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Overtime Reduction in Germany

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Executive Summary

In contrast to the stagnation of collective working-time reductions in Germany in recent years, the persistently high levels of unemployment gave fresh impetus to the debate on the pros and cons of further cuts in working times as an instrument of employment policy. Since, for various reasons, the road to collective working-time reduction seems to be blocked for the foreseeable future, the debate has focused on policy measures affecting individual working-time, such as the extension of part-time work, increasing the opportunities for paid leave, more flexible working-time arrangements and the reduction of overtime. In recent years, a good deal of significance has been attached to this last measure as an important element of employment policy. The present report therefore concentrates on the question of overtime reduction.

For various reasons outlined in the report, great caution must be exercised in assessing the immediate employment of overtime reduction. In all cases, this effect was incorporated into quantitative and qualitative changes in production (product and process innovations), so that the figures given in the case studies can indicate only orders of magnitude. A more accurate assessment is provided by findings from the case studies relating to the conditions under which the employment effectiveness of overtime reduction can be maximised. These findings can be summarised as follows:

Firstly, the greatest scope for producing positive employment effects by reducing or eliminating overtime is to be found in those establishments in which excessively low manning levels give rise to structural overtime. When a new shift system is introduced to replace the overtime that was previously worked and standard operating hours are extended as a result, the size of the workforce has to be increased (depending on the guidelines governing manning levels). Depending on the shift system in operation, it may be possible to reduce contractual working time as well. In such cases, the employment effect may even exceed the equivalent of overtime previously worked.

Secondly, it is difficult in many cases to differentiate precisely between structurally determined overtime and that caused by fluctuations in production. This distinction only becomes clear *ex post*, after the introduction of flexible working-time systems. In systems based on working-time accounts, the time credits accumulated during a given period of time that are not susceptible of reduction constitute the equivalent of the irreducible, “hard-core” overtime that existed under the previous system. Thus the reducible portion of the overtime that used to be

worked can be ascertained in practice through the introduction of flexible working-time systems. At what point and to what extent this gives rise to employment effect depends on the procedural rules built into these working-time systems. This would suggest that it is important for firms to exchange information on the various ways in which working time can be organised, including the combining of part-time and full-time work.

Thirdly, from the technical point of view, manpower planning is the key factor in the implementation of an overtime reduction that is intended to produce positive employment effects. If manning levels are not high enough to supply the average volume of labour required within a given period, then the consequence will be regular overtime. This becomes apparent when working time is reorganised. The conclusion that ought to be drawn is that the unrealistic manning levels should be revised. In plants in which the required expenditure on personnel can be relatively easily quantified (e.g. assembly-line production), this is considerably less problematic than in areas in which tasks are determined on the basis of agreed targets. As the case studies show, however, the revision of manning levels is in all cases the object and outcome of a bargaining process carried out within the establishment in question.

Fourthly, stagnant or even falling real wages are a considerable barrier to the reduction of overtime. For this reason, a generalised trend towards a reduction in the level of overtime would have to be accompanied by a wages policy designed to facilitate the adjustment processes at establishment level.

Fifthly, another obstacle that will become increasingly important in the future is labour shortages, particularly of more highly skilled workers. If this obstacle is to be removed, it will be necessary not only to put in place appropriate training programmes but also to reorganise work processes and task allocation at plant level. It will also be important to rethink some deep-rooted notions, such as the idea that long working hours are synonymous with efficiency and productiveness.

Sixthly, industrial relations turn out to be the decisive factor in determining whether overtime reduction gives rise to positive employment effects. In the case of Germany, this is the result of the statutory right of workforce representative bodies to influence overtime practice, without which there would not (or not yet) have been any reduction in overtime in most of the case studies outlined here. However, it is not simply a question here of a legal specificity but of the realisation that a forward-looking policy of interest representation at establishment level is of fundamental importance. Overtime reduction turns out to be an objective that can become

one element in a larger package of compromises and reorganisations. Its employment effectiveness emerges in the course of a process of experimentation which is at the same time a process of negotiation between the social partners at establishment level. Unions and management can assist in this process by adopting appropriate supporting measures.

1 Introduction

Germany is one of the few European countries in which collective working-time reductions were pursued in the second half of the 1980s and in some cases even into the mid-1990s. As a result, during the period of economic growth between 1983 and 1992, collectively agreed weekly working time in Western Germany fell by almost two hours (from 40 to 38.25 hours), while holiday entitlement was extended by one day (from 29.6 to 30.8 days). Actual annual working time for full-time employees fell at about the same rate, namely by 5.25% (Spitznagel/Kohler 1993). In the course of the 1990s, however, the process of collectively agreed working-time reduction slowed down and has now, following the introduction of the 35-hour week in the engineering industry in 1996, come to a halt. The reduction in average annual working time per employee is now attributable solely to the growth of part-time work (Autorengruppe 1996).

In contrast to the actual evolution of working-time reductions, however, the persistently high levels of unemployment gave fresh impetus to the debate on the pros and cons of further cuts in working times as an instrument of employment policy. Since, for various reasons, the road to collective working-time reduction seems to be blocked for the foreseeable future, the debate has focused on policy measures affecting individual working-time, such as the extension of part-time work, increasing the opportunities for paid leave, more flexible working-time arrangements and the reduction of overtime. In recent years, a good deal of significance has been attached to this last measure as an important element of employment policy, not only by the trade unions but also, and repeatedly, by the Federal Government. Even the employers' federations accept there is some scope for action in this respect, although in their view there is much less room for manoeuvre than the unions have claimed.

The present report concentrates on the question of overtime reduction. It has been compiled as part of a research programme supported by the European Foundation for the Improvement of Working and Living Conditions, the main focus of which is the implementation at establishment level of working-time reductions in various EU member states.

The report is structured as follows. It begins with a survey of current research work on the evolution of overtime in Germany and the opportunities for reduction (2). After an outline of the research objects and methodology adopted for the case studies carried out for this project (3), the most important findings are summarised (4). The eight case studies are then presented (5). The annexe provides information on a project being carried out for DG V of the European Commission that is of methodological interest for the issues of concern to us here.

2 The evolution of overtime in Germany and the opportunities for reduction

According to the working-time statistics compiled by the Institute for Employment Research (*Institut für Arbeitsmarkt- und Berufsforschung*, or IAB) of the Federal Labour Office, each employee in Germany in 1995 worked an average of 62.2 hours' paid overtime (65.4 hours in the West compared with 48.2 hours in the East). Assuming a working year of 44 weeks, this amounts to about 1.4 hours per week and represents 4% of all the hours worked by dependent employees. This figure is somewhat higher than the lowest-ever level of 56.8 hours recorded in 1993 (58.5 hours in Western Germany), which once again confirmed the cyclical nature of overtime. At the same time, a medium-term trend towards a reduction in the level of overtime can be detected: in 1970, the year with the highest level of overtime ever recorded in the history of the Federal Republic, every employee worked an average of 157 hours of paid overtime.

The IAB working-time statistics include only paid overtime. There is also unpaid overtime, include those additional hours remunerated at a later time with extra time off in lieu.¹ The Institute for Research into Social Opportunities (*Institut zur Erforschung Sozialer Chancen*, or ISO) has also investigated these sorts of overtime in employee surveys (Bauer/Groß/Schilling 1996). According to these surveys, the average level of overtime worked per employee in

¹ Paid and unpaid overtime is also referred to in the literature as "definite" overtime, while those additional hours remunerated with time off in lieu are sometimes termed "transitory" overtime.

Germany in 1995 was 2.9 hours per week. Of these additional hours, 1.3 were paid and 0.9 unpaid overtime, while 0.7 hours were remunerated with time off in lieu. As far as paid overtime is concerned, therefore, these findings concur with the IAB statistics on working time.

The structure as well as the level of overtime is relevant to our research object. On average, men work more overtime than women. The distribution of paid overtime among the various sectors of the economy is essentially stable over time. The construction industry, manufacturing and the transport and communications sector account for the highest share, while private services and, in particular, the civil service are well below the average (Kohler/Spitznagel 1996). In services, however, the share of unpaid overtime, at 38% of all overtime worked, is almost twice as high as in the manufacturing sector, where it is only 22%. The share of overtime remunerated with time off in lieu is also higher in services than in manufacturing, at 32% and 20% respectively (Bauer/Groß/Schilling 1996). Finally, another important structural characteristic is linked to size of firm: more paid overtime is worked in small and medium-sized firms (up to 500 employees) than in large firms.

The question now arises of the extent to which overtime can actually be reduced. Additional hours remunerated with time off in lieu are irrelevant in this context, since they merely represent an uneven distribution of working time over a given period, with the contractual working time being achieved within a certain time-frame. Thus any attempt to determine whether a reduction in working time might be expected to produce positive employment effects has necessarily to focus only on paid and unpaid overtime. However, it should not be assumed that all paid and unpaid overtime could be eliminated and replaced with additional jobs. A company survey carried out in 1990 by ISO/DIW (Groß/Stille/Thoben 1990) found that, for two thirds of manufacturing firms and 60% of service firms, fluctuations in demand and production were an important or very important reason for overtime. Overtime is still the most important instrument of flexibility available to firms (Bauer, F et al. 1998).

The IAB starts from the assumption that overtime caused by bottlenecks and temporary glitches in the production process cannot be avoided. Such overtime accounts for about 21% of all paid overtime. On the other hand, overtime worked for other reasons can be partially and sometimes even totally eliminated. The question of how far overtime that is theoretically susceptible of substitution can *actually* be eliminated cannot “be given an unambiguous answer, underpinned by theory and supported by empirical and statistical evidence” (Kohler/Spitznagel 1996: 8). Thus in order to estimate the employment effects of a reduction in

overtime, the calculations have to be based on a range of plausible assumptions. If it is assumed, for example, that all theoretically substitutable (paid) overtime is to be reduced by 50%, this would represent around one third of all paid overtime or a volume of work corresponding in purely arithmetic terms to around 0.4 million employees. However, since the recruitment of additional workers is only one of firms' possible reactions to a reduction in overtime (in addition to productivity increases, for example), the actual employment effect is likely to be lower (Kohler/Spitznagel 1996).

The ISO study has a somewhat different starting point: all foreseeable (i.e. regularly worked) overtime is considered susceptible of substitution in theory. The statement that the overtime in question is worked "every day of the working week" is taken as a firm indicator of regularity. In the ISO employee survey, this applies to half (52%) of all paid and unpaid overtime. The overtime worked by workers in the higher skill categories (*Meister* and senior managers) is subtracted from this, since management argues that it is in these categories that long-term labour shortages are likely to occur. This leaves a share of around 35% of all paid and unpaid overtime that is regarded as substitutable. In purely arithmetic terms, this would equate to 640,000 full-time jobs (Bauer/Groß/Schilling 1996). However, this figure would be lower if the same method of calculation were applied to the results of an establishment survey conducted in 1995 by ifo/IAB, according to which 26% of all paid overtime is worked "on a regular basis" (57% of this regular overtime is worked in establishments employing between 20 and 500 people). The average level of regular overtime is six hours per week per person (Kohler/Spitznagel 1996). In arithmetic terms, this would equate to 300,000 full-time jobs.

