreas Hoff, this is the critical point for the practical workability of trust-based working time (Hoff 1999):

“The real aim of fairly handled arrangements of trust-based working time thus lies in the a-priori avoidance of positive time balances which cannot be compensated within a reasonable period of time. The aim is not to define the problem away, as many employees and members of the works and staff councils feared, but rather to tackle it in the appropriate manner by actually pursuing the three possible problem-solving paths, i.e. “reduction of work volume”, “increase in labour productivity” and “input of labour.”

The fairness criterion is violated if personnel allocation is externally prescribed, stipulating personnel reduction, with both the amount of work and service quality having to be maintained at the same level. Productivity will then remain the only adjusting variable of the system. However, if increases in productivity do not suffice, working hours will have to be lengthened.

It might be a plausible solution to make personnel allocation, too, a Branch-internal variable so that the regulation of the human-resources framework can be effected within the Branches themselves, based on time balance development and balance reduction dialogues. Shifting personnel regulation to the scene of the action, i.e. into the Branches themselves, seems desirable at first sight. However, the implementation of this measure alone cannot ensure sufficient personnel resources if centrally regulated economic pressure of competition should force the Branches to define unrealistic personnel allocations themselves. It may be useful in view of such hazards to extend the intervention rights of the works council by protecting them both at the level of collective bargaining and at corporate level. However, no final answer can be given at this point to the question of whether this tool can definitely defy the cost pressure spectre haunting companies of our time.

At least as far as personnel allocation is concerned, there seems to be every reason to considerably doubt that companies will really pursue the path of fairness propagated by Hoff in the future; because both aggravating competitive pressure and the growing weight of shareholder interests in the governance structures of companies suggest rationalisation strategies geared to short-term cost reductions and fast profit. The reduction of personnel expenses still suggests itself as the most obvious solution to the problem because it can work out well quickly and without long-term structural changes. The pressure exerted on working times and thus on the workability of trust-based working time will therefore increase in the foreseeable future. But it is also the future fate

of participatory organisation models as a whole for which this development augurs ill; because short-time company strategies usually go along with conservatism in terms of organisational policy (Dörre 2000; Hirsch-Kreinsen 1999). The odds are in so far not much in favour of a reform of branch organisation which systematically releases the benefits inherent in the principle of trust-based working time. A fundamental contradiction seems to have taken root, and it sheds a gloomy light on the development perspectives of trust-based working time.

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