In sum, these estimates produce the following picture. If it is assumed that regularly worked overtime can in theory be reduced, then we are dealing with between one quarter and one third of all "definite" (i.e. paid and unpaid) overtime. In purely arithmetic terms, this would represent a volume of work equating to between 300,000 (paid overtime only) and 600,000 full-time employees (paid and unpaid overtime). In practice, however, the actual number of jobs created would be lower, since not all the overtime eliminated would be replaced by additional recruitment.

Thus any attempt to estimate the employment effect of a reduction of overtime has to take account of two stumbling blocks: firstly, the question of the extent to which regularly worked overtime can *actually* be reduced and, secondly, the extent to which the eliminated overtime will be replaced by *new recruitment*.

3 Research objects and methodology

The basic objective of the research programme of which the project presented here forms part is to gather data from case studies on the implementation of working-time reductions at establishment level and to use those data as a basis for producing plausible assumptions as to the employment effects of working-time reduction. Case studies can provide micro-level empirical data that can be used to ensure that the assumptions on which macro models are based are an accurate reflection of reality.

In this respect, the programme is a continuation of a series of company and works council surveys and case studies conducted after the working-time reductions of the 1980s, largely in Germany (cf. Zühlke/Lehndorff 1997). The major problem in all empirical studies of the employment effects of working-time reductions lies in the difficult task of distinguishing between the influence on employment of three factors - growth, productivity and working time. In theory, it is impossible to make a clear distinction on either the macro or micro-economic level. The employment effect of the working-time reduction is so inextricably interwoven with changes in processes and products that it cannot be clearly identified from a "before and after comparison" of the available data on turnover, production volume, number of employees etc. Hence the problem at the micro level is that interviewees cannot clearly distinguish between the employment effects of the evolution of production and those of working time. The actors at firm level merely estimate the extent to which the changes in the verifiable numbers of employees in each plant are attributable to the evolution of production and of productivity respectively, with the "remainder" being assumed to be attributable to the working-time reduction. Studies using this approach make generalisations about the national economy on the basis of the estimates made at firm level. The results are heavily influenced by who asks the questions and who answers them.

These methodological problems can be partially circumvented if data can be gathered on the *method* by which working-time reductions are implemented at establishment level. Thus, for example, we were able to show, in case studies conducted in two German car plants, how personnel managers adjusted to the step-by-step introduction of working-time reductions in the 1980s (c.f. Annexe). Manpower planning in these two plants was based on an assumed productivity increase of 20 and 40%, respectively, of the percentage decreases in working time, so that the immediate employment effect at the time of the reduction was 60 or 80% of the arithmetically feasible effect. However, these were the average values in an extremely

variable range of reactions: 80 to almost 100% in production departments contrasted with an employment effect of virtually zero among white-collar workers (Lehndorff 1995).

For various reasons, however, precise information of this nature is available only in exceptional cases. Firstly, manpower planning is one of the core areas of management prerogative, so that in most cases it would not be possible to obtain data that could be used for research purposes. Secondly, the relatively mechanical² application of manpower planning data in the implementation of working-time reductions is a method used particularly by large firms with work organisation systems based on assembly lines, i.e. a mode of organisation of decreasing importance in the economy as a whole. For most firms in the manufacturing and service sectors, manpower planning (insofar as any kind of methodical, standardised approach is adopted) contains a good deal of decision-making based on previous experience.

For this reason, our case studies concentrated on the *social process* whereby working-time reductions are used to safeguard existing jobs or create new ones. The basic thinking is the same as that developed elsewhere (Bosch/Lehndorff 1998) in respect of the economy as a whole: if it is not possible to calculate a generally applicable ratio for the employment effects of cuts in working time, then an alternative strategy would be to determine the *conditions* under which the employment effects of working-time reductions can be maximised. *Consequently, the focus of enquiry in the present report is the conditions under which, firstly, a reduction in overtime can be achieved at all and, secondly, can be implemented in such a way as to maximise the positive employment effects.*

The case studies that are summarised and then examined in greater detail in the present report are based on semi-standardised interviews with decision-makers at establishment level (works managers, personnel managers, works councillors - cf. Table 1). Seven of the eight establishments studied are manufacturing plants. Five of them have between 400 and 600 employees, a size category in which the reduction of overtime is a particularly relevant subject. The scarcity of service-sector establishments in our sample is no accident. Firstly, as already noted above, paid overtime plays a less important role in the service sector than in manufacturing,

² We describe the process as *mechanical* because in the Taylorist system a certain level of performance is established or agreed which is used (*ceteris paribus*), in the event of a cut in working time, to calculate the number of extra workers required to deal with the workload. However, this calculation process is only *relatively* mechanical, since even in the Taylorist factory cuts in working time are used as an opportunity to change processes in order to bring about productivity gains (i.e. the *ceteris paribus* proviso does not apply). This is also demonstrated by the case studies of car assembly plants described in the annexe.

while unpaid overtime and additional hours remunerated with time off in lieu are becoming increasingly important. Secondly, the one service-sector case study makes it clear that complicated problems have to be resolved before overtime in service activities can be reduced, so that it is still difficult at present to find any practical cases at all to study.

Table 1: Overview (Annex)

4 A summary of the case-study findings

4.1 The causes and reducibility of overtime

The case studies show that the classic function of overtime as a buffer in the search for flexibility is frequently so closely linked to other functions that even the actors at plant level are unable accurately to distinguish between the various objectives being pursued when overtime is worked. Thus the scope for reducing overtime will in many cases become apparent only in the course of a process intended to determine precisely that.

One major source of overtime is inadequate manning levels. In some cases, it is not immediately apparent that this is the case, and the lack of personnel can take several forms. Thus partially or completely continuous shift systems that operate, for example, with three shift teams on five days or four shift teams on seven days are generally so designed that employees initially work longer than stipulated in the collective agreement (e.g. 40 hours over five days) and consequently have to take time off in lieu at certain intervals. In practice, however, it is often the case that there is no opportunity to take the time off, since those concerned have to cover at short notice for absent colleagues. Thus the real cause of the overtime is that insufficient account is taken of absenteeism when manning levels are established. In theory, the working-time system is based on the collectively agreed standard working time; in practice, however, it can function only if that working time is exceeded (e.g. by having a de facto 40-hour week). In effect, therefore, an “overtime dynamic” is built into the system.

These inadequate manning levels are closely linked to an unrealistic assessment of plant capacity. For example, if downtimes are not sufficiently taken into account, production targets cannot be met within the planned operating time. In this case, the planned output volume can be produced only by working overtime. In one case, two mutually dependent departments had the same shift system and the same planned operating time, although their technical capacities were different. In consequence, the department with the lower technical capacity had

periodically to put on extra shifts in order to process the accumulated stocks of semi-finished products. These extra shifts were not *recorded* as “regular overtime” but as additional hours worked in order to deal with fluctuations in production, although they were in fact structurally determined.

As the case study carried out in a bank shows, it is particularly difficult in white-collar areas, where both paid and unpaid overtime is worked, to distinguish between structurally determined overtime and that worked as part of the drive for flexibility.

In several cases, the workforce had been so rigorously “downsized” during the recession that lasted in Germany until the mid-1990s that the increased output required since the end of the recession could be achieved only by working overtime. In essence, we are dealing here with a phenomenon familiar from earlier economic cycles, namely that at the beginning of an upturn, firms are reluctant to take on new workers. In the current situation in Germany, however, this reluctance has persisted in many firms for several years: many employers have insufficient confidence in the medium-term growth prospects and see a further reduction in labour costs as the key to their companies’ success. Since the order situation is fluctuating at the same time, the fact that the overtime induced by low manning levels is structural and permanent in nature is obscured in some cases. In this way, overtime can over longer periods come to be regarded as an instrument of flexibility. Not until overtime is no longer remunerated monetarily but entered into working-time accounts does it become apparent to the actors at plant level that, over and above temporary fluctuations, the “hard-core” overtime rate has been steadily rising. Thus the distinction between permanent and occasional overtime cannot in many cases be made *ex ante* but is revealed only in the course of a process, so that the permanent overtime is only recognisable *ex post* - e.g. after a year has elapsed - in the increase in the “hard-core” overtime rate.

Of course the small number of cases studied here means that no claims to representativeness can be made. The establishment and employee surveys referred to in section 3 suggest the share of regular overtime should not be overestimated. It can also reasonably be assumed that the selection principle adopted for the present project (cases in which overtime had successfully been reduced) led to a bias in favour of firms with an above-average share of “hard-core” overtime. Nevertheless, the examples presented here are of great methodological interest, since they show that overtime may be more susceptible of reduction than many of the actors at firm level initially assume. This is due to the fact that some of the overtime that seems to be

caused by fluctuations in production is in fact structurally determined and can therefore be categorised as “permanent” or “hard-core”. The share of overtime that can be reduced in the short term has then to be ascertained through a process of testing. In virtually all the cases studied here, this process took place through the introduction of new working-time systems (see 4.3 below).

Overtime worked in areas where there are shortages of highly-skilled and highly-specialised staff proves not to be reducible, at least not in the short term. In the plants investigated here, this applied, for example, to design departments. This is clearly a problem that cannot be dealt with by firms acting alone, at least not within a reasonably short time-frame. The link between plant-level initiatives to reduce overtime and public measures in areas such as the employment service and, above all, training and further training, becomes evident here.

4.2 Overtime reduction and conflicts of interest

From employers’ point of view, the most important reason for reducing or completely eliminating overtime is to save on overtime bonuses. In some of the cases examined here, this thinking prompted management to take the initiative in reducing overtime. The total cost effects thereby produced (premiums not paid plus productivity effects - cf. 4.4) make it worthwhile for firms to recruit new workers, despite the consequent increase in fixed labour costs.

In the most of the cases examined here, the initiative for overtime reduction originated in the representative bodies in the various establishments. In this respect, the works councils constantly found themselves at odds with their constituents’ interest in maximising earnings (see below). In all cases, the principal motivation was to safeguard existing jobs or to create new ones. The action taken by the works councils concerned was generally linked to threatened or actual job losses. For example, they tended to regard as politically unacceptable a situation in which parts of the workforce were working overtime while other parts of the plant were being shut down. In many cases, management gave them a sympathetic hearing, even if they had not themselves taken the lead in attempting to reduce overtime.

The works councils were able to rely on the particularly wide-ranging powers to influence overtime practices granted to them by the German Workplace Industrial Relations Act.³ Only

³ Under the terms of the Workplace Industrial Relations Act, works councils have to agree to any changes in standard working time, including overtime in particular sections or departments of the establishment in question.

in exceptional cases, however, did their right to withhold agreement to overtime lead to conflict with management. In most of the cases described here, this right constituted the starting point for the negotiation of compromises. The opportunities for finding a compromise between the varying interests of the parties to negotiation do not lie solely or even primarily in a common interest in safeguarding existing jobs but rather in the positive cost effects of overtime reduction. Moreover, the reduction of overtime was also used as a bargaining counter in attempts to reach agreement on the extension of operating hours (e.g. through the introduction of regular Saturday working without overtime premia). As a result, the reduction of overtime became, in some cases, a cornerstone of a joint strategy for safeguarding the very future of the plant.

It is apparent in two cases that the parties to collective bargaining (i.e. the social partners) can also take the lead in reducing overtime. This happens when collective agreements stipulate that overtime (either in general or from a certain threshold level) must be remunerated with time off in lieu. This encourages the negotiating parties to agree on working-time systems that render overtime unnecessary.

In none of the cases we studied did the initiative for overtime reduction come from the employees directly affected. This is understandable, since the losses of earnings occasioned by cuts in overtime were considerable - at least 200 DM per month, and in extreme cases as much as 1400 DM (Table 2).⁴ Earnings from regular overtime had previously accounted for a considerable share of monthly income. According to our interviewees, there was a good deal of reluctance to forego this part of earnings since the policy of wage moderation pursued by the social partners in the previous few years had allowed for only very slight increases in real wages, and in some cases none at all. Clearly, stagnant or even falling incomes reduce the scope for working-time reductions. The decisive reason for agreeing to cuts in overtime nevertheless was to safeguard for the foreseeable future jobs that had been at risk. In some cases, the knowledge that foregoing overtime and accepting the consequent pay cut might lead to the creation of new jobs also played a part. In all cases, the agreement of those directly affected by what was, in some cases, a considerable financial sacrifice could be obtained only after an intensive campaign of persuasion on the part of the works councils.

This provides an opportunity for works councils to exert pressure on management by withholding their agreement.

⁴ In individual cases, it proved possible to mitigate the earnings losses through the introduction of new payment systems (see below).

Table 2: Wages lost by production workers as a result of overtime reduction (Annex)

An even more complicated situation arises when white-collar workers conceal part of the overtime they work from their establishment's representative body, as in the credit bank in our sample. Both the employees involved and, obviously, their supervisors operate in an environment in which long working hours are regarded as a criterion of competence and productivity. In order that the infringement of the collective agreement, which provides for additional hours to be converted into time off in lieu, should not appear too obvious, many white-collar workers take it upon themselves to work unpaid overtime. Under such conditions, any attempt to reduce overtime requires far-reaching changes not only in work organisation but also in the attitudes of those involved.

The cases outlined here show that any attempt to reduce overtime requires the negotiation of a set of compromises whose costs and benefits must be transparent to all those affected. At the same time, however, overtime reduction can act as a catalyst for bargaining processes at establishment level linking such key issues as medium-term employment guarantees and (as described in the following sections) the reorganisation of working time and work structures.

Table 3: Reasons for the reduction of overtime (Annex)

4.3 The introduction of new working-time systems as a means of reducing overtime

In almost all the establishments we studied, the reduction of overtime went hand in hand with a thoroughgoing reorganisation of working time. A distinction can be made here between two basic types of working-time reorganisation:

In those establishments operating a partially or fully continuous shift system, the structural basis of overtime was removed through the creation of an additional (fourth or fifth) shift crew. The shift systems in these establishments are now constituted in such a way that, in their regular shift cycle, workers work fewer hours than laid down in the collective agreement. Their contractual working time is achieved only after they have worked so-called "catching-up shifts", which operate when required for particular reasons (Saturday work when demand is high, absenteeism etc.). It is no accident that in some establishments contractual working time was reduced in conjunction with the introduction of the new shift system. Whereas the old shift system was characterised by structural undermanning (see above), the new one can lead initially to overmanning. For this reason, it seems reasonable to cut contractual working time

in order to avoid working a number of additional shifts that would be perceived as excessive. One of the establishments investigated has gone even further and stipulated that any under-shooting of the contractual working time should be written off at the end of each year at the firm's expense. An approach of this kind creates additional manpower needs that even exceed the volume of overtime previously worked. Despite the increased personnel costs, this approach has several advantages for firms. Firstly, work for which premia used to be paid becomes part of regular working time. Secondly, work processes can be routinised and stabilised because production bottlenecks and the build-up of temporary stocks can be avoided. The example of the wallpaper manufacturer⁵ shows that it was not until the new shift system had been introduced that the plant was able to adjust its production and logistical systems to the principles of just-in-time production.

The second basic type of new working-time organisation (which can of course be combined with the one just described above) involves the introduction of flexible annual working time. The control mechanism usually established in such cases is the individual working-time account (Seifert 1998). The introduction of such systems, also referred to as the "variabilisation" of working time, is one of the most important changes currently taking place in working-time practices in Germany (Bosch 1996). In essence, it involves nothing other than overtime (usually without the payment of premia) remunerated with time off in lieu within a given period of time.⁶ The potential employment effect arises out of the reduction of actual working time.

The basic problem of systems based on working-time accounts is that they allow overtime to be reclassified as extra hours and thus, to a certain extent, defined out of existence. Thus the employment effects of such systems depend on the arrangements made for ensuring that contractual working time is adhered to. In our view, the potential employment effectiveness of working-time systems in which the overtime reduction is implemented through the introduction of working-time accounts depends largely on the following criteria: (cf. Lindecke/Lehndorff 1997):

1. The maximum permitted credit balance on the working-time accounts: the higher the limit is set, the greater is the risk that employees will accumulate credits over long periods before

⁵ In this plant, overtime reduction was accompanied by a cut in contractual working time from 38 to 36 hours. As a result, *actual* working time in the department that had previously been a bottleneck fell by around six hours!

the exceeding of contractual working time is perceived as a problem. The consequence would be that the overtime system that has prevailed to date would continue under a new name, albeit with the difference that overtime would be unpaid (at least initially!).

2. Transparency of working-time accounts: As the organisation of working time is shifted out of the sphere regulated by the Workplace Industrial Relations Act to become the subject of individualised negotiation, it becomes increasingly difficult for the actors at plant level to retain the transparency and power to influence events that are required for a plant-level employment policy. In particular, works councils run the risk of losing one of their fundamental co-determination rights. In the cases presented here, the task of monitoring changes to working-time accounts is in most cases the responsibility of employees and, sometimes, of their supervisors. In addition, the works council is given a right of inspection.

3. Precautions against the accumulation of excessive time credits: All flexible working-time systems run the risk of merely juggling with labels. True, overtime in its traditional form is rendered unnecessary by working-time accounts and so on, but it is entirely conceivable that, in practice, actual working time will not be reduced at all. What used to be called overtime can simply be renamed time credits. This is why the arrangements for dealing with persistently high time credits or persistent overshooting of the limit on time credits are of crucial importance. In many agreements there is no provision at all in this respect, while others stipulate that all additional hours over and above the maximum balance are simply forfeited. Some agreements require supervisors as well as employees to ensure that accounts do not go overdrawn. The most explicit and binding regulations in this respect are found in the so-called “traffic-light systems”. These agreements define a “green” zone, within which employees can accumulate time credits on their own authority. For the “amber” and “red” zones, on the other hand, responsibility for making changes to time accounts passes out of the hands of individual employees. In all such systems, supervisors must be consulted for all credits and debits in the amber zone, while in the red zone supervisors and the works council are responsible for settling the balance.

4. Link between working time and manpower planning: Even with the best of intentions, measures to reduce overtime and actual working time may come to nothing if manning levels

⁶ Most flexible working-time arrangements retain some kind of definition of overtime. The definition of overtime as work done outside the agreed standard working time, especially on Saturdays, Sundays and holidays, is of particular significance.

are too low. This can be counteracted by an agreement that negotiations on the creation of new jobs must be initiated as soon the working-time accounts in certain areas reach a pre-determined balance.⁷ However, there are seldom very precise stipulations in this respect, since the link between working time and manpower planning is one of the core elements of management's "right to manage".

In the case studies outlined here, the parties to negotiation, particularly the works councils, have a highly developed awareness of the scope for abuse of working-time accounts. This is hardly surprising, since the main aim in developing the new working-time systems was, in most cases, to safeguard existing jobs or to create new ones. Thus it was not simply the design of the working-time systems on paper but also and, above all, experience with them in practice that led, in the cases described here, to positive employment effects, whether in the form of saved jobs or new appointments.

The limit of these employment effects is located at the point in the implementation of the working-time accounts where overtime previously worked turns out in retrospect to have been a necessary buffer in the search for flexibility. This was described above as a process of testing that gradually reveals the extent to which the overtime previously worked was structurally determined (particularly by excessively low manning levels) and therefore permanent. This description can be complemented by the following statement: working-time credits that do not exceed a stipulated maximum (e.g. +/- 50 hours) and can be repeatedly reduced to zero within a pre-determined period of time (e.g. one year) represent that portion of overtime that previously functioned as a buffer.⁸ A concrete illustration of this process of ascertaining

⁷ Some examples of clauses in company agreements relating to this complex topic (cf. Lindecke/Lehndorff 1997): "Individual working time per employee depends on the order situation. ... When the volume of orders increases, the existing working-time arrangement is to be replaced by a modified or new system in order to achieve the required utilisation time. It needs to be established as a matter of priority whether personnel measures, such as new appointments, transfers etc., are required." - "If the balances on working-time accounts, whether in the plant as a whole or in individual departments, reach excessively high levels (in excess of 120 hours) and it seems unlikely that they can be reduced within the equalisation period, then management shall be obliged to enter into negotiations with the works council on new appointments, with the aim of achieving an average weekly working time of 35 hours." - "If, on the basis of the current schedule, the average balance on free-shift accounts is likely to exceed + 100 hours, then discussions on the personnel measures to be taken shall be held between the works management, head office and the works council." - Extract from one "traffic-light system": "Red 71-100 hours flexitime credits: management and works council shall agree on the need to reduce balances and determine the extent of the reductions and the time scale for making them. If more than 1 employee in a department is in the red zone, then management and the works council shall enter into talks on new appointments in that department."

⁸ One widely used definition, modified to suit company interests, runs as follows: Working-time credits that repeatedly reach a pre-determined range (e.g. +/- 50 hours) within a given period of time represent that portion of

through practical testing the extent to which the previous level of overtime can in fact be reduced will be found in section 5 below, where the example of a machine-tool plant is described.

The case studies also show that the actors at establishment level must be prepared in periods of weak demand to accept considerable and possibly long-lasting negative balances on working-time accounts. Only under such conditions can working-time accounts become a fully functioning instrument of flexibility, able to replace both overtime and even, in extreme cases, short-time working. If this willingness to accept negative balances is not forthcoming because of uncertainty about future prospects (as was the case with one of the automotive component suppliers in our sample), the result may be a return to paying for additional hours worked up to a pre-determined threshold. This can be avoided if, as another case study shows, new staff are recruited once the permitted maximum credit balances on the working-time accounts has been exceeded, initially on temporary contracts that can be converted into permanent ones at a later date.

In sum, it is clear from the case studies that an attempt to reduce overtime triggers a restructuring of working-time organisation which generally turns out to be a necessary condition for successful implementation of the overtime reduction. Thus the employment effect of the overtime reduction depends crucially on the characteristics of the new working-time system

Table 4: Change in working time (I) (Annex)

Table 5: Change in working time (II) (Annex)

4.4 The effects of overtime reduction on productivity, working conditions and employment

The reorganisation of working time is in many cases closely linked to a reorganisation of work organisation; taken together, the two changes often produce far-reaching productivity effects.

In some of the establishments in our sample, the reorganisation of working time was accompanied by the introduction of new forms of work, such as group work. Working-time reductions frequently lead to a reorganisation of work processes, since successful implementation

overtime that functioned previously as a buffer. - The problem with this definition is that an actual level of “hard-core” overtime of, e.g., 50 hours is permanently accepted.

of such reductions requires improved and decentralised coordination between individual members of a department or work group; this can in turn help to break down the barriers between highly specialised areas of competence. In many cases, the introduction of flexible annual working time means that workers have to agree their individual work schedules among themselves and shoulder a certain degree of responsibility for production scheduling. This has consequences for further training requirements, both within and, possibly, outside the establishment. As the case study of the bank indicates, far-reaching changes in work processes and task allocation may also be required in order to eliminate the indispensability of individual employees as a barrier to overtime reduction. As other research commissioned by the European Foundation has revealed (Sisson 1997), reorganisations of this kind require complicated learning and rethinking processes but hold out the promise of high productivity gains. This includes a reduction in sickness rates, as was suggested in some of the plants we studied.

The importance of providing training in conjunction with restructuring and job protection programmes is illustrated particularly clearly by the example of the paper serviette manufacturer. Earlier rationalisation programmes had rendered some of the lower-skilled jobs surplus to requirements, with a consequent risk of redundancy for the workers concerned. The reduction in overtime allowed these workers to be re-integrated into the regular shift teams, although they had to undergo some further training beforehand. Not only was the hitherto concealed overmanning eliminated but the jobs of those concerned were saved.

Bonus payment schemes, which are sometimes introduced in conjunction with flexible working-time systems, are also reported to have given rise to increases in output and productivity.

Reference has already been made above to the opportunities created by the stabilisation of work processes for introducing a JIT logistical system and thereby making it easier to establish direct customer supplying.

The most important productivity effect that occurs immediately following the introduction of flexible annual working hours is the reduction of non-productive working time. The basic objective of flexible working-time systems is to deploy labour only when required for operational purposes.⁹ The accumulation of working-time credits in periods of strong demand for labour is offset, therefore, by the reduction of those credits in periods of weak demand. As a

⁹ This principle is constrained by more or less differentiated and binding regulations (e.g. maximum daily and weekly working times, employees' right of disposal over their own individual time credits).

result, employees have to decide on their own initiative to work shorter hours or to take time off in order to reduce their credit balances, or else supervisors have to order a temporary reduction in working time (insofar as this is permitted by the working-time agreement). Ideally, manning levels should equate to an average value that represents the average volume of labour required over a given period (a year, a business cycle...). Adjusting the supply of labour to fluctuations in demand in this way leads to much more efficient labour utilisation, since non-productive working time during slack periods can be avoided.

As was reported in most of the establishments studied, the productivity effects associated with overtime reduction lead to considerable cost savings. A part of these productivity effects - and this applies particularly to the elimination of non-productive working time - reduces the direct employment effect of overtime reduction. On the other hand, however, competitiveness is improved, which can help to safeguard jobs in the medium term.

The employment effects of overtime reduction are inextricably linked to these restructuring processes. For this reason, the immediate employment effects (in the form of safeguarded and/or additional employment relationships) should ideally be distinguished from the medium-term employment effects. Another necessary distinction is that between effects at the micro level and those at the macro level, since some employment effects at establishment level depend on the improvement in the competitiveness of the organisation in question and can therefore lead to job losses elsewhere (at home or abroad) if demand is diverted away from other suppliers.

Table 6: Assessing the employment and other effects of overtime reduction (Annex)

For the various reasons already outlined, the greatest caution must be exercised in assessing the immediate employment of overtime reduction in the manufacturing firms listed in Table 6.¹⁰ In all cases, this effect was incorporated into quantitative *and* qualitative changes in production (product and process innovations), so that the figures given can indicate only orders of magnitude. A more accurate assessment is provided by findings from the case stud-

¹⁰ This employment effect includes both new appointments and any redundancies that were prevented. In some cases, it cannot be readily expressed in arithmetical terms, since it was produced in various ways in different departments and areas.

ies relating to the *conditions* under which the employment effectiveness of overtime reduction can be maximised. These findings will be summarised by way of conclusion.

Table 7: Consequences for employment and productivity (Annex)

Table 8: Consequences for working conditions (Annex)

Table 9: Industrial relations and the reduction of overtime (Annex)

Table 10: Problems with implementation/unforeseen consequences (Annex)

4.5 Conclusions: the conditions for maximising the employment effectiveness of overtime reduction

Firstly, the greatest scope for producing positive employment effects by reducing or eliminating overtime is to be found in those establishments in which excessively low manning levels give rise to structural overtime. When a new shift system is introduced to replace the overtime that was previously worked and standard operating hours are extended as a result, the size of the workforce has to be increased (depending on the guidelines governing manning levels). Depending on the shift system in operation, it may be possible to reduce contractual working time as well. In such cases, the employment effect may even exceed the equivalent of overtime previously worked.

Secondly, it is difficult in many cases to differentiate precisely between structurally determined overtime and that caused by fluctuations in production. This distinction only becomes clear *ex post*, after the introduction of flexible working-time systems. In systems based on working-time accounts, the time credits accumulated during a given period of time that are not susceptible of reduction constitute the equivalent of the irreducible, “hard-core” overtime that existed under the previous system. Thus the reducible portion of the overtime that used to be worked can be ascertained in practice through the introduction of flexible working-time systems. At what point and to what extent this gives rise to employment effect depends on the procedural rules built into these working-time systems. This would suggest that it is important for firms to exchange information on the various ways in which working time can be organised, including the combining of part-time and full-time work.

Thirdly, from the technical point of view, manpower planning is the key factor in the implementation of an overtime reduction that is intended to produce positive employment effects. If manning levels are not high enough to supply the average volume of labour required within a given period, then the consequence will be regular overtime. This becomes apparent when working time is reorganised. The conclusion that ought to be drawn is that the unrealistic manning levels should be revised. In plants in which the required expenditure on personnel can be relatively easily quantified (e.g. assembly-line production), this is considerably less problematic than in areas in which tasks are determined on the basis of agreed targets. As the case studies show, however, the revision of manning levels is in all cases the object and outcome of a bargaining process carried out within the establishment in question.

Fourthly, stagnant or even falling real wages are a considerable barrier to the reduction of overtime. For this reason, a generalised trend towards a reduction in the level of overtime would have to be accompanied by a wages policy designed to facilitate the adjustment processes at establishment level.

Fifthly, another obstacle that will become increasingly important in the future is labour shortages, particularly of more highly skilled workers. If this obstacle is to be removed, it will be necessary not only to put in place appropriate training programmes but also to reorganise work processes and task allocation at plant level. It will also be important to rethink some deep-rooted notions, such as the idea that long working hours are synonymous with efficiency and productiveness.

Sixthly, industrial relations turn out to be the decisive factor in determining whether overtime reduction gives rise to positive employment effects. In the case of Germany, this is the result of the statutory right of workforce representative bodies to influence overtime practice, without which there would not (or not yet) have been any reduction in overtime in most of the case studies outlined here. However, it is not simply a question here of a legal specificity but of the realisation that a forward-looking policy of interest representation at establishment level is of fundamental importance. Overtime reduction turns out to be an objective that can become one element in a larger package of compromises and reorganisations. Its employment effectiveness emerges in the course of a process of experimentation which is at the same time a process of negotiation between the social partners at establishment level. Unions and management can assist in this process by adopting appropriate supporting measures.

5 Eight case studies of overtime reduction

5.1 Co-management as a means of creating jobs

The August Borsig Maschinenbau AG - founded in 1837 in Berlin-Tegel - ranks with the pioneers of heavy industry in Germany. Its successor - the Borsig GmbH - is still domiciled in the North Berlin district. Today Borsig belongs to the German Babcock AG group.

Borsig produces apparatus for the chemical and petrochemical industry, and is also active in the service sector. Emission purification plants and de-dusting plants are serviced and repaired, for example in power stations, incinerating and industrial plants. These are in part old customers from the time when the company was still active in the boilermaking sector. 400 employees, 183 of whom are salaried staff, work on the Berlin site. The comparatively high proportion of salaried staff stems from the large distribution and technical design departments. The number of employees has fallen continuously since the beginning of the nineties from over 2,000, due to restructuring in the company. Boilermaking was shifted to the site at Oberhausen and merged with the relevant sector there. Mechanical engineering was hived off and amalgamated with another company. This outsourcing and subsequent amalgamation is rated very highly by the works council, as it safeguarded employment in Berlin.

Cost reduction through annual working time

The reshuffles were an indication of the need for structural adjustment, also with regard to reducing capacities. At the same time, economic activities were a cause for concern. This was all reflected in heavy cost pressure on operations. The final straw was the rapid phasing out of funding for Berlin. In this situation, the board in 1993 drew up a so-called taboo catalogue listing those posts for which cutbacks were planned. It affected social welfare benefits, which were to be discontinued, and the question of how the high costs for overtime could be reduced was also raised. According to the personnel manager, the number of overtime hours worked in 1992, standing at approximately 150,000, was theoretically the equivalent of 100 employees. The works council immediately took up the board's proposal that means should be sought for reducing overtime, as it was in any case a thorn in their flesh.

From this aspect, the negotiations promised to get off to an auspicious start. Both parties wanted to achieve a reduction in overtime. There was a difference of opinion, however, with regard to the further-reaching target objective of what the reduction should effectuate. The works council was concerned with safeguarding jobs, respectively creating new ones. The executive management wanted to scale down in view of the difficult economic situation. Their

aim was therefore to run down overtime by making changes in work organization; in other words to prevent a system where new recruitments would supersede as many excess hours as possible.

A first provision, which integrates both positions comparatively easily, was found very quickly, namely in May 1993. It stipulated that overtime inclusive of premiums would only be settled via time off from then on. To complement this, talks were then held in 1994 on the subject of a flexible annual working time and were concluded with a works agreement. This came into force on 1. January 1995.

Particularly in production, certain order peaks result in more than the collectively agreed working time having to be worked during a certain phase. In this phase hours are accumulated in a credit account. When orders are slower a corresponding amount of time off can be taken to compensate for the accumulated hours.

The annual working time account calls for a new look at how work and payment are linked. Working time flexibility allows for the effect of phases where the order inflow is lower and the workforce is subsequently not stretched 100 per cent to show in the working time. The employees are not present because they have a guaranteed wage, but they are present when they can perform net product work. But they also receive full pay when the hours they are present remain under the collectively agreed working time. In the balance at the end of the year the net-product presence corresponds to the annual working time and the pay received for it, on condition that the staff calculation plan was correct. In simpler terms this means: the times in which the employees have nothing to do are not filled in with 'occupational therapy'. It can also be seen from another angle: the times when the employees are present are crammed full with work which has to be completed. 'Secret' breaks or recreation periods are eliminated, efficiency is intensified.

The works council and management both view these connections in the same way, but also see the economic necessity for proceeding in this way. Where their point of view differs is with regard to the staff calculation plan. This can be discussed competently at the end of the year in relation to the total working time account for the company.

The orientation towards economic interests is also laid down in the preamble to the works agreement. In accordance with this, the flexible annual working time primarily serves to facilitate capacity compensation, and less to aid personal planning of free time. The time off compensation is, however, discussed with the employees. When the workload is smaller, workers are asked if they are prepared to take a few days off. If, for instance, it is foreseeable

that the fitters will not have much to do in production in the next few days, they are approached about taking time off. This rule as a matter of principle does not mean that someone cannot take a few days off for personal reasons to reduce accumulated hours.

The credit hours must be used up within twelve months in compliance with the works agreement, and not by the end of the calendar year or any other deadline, meaning that hours collected in April 1998 have to be used up by April 1999 at the latest. Should this not be possible for compelling reasons, they remain standing and overtime percentages are added - also as time off.

This provision can result in individual specialized employees collecting a mountain of overtime and putting it off from one day to the next. This happened in the project department, for example. There are times when it is not possible to balance this out with a new recruitment, as suitable specialists are not to be found on the labour market.

The company works partly in a two-shift system. The normal working time stipulated in the works agreement on the annual flexible working time is Monday to Friday. If a Saturday is worked, that is overtime with the relevant premiums, and is credited in time off. The only exception can arise if Sunday work is necessary. It is paid in monetary terms.

In times when the order inflow is good the weekly working time can amount to as many as 50 hours. The law on working time hours prevents this limit from being exceeded. For the company this means that from Monday to Friday maximum ten hours work per day is permitted. This also conforms to the working time law. Accordingly, up to 60 hours of overtime may be worked per month, and these are credited to the working time account.

It is also possible for employees to have a minus on their working time account. As a rule, the account can be debited with up to one weekly working time unit, i.e. 35 hours. In one actual case the financial crisis in south east Asia resulted in cancellation of two orders. The personnel department and the works council came to the understanding that in this case up to 100 minus hours could be run up in the apparatus construction production.

The model in action

The conversion of excess hours into overtime started in 1993, and has resolutely continued to the present day. A first stock-taking ensued at the end of 1993. The credit account of the time showed a considerable plus thanks to an excellent capacity rate.

From the works council's point of view, the advantages of the annual working time and time off in lieu of overtime were now plain to see. At the end of the year the balance of existing

excess hours is revealed, whereas - the council chairman says - if overtime is paid the hours are swallowed up in administration and are difficult to track down again. When it is converted into time off the amount of excess hours worked is immediately apparent on the total working time account at the end of the year. The question of foreseeable capacity utilization then has to be considered: is there any way of reducing the existing hours? This cannot be done in times of good order inflow, hence recruitments have to be made.

The works council argued along the lines that this situation had in fact arisen. But the high level of hours on the credit side was also a clear indication in the eyes of the personnel manager that excess hours were being worked. It was therefore clear that base capacity had to be increased and staff calculation expanded. The high level of hours was in part, however, ascribable to the relatively good order inflow. As both aspects - necessary staff calculation and excess hours due to good order inflow - could not be completely isolated from one another, it was not planned to convert the total column of excess hours into jobs. It was clear, though, that additional manpower was required.

Following negotiations, the board and works council agreed to increase the personnel calculation. As a result, 40 employees were recruited. Three quarters of these went into the administrative and one quarter into the commercial sector. There were no recruitments for technical design. Since then all trainees - in as far as they want to be - are taken on by the company on completion of their apprenticeship. At present there are approximately 50 trainees working in the company.

At the end of 1995 - the year in which the flexible working time account was introduced - hours had accumulated again on the credit side. This value was at almost the same level, however, in 1996 and 1997. The employees have an average of 20 hours on their account. Hence at the close of the financial year 1996/1997 the industrial employees had a total credit of 4,319 hours. The workforce obviously wanted a certain level of reserves which they could use to build up or reduce an equal amount of hours. There are exceptions where it does not function quite so smoothly, such as the project department already mentioned.

Since only those excess hours which sporadically fall on a Sunday are paid, and not converted into time off, the definitive number of overtime hours worked has been cut down to almost zero. In the financial year 1996/1997 the outlays incurred in the company for excess hours amounted to 208,000 marks for industrial staff and 21,000 marks for salaried staff. This is approximately 80 marks a month per head for the industrial staff, which constitutes a little

over two hours including premiums. Of course, the excess hours are distributed unevenly among the workforce.

The recruitment of 40 workers was not the only employment effect. It was subsequently followed by further recruitments, albeit not in such great numbers. This was due to the fact that the annual working time was running smoothly and demand was fairly clear. In 1995/1996 in particular isolated recruitments were repeatedly necessary. This naturally had to do with the order inflow. In this context the time off in lieu provision has the function of forestalling excess hours from the outset and converting them into jobs as a preventive measure. The jobs are also included in the staff calculation plan.

The essential difficulties in the negotiations

The starting point for the negotiations on time off in lieu of overtime and the annual working time was the taboo catalogue towards cost reduction already referred to, which called for a cutback in overtime. Other points included the discontinuation of the Christmas bonus and holiday pay. This initial position did not make for an easy situation, although the immediate willingness of the works council to negotiate on the reduction of excess hours made the situation less explosive. It was not always easy, however, to make the negotiating position of the works council clear to the workforce and the competent trade union.

The works council conducted the negotiations alone, but kept the competent trade union, the IG Metall, up-to-date. When the annual working time was introduced in 1995, the trade union was rather sceptical, fearing an undermining of the social standards which had been achieved. Borsig was one of the first companies in the region to have such a provision. This has changed in the meantime, and Borsig is regarded as one of the positive examples of flexible annual working time.

The agreement led to considerable problems with one part of the workforce concerning the conversion of excess hours into time off. The fact that the excess hour premiums would no longer be paid out meant a considerable forfeit for the workers in question, varying between 200 and 400 marks net per month. They were infuriated, blaming the works council for their financial loss, and wanted to refuse to come to work on Saturdays.

The board wanted to discuss the possibility of a compromise in talks with the works council. The council rejected this, and insisted on keeping to the concluded agreement. In a departmental meeting of one of the departments affected, the council grounded its argument in essence on the following: the whole point behind the fight for the 35-hour week was not that it

should then be increased to 40 or 50 hours through overtime. It was much more a fight towards a humanization of work and, above all, the creation of jobs. Considering the number of unemployed, it was unheard of to want to work overtime. Against this background, the works agreement signified a concrete safeguarding of jobs at Borsig. There might have been another alternative, namely that of cutting back the workforce and coping with work peaks through subcontracted labour.

There was a long and hefty discussion on this position. However, the works council finally won through. There would be no pulling back from the agreement. This was - grudgingly - accepted.

When the works council election came round just under a year later - in May 1994 - all members of the council were re-elected. This can be considered as a sign that the workforce either showed some understanding, or that their anger had quite simply worn off.

Mastering radical changes together

Officially, the reduction of excess hours did not entail any changes in work organization. The necessity of being present at the workplace has, however, led to an increase in communication, particularly in the administrative sector. The annual working time framework must include times where employees are available for consultation or discussion. Each employee is able to come and go flexibly, but certain corridors have to be fixed - under flexitime the term core time would have been used - where they are present. The individual groups arrange this among themselves.

This entrusts the groups and departments with more time sovereignty, but also with more responsibility, and is undoubtedly seen as a move towards humanization, even though the other side of the coin may possibly be intensification of efficiency. The personnel manager sees a productivity win in this connection, even if it is not immediately measurable. Work flows have become smoother through the necessarily more intensive communication.

Group work was also introduced into the production sector in 1993. The workers were able to develop more personal initiative and plan their work more freely. This has had a positive effect on the working climate.

The reduction in overtime has brought about a marked reduction in costs for the company. This was no doubt the reason why they more or less silently revised their policy on the taboo catalogue. The Christmas bonus and holiday pay will continue to be paid. The jubilee bonus which had been withdrawn has been agreed again in the old form. A temporary suspension of

the wage agreement increase was pushed through for employees outside the collectively agreed wage scale who are linked to the wage agreements. A special holiday provision containing an extra one to four days depending on length of service with the company has been halved. This provision stemmed from the fifties, when the collectively agreed holiday time was 12 to 15 days. In the meanwhile it amounts to 30 days in the year.

On the whole it can be said that the traditionally objective relations between the parties to the collective agreement within the company have had a positive influence on the negotiating process. The works council is aware of the need for certain changes in the company in order to be able to react to market pressure, and is therefore pursuing a kind of co-management - with the aim of safeguarding and creating jobs. The company for its part reacted to the interests of the employees and their representatives and did not attempt to push through a ruthless cost reduction policy over and above the level considered necessary.

5.2 Reducing overtime in the context of reorganization

The Ruhr District is regarded worldwide - and rightly so - as the symbol for industrialization in Germany... strictly speaking, for the development of heavy industry and large-scale enterprises. Early industrialization - the transition from a marked manufacturing character to the factory system - began outside the Ruhr District, for example to the south in the Bergisches Land and its regional centre, Wuppertal. Erfurt & Sohn has been located here for over 170 years, remaining a family business to the present day. Erfurt is a paper industry enterprise, active in the paper manufacturing and processing sector. It concentrates on the manufacture of woodchip wallpaper, invented by the company in 1864. The business has around 430 employees. 130 of these are salaried staff representing an equal number of commercial and technical employees.

Collective agreement guidelines and the need to create jobs.

Over the past ten years the company has had to adapt to the reduction in working hours concluded under a collective agreement. Working time was progressively reduced between 1989 and 1991 from 40 to 39 and then to 38 hours per week. A time corridor was also set up, meaning that the weekly working time could be increased to 39 hours or reduced to 35 hours through a works agreement, with a corresponding rise or fall of earnings.

Paper manufacturing has long been a 'round-the-clock' operation; in other words, there is a continuous, uninterrupted work process. Before the reduction in working hours, the working

time of 42 hours a week exceeded the 40 hours laid down in the collective agreement. In practice, 42 hours were still worked after the introduction of a reduced working week of 38 hours. The accumulation of excess hours is in so-called time-off blocks, occurring three times a year. De facto there is an annual working time, which is also, incidentally, long since regulated by collective agreement.

A collective agreement concluded in 1996 stipulated that overtime had to be reimbursed in the form of time off. The so-called 'rolling hall', the department which processes the semi-finished goods into woodchip rolls, has been most hard hit by this conversion of overtime into time off. There used to be a three-shift operation here 5 days a week. Actual working time was 40 weekly working hours, with the difference in relation to the collectively agreed weekly working hours compensated through blocks of time off. Work peaks were very common in this department. Before the holiday shut-down, for instance, a certain amount of finished goods had to be available to avoid delivery bottlenecks. The fact that the semi-finished goods, manufactured in seven days, could not be processed within five days in the rolling hall, was a general organizational problem. The amount of semi-finished goods grew and the management had to apply at regular intervals to the works council for excess hours. Thus, for example, Saturdays were worked over a period of six weeks, with not only the early shift, but all three shifts called in. There were also occasions when whole blocks of time off were worked straight through. Since the excess hours had been paid work, this practice had to be stopped due to the collective agreement.

Another problem emerged at the same point in time. The company had given up part of its wallpaper production - patterned wallpaper -, as low-price competition from Eastern Europe had made it impossible to retain this line. 54 jobs were to be axed as a result of the closure of this department. In this situation, the works council approached the personnel manager with the proposal that they negotiate on using the necessary abolition of overtime profitably to save jobs. In concrete terms, this meant creating new jobs in the rolling hall by reducing overtime. The executive management agreed, and negotiations began between works council and management with the inclusion of the (then) competent industrial trade union for the chemical industry, paper and ceramics, the *IG Chemie -Papier-Keramic* (which has in the meantime merged with other unions to form the industrial trade union for mining, chemicals and energy, the *IG Berbau - Chemie -Energie*).

It was clear from the start that the only way overtime could be reduced was to bring about a change in work organization, in this case with regard to working hours. The management

aimed to extend production time by 24 hours. For the company itself this would mean better utilization of the machines and elimination of the organizational eye of the needle presented by the rolling hall. The Saturday, therefore, was to become a normal working day. One alternative would have been to acquire an additional machine, which would have increased reorganization costs considerably. Moreover, the capacity utilization rate would not have been high enough for an additional machine. Agreement was quickly reached on the inclusion of Saturdays in principle. Various shift models were then discussed in detail, and the possibility of using the time corridor taken into consideration.

A model providing for a three-shift system on six weekdays with a working time of 36 hours soon emerged. It was evidently planned to use the working time corridor. In return for this 12 jobs would be created. The workers concerned were involved in the proceedings from an early phase, as this package included a forfeit in earnings for them. The model was finally concluded in a works agreement.

The shift plan has changed as follows: whereas there used to be 20 shifts in four weeks, each spread over five days a week, the number has now been reduced to 18, with a six-day week.

Implementing the reduction of overtime and the effects

Reducing the working week to paid hours has, of course, led to discussion among those affected. The financial loss amounts to approximately 200 marks per month. And assuming that those affected worked paid excess hours, the difference is all the more. The workers can, however, influence how much they earn in that they are given a bonus in addition to their basic wage in accordance with the number of rolls over the average that they produce. This bonus share of their wage can reduce the monthly loss to around 120 to 130 marks. There was, nevertheless, the general feeling that by giving its consent, the works council was taking money off them.

The works council argued strongly along the lines that this sacrifice would create jobs. Against that stood the (from a global vantage point, correct) impression that the wage sacrifice which has been practised for years at branch and even national level - in the form of agreements below the price increase rate - has done nothing to benefit the creation of new jobs. The works council then presented an employee whose workplace had been secured in this way. According to the council, concrete examples of this kind make it much easier for people to show solidarity.

There was a conflicting situation with the workers as to how night shifts should be allocated. Both management and works council favoured breaking the night shift blocks up into two times three days rather than six consecutive days, arguing from a medical health angle. Those affected rejected this proposal, as a longer block suited them more. They finally got their way, which improved the working climate and thus generally facilitated the difficult conversion.

The fate of the 54 employees who were to be made redundant due to the closure of the patterned wallpaper sector was finally decided as follows: 15, mostly administrative staff and master craftsmen, received a redundancy social compensation plan; the new jobs were created for 12 of them, while the remaining 27 were taken on in the woodchip production sector, in part at least as a kind of buffer or excess manpower. Instead of employing new staff in cases of natural fluctuation, vacancies were filled with those who had been transferred. This, according to the head of the personnel department, was a manageable number.

The personnel department estimates that before reorganization ten to twelve per cent of production work would have consisted of paid excess hours. The proportion has now been cut back to approximately one per cent. This remainder of paid overtime, regulated in an exemptions catalogue, covers urgent jobs such as repairs which cannot be carried out otherwise. Meetings are also reimbursed as overtime. This applies for regular meetings of the shift leaders, master craftsmen, etc, and of course for meetings of the works council. The premiums for Saturday and Sunday work are paid in monetary form.

In the course of implementing the works agreement a side issue arose which, albeit external, affected the process. As of 1. September 1996 the statutory continued payment of wages during illness was changed, with only 80 per cent of earnings being paid in the first five days. As the collective agreement referred to the statutory provisions, the management advised the works council that the company aimed at implementation and indicated their readiness to enter into negotiations. The negotiating position of the company was that if no mutual agreement could be reached they would implement the statutory regulation. It was finally agreed that the 20 per cent deduction in case of continued payment of wages would not be made from earnings, but would be taken off working time accounts. The advantage here was that the employees would not have to suffer repeated financial losses. In March 1997 a collective agreement was concluded in the trade which the company conformed to. Maximum three times per year 1.5 hours per day are deducted from an employee's working time account in the first five days of illness.

The greatest impact on employment effected by the reduction of excess hours is felt most strongly in the rolling hall. The introduction of Saturday as a normal workday has not led to an increase in production here. The manufacture of semi-finished goods is the decisive factor. Production output from seven days is now processed in the rolling hall in six days. The bonus proportion of earnings could be an indication that more is now processed within the same time. There is surely a high degree of motivation to process more in the same time, whereas doing overtime did not offer the same incentive. It was more the case there that employees did an extra hour of overtime rather than accepting payment for intensified efficiency.

There is generally no doubt that the reduction of excess hours has created jobs, a viewpoint also held by the personnel manager: 'It stands to reason that when departments regularly work ten hours, for example, instead of eight, and these excess hours are eliminated, this will have an impact on employment.' In retrospect it is not possible to ascertain whether the reduction of overtime (and utilization of the time corridor) corresponds exactly with the newly created workplaces. From a purely statistical angle, the twelve workplaces are even overmanning. There were previously 48 employees in the rolling hall working a 38-hour week, making a total of 1,824 hours per week, ten per cent of which amounts to 182 hours. Add to this a further 96 hours due to the reduction in working time from 38 to 36 hours and we are left with 278 weekly working hours to allocate. On a 36-hour basis, this runs to only 7.7 statical workplaces. The establishment of the company's own customer service has, however, ensured more stages in the work process in areas such as intra-company transport. At all events, twelve jobs are reflected in the personnel calculation for this department. The works agreement stipulates over and above that no-one may be made redundant for operational reasons, and that any such action would result in the works council withdrawing their consent with regard to use of the time corridor.

The most important aspect to be considered when studying the employment effect is the context of the negotiations, i.e. the planned redundancies for 54 employees and the necessary social compensation plan negotiations to that end. The transfer of 27 employees as excess manpower to another department - without changing the personnel calculation - may well have been influenced by the go-ahead, among other things, for Saturday to be introduced as a normal workday. When seen in this light, it can be assessed as a (temporary) employment effect. This connection was not explicitly highlighted as a central theme, and certainly cannot be quantified, but it does show the complexity of real negotiating situations.

The productivity effect is not so much due to longer utilization of the machines. Overtime meant that their operational cycle was comparable with those of today. The real reason behind the increase in productivity is that the work is now easier to plan, as the work process has become smoother and more calculable. In the old days there would be panic trying to find a stand-in to operate the machine if a worker was sick and did not appear for the night shift. Bringing more constancy into the work process means that a machine can now stand still for the odd night without the semi-finished goods piling up to the extent that overtime is necessary to clear them.

This ability to plan, and the flexibility which comes in its wake, is regarded with such importance because of the fundamental changes which have taken place in the distribution sector. In order to become more customer- and market-oriented, the company has established its own field service, as mentioned above, and supplies the DIY markets itself, as well as offering customer support. The wholesalers have been eliminated. However, the buffer function of the wholesalers for warehousing has also gone. Seasonal fluctuations or special offer campaigns in a chain of DIY markets are now felt more keenly than before.

Summary

The total increase in the number of employed in the company has risen from under 400 in 1966 to around 430 to date. Reorganization makes it difficult to say how many employees were taken on as a result of reducing excess hours. The reduction of overtime took place throughout the company, and the effects are evident in a few other areas apart from the rolling hall. For example, a new porter has been taken on. This sector now works to a shift plan, with a $33\frac{1}{3}$ -hour week for the workers. They work on $27\frac{1}{2}$ days in the year which they should in fact have free, thus compensating for the minus on their working time account. This provision means that overtime is no longer possible. Likewise, reduction of overtime among the maintenance personnel for the machines and the parallel introduction of Saturdays as normal workdays in the rolling hall has led to a new recruitment in the maintenance sector.

New recruitments of this kind often do not affect costs, according to the personnel manager. This is the case when, for example, excess hours are worked regularly in a department. The costs incurred by the excess hours are in an order where it is possible to recruit a new worker. A new worker can even increase business results on occasion. As a rule, the management endorses such considerations.

There is a tradition of good working relations in the company, which is why the reduction of overtime did not bring about any change in this respect, either positive or negative. Both parties acknowledge the other to be calculable and honest in dealings with each other. There are no attempts to get the better of each other by dint of unfair means.

They have always been able to settle clashes of interest successfully on this basis, and to find workable solutions for both sides when conflicts arose. Each year in early spring, for instance, they discuss what changes could be made in the departments, and the wishes of the workers' representatives and the employer for the coming year. Appropriate action is taken once the pros and cons have been debated and agreement reached.

The collectively agreed provision which had to be implemented in the company served as an impetus for reducing overtime at Erfurt & Sohn. Then there were further related events, each influencing the other: the impending redundancies due to the discontinuance of the patterned wallpaper production, the reorganization of distribution, the statutory termination of continued payment of wages. The company has gained in flexibility, and on the employees' side there was the positive creation of new jobs for those threatened with redundancy. Although accepting a cut in wages was the price they had to pay for this.

The transition process went off more or less smoothly. A decisive reason for this was the will and ability of the management and the works' council to find solutions acceptable to both sides. The fact that it is a family-run company, located on this site for more than 170 years, undoubtedly contributed to the success. The deeply-rooted link with the region has also allowed for social responsibility to grow. In this sense the company can be regarded as an example of "Rhein capitalism" still functioning.

5.3 Excess hours - temporary employment - employment of unlimited duration

Visitors to the tractor plant John Deere in Mannheim are reminded of Henry Ford's comment that anyone buying a Ford-T can have the colour of their choice as long as they want black. John Deere tractors are green. Well, all right, a yellow one drove off the production line, and there are also red ones. But strictly speaking, they are always green.

John Deere, established in 1847 in the USA, is the world's largest manufacturer of agricultural machinery. The company also produces building machines and equipment for the maintenance of property grounds. In 1956 it took over Lanz in Mannheim, a manufacturer of agricultural machines and tractors established in 1859. Today the plant there produces agricultural tractors in the order of 75 to 130 HP. The plant has 2,319 employees, 585 of whom

are salaried staff. There has been a marked increase in the proportion of skilled workers in recent years. All recruitment posts, regardless of whether they are of limited or unlimited duration, require a vocational qualification. Unskilled or semi-skilled workers have no more prospects of being hired.

As a manufacturer of tractors John Deere is dependent on agriculture - worldwide. 80 per cent of production is for export. Sales are influenced by a multitude of factors, ranging from the weather to agricultural policy in the countries of export. The sales outlets take developments into account when estimating global sales for the coming business year, which runs from 1. November to 30. October of the following year. The total of these estimates is then worked out in the company's central office and forms the basis for the so-called construction programme - the target - for the coming year. The construction programme for the Mannheim plant is then defined and resolved. 28,000 tractors are to be built in the current business year, 1998.

Using the construction programme as a basis, the management draws up a company plan, including manpower planning, meaning that they determine how many employees will be needed to carry out the work. This plan is debated and put to the vote with the works' council. Since the tractor market is mildly dependent on the seasons - demand is greater in spring, at least where the countries in the northern hemisphere are concerned - both operational utilization time and working hours fluctuate. A framework works agreement stipulates that working time must amount to a minimum of six hours per day and 24 hours per week. The maximum working time allowed is 8 hours per day and 40 hours per week. Each week must have at least three working days, spread over Monday through Friday. The collectively agreed weekly working time is 35 hours.

However, in the period of this business year where order intake is very high - from February to July and from the middle of September to the end of October - the operational utilization time in the production sector runs to 8.6 hours daily. The working hours ruling cannot cover this. In practice, the problem is solved in the following way: the target working time on the collectively agreed scale is seven hours per day. The eighth hour, possible in accordance with the works agreement, is credited to a time off account, the so-called X time account. The remaining 0.6 hours are defined as excess hours. These, however, are not typical excess hours in the sense that they are unforeseen and cannot be planned for. On the contrary, they are included in the plan. The decision to treat them as excess hours was made on operational-political grounds. Half of these excess hours are paid, and the other half credited to a separate

time off account. Any overtime premiums arising are paid out. Exceptions to this ruling are possible in as much as employees can request that the hours are credited 100 per cent as time off, and that the overtime supplements can also be converted into time off. It is a general ruling at John Deere that (at least) fifty per cent of excess hours can be compensated through time off, although the amount is restricted to 16 hours of overtime per month. Anything over and above this amount is reimbursed as time off. The works council has no exact figures, but estimates that in the sector where the 50-50 ruling applies around 60 per cent of excess hours are converted into time off and 40 per cent are paid out.

Additional credits on the time off account can be gained through the premium payout. When targets are outstripped the workforce receives a premium. Up to six per cent more performance is paid out, with anything above that converted into time off.

Temporary employment as a means of safeguarding the core workforce

The topic of excess hours came up automatically as a result of the good order inflow - the construction programme for 1998 is the largest in years. The management is not striving for a specific overtime quota. excess hours are merely a steering aid which they are putting to use. Looking beyond the necessity of excess hours, two different approaches are now becoming apparent on the side of the works council and the personnel management. While the works council is trying to push through recruitments of unlimited duration, the personnel management favours fixed-term contracts. Both positions are covered by a relevant passage in the framework works agreement: 'If in one quarter of the business year in one department, one cost position, the actual working time (agreed working time plus overtime) exceeds the agreed working time by more than 10 per cent, suitable technical, organizational and /or personnel-political measures are to be debated and, if necessary, agreed, in so far as the excess hours have been established permanently.'

The problem of temporary employment relations has to be seen against a particular background. The foundry was shut down in 1997. The management claimed that this part of the company was no longer competitive due to the 'drastic decline in prices on the global market and competition from east and south east Europe'. This step was taken, so the works council, 'without economic distress'.

The decision affected 400 jobs. A reconciliation of interests/social compensation plan from December 1996 stipulated that no redundancies for operational reasons would be announced for the duration of this works agreement (until 31.12.1998). A sole remark entered in the

minutes states that the management cannot exclude redundancies for operational reasons as an 'ultimo ratio' under certain named adverse circumstances.

The reduction process came to an end in the middle of 1998 without any redundancies. Half of those affected had signed termination contracts. One of the rulings concerned employees who were at least 55 years and 11 months old. They were guaranteed 90 per cent of their monthly net earnings until reaching early retirement age, with their wage compensation increased correspondingly.

The other 200 have found other positions within the company. These were generally linked to further and retraining measures. The social compensation plan stipulated that all employees affected by the closure would be offered the opportunity to gain vocational qualifications. As the qualification courses were spread over a longer period, the works council agreed to a large number of temporary posts should there be a need for personnel. The objective was that the former foundry workers involved in the qualifying measures should find a post within the company once they had gained a qualification. They were, after all, still employees. The works council claims that the aftermath of this opening up can still be felt, and is trying to revoke the situation.

This mechanism, which the works council backed in an exceptional situation - safeguarding the core workforce at the expense of a fringe workforce -, is de facto the employment philosophy of the company. In essence, it is a question of collecting excess hours resulting from good order inflow in a time off account on the one hand, and on the other hand converting them into fixed-term working conditions. The personnel manager

explains the basic idea as follows: 'We are not striving to recruit new people come what may. We are primarily concerned with safeguarding the employees we already have long term. The other objective would mean laying people off in large numbers - when orders slacken - just as quickly as they had been recruited in excess.'

Hence the company recruits people on a term contract so that the permanent workforce can take regular days off and the upper limit of the working time account is not exceeded. The temporary employees - who are not subcontracted labour, but work according to the scale of rates in force within the company - are employed for quite different lengths of time, whereby the upper limit is the legally permissible 24 months. This does not rule out permanent recruitments, as long as they occur 'in moderation', as the personnel manager calls it.

The temporary recruitments which enable the permanent workforce to make use of their time off in lieu are the conversion of excess hours accrued in time off into jobs. This model is

necessary, according to the personnel manager, because otherwise there would be the fear of having to lay off employees in two or three years. By the same token, it enables employees to slip into the red on their time off account when reserves are exhausted in times of business slowdown, and to balance it out at a later date.

This policy of not using the hire and fire approach to adjust the size of the workforce to a changing order inflow is quite clearly an attempt to reconcile economic thinking and social responsibility with one another, and is explicitly regarded as such by the company. At the same time, they refer those who apply themselves to the issue of reducing overtime on a national-economic level or, more precisely, on a social-political level, to a problem. The call to cut back excess hours and create new jobs does not consider the question of the type of jobs involved. Those employed temporarily at John Deere naturally appear in the statistics as employees. These employment contracts cease to exist when there is a decline in economic activity. It is easy to imagine the social-political significance if all companies were to act in the same way, which should by no means be classed as unsocial. If demands made on the economic level from the social level - however directly plausible they are - are to take effect in practice, they have to be supported by other - political - measures.

The other aspect of the employment philosophy finds expression in the personnel manager's interest in the employees having a high credit balance on their time account. His interest stems from the forecast that the agricultural machine industry will experience a considerable downswing over a longer period in the next few years. A high time credit balance can, for example, enable the company to remain closed for a whole week without personnel being laid off or employees suffering wage losses.

The upper limit for the X time account for the financial year 1998 has been fixed at 50 hours. The bonus account existing alongside it is to be topped up to a total of 25 hours and will be maintained to safeguard the medium and long-term jobs of the employees. The bonus account is in keeping with the idea of safeguarding the core workforce, serving as a business cycle buffer and consequently as a workplace guarantee. The working time model backing it goes well beyond one annual working period, which the personnel manager claims is too short-reaching.

Converting temporary workplaces into permanent jobs

The works council aims wherever possible to convert the existing excess hours, which are reflected in temporary employment, into permanent jobs. This has to be negotiated in the annual determination of working hours for the coming financial year. Since the framework works agreement on working time provides for a daily working time of 8 hours, any time exceeding this must be authorized as excess hours.

It is therefore a matter of corporate-political negotiations. The works council accepts a very long daily working time and demands permanent jobs in return. 70 jobs were created in this way in the financial year 1998, meaning in concrete terms that 70 temporary employees were taken over into permanent employment. The background to this was of course the good order inflow. 24,400 tractors were built in 1997, and the number for 1998 is 28,000.

For the financial year 1999, a daily working time of 8.2 hours has been agreed for the period 1. November 1998 to 30. April 1999, and 7.8 hours for the period 1. May to 31. October. Intermittent bridging days have been agreed, as well as a plant closure in summer. A parallel works agreement concluded on the same day stipulates that in the period between the signing of the agreement - 30. June 1998 - and the end of the financial year 1999 - 31. October 1999 - the company will create 40 permanent industrial posts plus ten new appointments in the salaried staff sector. 15 of the industrial workplaces will be made available for those who have completed the training measures, and the remainder are temporary posts converted to permanent contracts.

The creation of new jobs is the result of negotiations, with an - anticipated - essentially unchanged construction programme. At the same time, pressure to turn excess hours into employment has been increased by the fact that the upper limit (not to be exceeded) for the X time account for the financial year 1999 has been fixed at 35 hours, which is 15 hours less than 1998.

These, though, are mean values, which are related to departments until the end of 1998 and to the units (modules) until the end of 1999. This means, then, that the average account of an employee in a module should not show more than 35 hours. According to the works council, however, there are some bottleneck areas where this cannot always be achieved, but this is a situation which cannot be corrected so much through working time regulations as through work organization.

The question in the model applied at John Deere is not so much that of whether excess hours can be converted into employment - that takes place quickly and efficiently in the form of

temporary working relations -, but rather, how excess hours can be converted into permanent jobs via limited duration contracts. A side aspect is how high the working time buffer should realistically be. These are all ultimately matters for negotiation. The number of actual (and defined as such) excess hours is more likely to be small. In the commercial sector - important in connection with the working time model - there were 124,617 hours of overtime in 1997, whereby half of these were reimbursed in the form of time off. In terms of the 1,690 industrial employees at that time, this means an average of 0.7 hours a week for the individual worker, and amounts to two per cent in terms of working time on the collectively agreed scale. However, the excess hours are not evenly distributed, but are concentrated on the bottleneck areas. 8,640 hours of overtime were run up among the salaried staff in 1997. Taking that 50 per cent of the hours are paid, and with a workforce then of 561, they each worked just under 8 hours on average over the whole year. The number of employees in this sector was built up to 585 on account of the good order inflow.

After-effects of the reduction of excess hours

The general ruling to convert at least 50 per cent of excess hours into time off, enforced through the framework works agreement of May 1996, gave rise to serious discussions in the workforce, the effects of which are still felt today. Many of the employees had included the money for the excess hours in plans for their lifestyles and did not want to give it up, and are still striving to gain a supplementary income through excess hours. Despite intensive debate the works council has not reached its original objective to convert all excess hours into time off. On the other hand, it has received a great deal of support, particularly after the closure of the foundry, referred to earlier, was settled in a very satisfactory socially acceptable manner.

This effect has established itself firmly in at least some of the employees, as the concrete working hours policy of excess hours could be avoided in their case and replaced by temporary employment. The difficulties had practically no impact on the elections to the works council. Fractions which had existed earlier and had since dissolved, but whose representatives still work in the company, were not renewed. The trade union for the metal industry, the *IG Metall*, had a list on which representatives of former fractions could stand for election. The elected candidates identify with the policy of converting excess hours - as far as possible - into time off as a means of creating employment.

Negotiations over the framework works agreement on working time extended over a total of almost two years, and were at times on the verge of breaking down. From the works council's point of view they were very difficult, but finally ended well. In the personnel manager's view, it is also clear that confrontations are not always avoidable. The general trend, however, was to try to understand the respective positions and to take a step in each other's direction as a move towards ultimately finding solutions which would be carried jointly.

The subsequent agreements, which regulate the actual working time and include the works council's call to create jobs of unlimited duration, were sometimes negotiated under time pressure to meet deadlines. But they were equally marked by the search for workable compromises. For the personnel manager, the fact that there has not once been an appeal to the conciliation committee since the founding of John Deere in Germany despite all the isolated conflicts is a sign of fair dealings with each other.

5.4 The reduction of overtime and new recruitments as economy measures

Around 2000 years ago the Romans laid water channels from the Eifel into the city in order to enjoy a supply of fresh spring water in Cologne. The region to the south west of Cologne has somehow never been able to outgrow this fringe position. The Eifel was for centuries one of the poorest regions in Germany, and has remained structurally weak to the present day. Tourism is now the most important industry. The Eifel is the local recreational area for the people from the large conurbations of West Germany and The Netherlands. It is understandable that much is done here in an attempt to maintain and create workplaces.

The town of Euskirchen lies at the edge of the Eifel. The paperworks Halstrick, founded in 1913, is located in a suburb of the town. Cellulose (tissue) is produced there and processed into napkins. These napkins are produced in white and in colour, and to some extent patterned. Flat-surface paper, for example gift-wrapping paper, is also produced in the print shop. And finally, linen paper (damask) is manufactured into paper tablecloths in the plant. The company has a workforce of 380, of whom 60 are salaried staff.

The search for ways of reducing costs

The impetus to phase out excess hours came from the management, on the quite obvious general grounds that too much overtime was being done. This was too expensive and had to be reduced. The next equally obvious action was to find the department which incurred the highest amount of overtime.

Proportionately, the greatest number of excess hours were incurred in the smallest department, cellulose production. With a workforce of 28, it accrued around 400 hours of overtime per month as a rule. But there were also times when peak values of 600 hours were reached.

Four groups worked round-the-clock in the department. There were long changes of shift, where one shift period could last up to seven days. The number of weekly hours worked was conspicuously higher than the 38 hours stipulated by the collective agreement and so there were blocks of time off, for example at Christmas and New Year, to comply with this figure.

However, this model was extremely narrow. Workers from the shift group not working just then often had to be called in because someone was missing due to illness. Overtime had to be included in the planning to compensate for holidays and further training. Regular excess hours were virtually a fixture of the shift system.

Accordingly, the costs which this practice regularly incurred were to be reduced. The management believed that a change in work organization, centred round a new shift model, was a starting point towards this.

Talks were entered into with the works body representing interests. It was also clear to the works council that excess hours had to be reduced, their motive being the creation of new jobs. A shift system was aimed at which would be constructed in such a way that overtime was ruled out from the start.

Negotiations then focused on finding a model acceptable to both parties. The company sought advice from the employers' association and obtained proposals for pilot models. Similarly, the works council consulted the competent industrial trade union for mining, the chemical industry and energy, the *IG Bergbau - Chemie - Energie* (IG BCE). After discussing various possibilities the two parties agreed on a model with 6 shift groups proposed by a working hours expert of the IG BCE. The model was then set down in a works agreement. The introduction of an annual working time and a monthly wage are also part of this agreement. In order to put it into practice, two new employees were recruited and staff planning for this department fixed at 30.

The model is broken down as follows: two early, two late and two night shifts are worked consecutively, followed by four days off. The second and third day of the days off are stand-by days, when the employees can be called in if necessary. This would be the case if a worker in an active shift fell ill, or - in long-term planning - for holiday substitution. If they were only to work regular shift rhythms the workers would not meet their annual working time. This can only be achieved by stepping in for someone when they are on stand-by. Approximately 30 shifts per year have to be worked out of stand-by service to meet the annual working time. If there is no need for the workers to be called in their working time account falls into the red. A worker who finds his account in the red on the 31.12. of the year is not required to make up the hours. But if he has overtime these will be paid.

As well as holidays, the annual working time calculation included a rate of three per cent for absence due to sickness plus a further three per cent for absenteeism due to further training, house-moving, weddings, funerals, etc. The collectively agreed possibility of the working time corridor was also applied. The annual working time is based on a weekly working time of 37.5 hours, and not on 38 hours in accordance with the collective scale, with payment made proportionately. The premiums for Saturday and Sunday work have been continued, and are paid out, not taken as time off in lieu.

To what extent the annual working time budget will actually apply in detail in practice remains to be seen. The new shift model has been running since the beginning of 1998.

The new shift model: only winners

An initial advantage of the new shift model is of a works-medical nature. The short change of shifts is not nearly as damaging to health as a longer change.

The advantage of the model from the labour policy point of view is that jobs were created through the reduction of overtime. Parallel to that, the structure - not exhausting the annual working time via the normal shift rhythm and having to work out of stand-by - prevents a building up of overtime. If overtime were nevertheless to occur in practice, it could easily be balanced upwards in the planning for the following year by exploiting the working time corridor.

Statistically, the employment impact is greater than the two new recruitments. Before the change the shift groups on the machines were assigned so-called assistants, whose work had become superfluous with the introduction of new machines at the beginning of the nineties. The management and works council had agreed that they should not be made redundant. On

paper there were 0.5 employees too many per shift group. In practice, those affected had undertaken other work in areas such as preparatory and finishing work or forwarding, and their posts were not to be filled if they left the company. However, in view of the massive amount of excess hours, it was also clear that a reduction in the number of employees was not possible. When planning, the management therefore proceeded from the number of employees who had to be paid, i.e. 28. There has been a general redistribution of work in the department in the new shift model, with the so-called assistants now integrated into the shift groups after re-training. Preparatory and finishing work has likewise been reorganized. De facto, rationalization effected by the introduction of the new machines has been made good.

A striking aspect of the advantages on the employer's side is the fact, by no means a matter of course, that the management adopted a proposal made by a trade union representative. The works manager sees the proceedings in a very pragmatic light: if the proposal is not a bad idea from the management's point of view, there is no reason not to accept it simply because it stems from a trade unionist. The concept was convincing and seemed to be sound.

The calculation of the works manager - which proceeds from the number of employees who have to be paid in real terms - clearly shows the advantage for the company. Overtime hours have sunk from over 400 to nil. In contrast to that there are two new recruitments with a total of approximately 320 normally paid hours per month, making savings of 80 normal hours plus 400 overtime premiums. The reduction of paid working time from 38 to 37.5 hours should also be included in the calculation.

A further advantage is the distinct reduction in the number of employees absent from work owing to sickness, for the works manager a natural sequel in the light of occupational medicine and health care. The high degree of overtime meant considerable physiological stress, leading to susceptibility to illness on the one hand and a lowering of concentration on the other hand, which in turn increases the danger of accidents at the workplace.

The reduction of overtime had no impact on production. This would have been impossible in any case, as this department had also worked round-the-clock before the change. It had no bearing on other parts of the company, either, since tissue production is a relatively independent sector.

The introduction of the monthly wage was a problem issue in negotiations. For the works council, however, this was a prerequisite for a new shift model and for the annual working time account. One argument against it was that all of the workforce would now be salaried staff. Another area of conflict in this connection was that time off over Christmas and New

Year meant that one shift did not return to work until 16. January. The opinion was expressed that the workers in question could not be paid when they were not working, an indication that employers quite evidently also find it difficult to think in terms of annual accounts.

The conflict was finally resolved and the monthly wage was accepted. On the whole, however, the negotiating process was conducted in an objective and businesslike manner. And, in retrospect, the negotiations have had a more favourable effect on relations between the management and works council, since a solution was finally found which both parties could live with. The reduction of overtime has had considerable financial consequences for those affected. In order to give the employees the benefit of premiums for Sunday work when overtime is required, the works council had insisted on starting off a shift on Sundays when overtime is sanctioned. Pushing earnings up in this way means for some that the reduction of overtime has incurred a loss in earnings of up to 1,400 marks per month.

The argument that reducing excess hours has allowed for the recruitment of two new employees has had little bearing on the mood of the workforce in the face of personal loss. The dominant attitude could be summarized in the question; 'What do I care about the others?' However, since the company has long been in a process of radical change and has had to survive upheavals, the new ruling was finally tolerated but, in the beginning at least, not really accepted inwardly.

Processes of radical change within the company

Reduction of overtime and the creation of jobs in the production sector is only one part of a fundamental change within the company. In the nineties on the whole there was a distinct shedding of labour. In 1994 the number of employees still exceeded 500. Numbers were reduced in the salaried staff sector. The bulk of the administrative functions - such as purchasing and accounts - were shifted to the parent company as part of an operational change.

In 1995 there were 69 redundancies following recommendations from a firm of consultants which had been called in to the company. The consultants did take the overtime which was being done then into account, but did not offer any proposals for reducing it and thus safeguarding jobs. Interestingly enough, new recruitments were soon being concluded again to almost the same extent. The works council and works management differ in their assessment of this process. While the works council takes the view that making people redundant is the only idea that comes up in management consulting, and that the number was much too high, the works manager sees the reason for the quick rebuilding of the workforce in the improved

order inflow. Irrespective of who is closer to the truth - it is hardly likely that one view will be 100 per cent correct - , it is clear that the consultancy agency demonstrated either a narrow outlook or lack of competence when it failed to recognize and use the possibility of saving costs by reducing overtime.

Despite the collective agreement contract from 1996, which states that overtime must generally be compensated through time off, this only happens rarely in other departments. The works council tries to enforce it wherever possible, but in practice settling overtime is mostly put off for as long as the agreement allows. It is finally paid out in monetary terms when the deadline has been overstepped.

But there are limits, of course, and new workers are recruited. There was a marked increase in work in the processing of napkins, reflected in overtime on the one hand, and on the other hand in people having to step in at short notice from other departments. The reason for the increase was the improved order inflow. Additional capacities had to be created at short notice. At the time, work was done in a three-shift system on five days of the week. Rather than develop a new model, the existing one was merely extended by one day, with the Saturday turned into a regular workday.

However, fundamental changes were made in the personnel calculation, and shift groups were stocked up from three to five, with two employees per group, meaning that four new workers were taken on. The company calculation is depicted as follows: 936 shifts will run per year to cope with production (the figure results from the statistical possibility of 52 weeks times 18 shifts). When divided between five shift groups this amounts to 187.2 shifts. Thus a shift length of eight hours will mean a real working time of 1,497.6 hours for a single worker. Assuming that the working year has 218 days (after deduction of annual and public holidays), and an agreed working time of 7.5 hours a day on utilization of the time corridor, the workers in question have to work 1,635 hours.

Hence there is a small degree of excess manpower, which absenteeism owing to sickness will not eliminate, either. But production could not be managed with four shift groups.

One reason for this rather conventional arrangement is that the need to take action of some kind arose fairly suddenly. Another reason, however, is that a certain degree of caution is evident on the side of the management when dealing with new models. The works manager, for example, emphasizes the need to gather experience, as things always emerge in practice which can then be taken into consideration when introducing new models in other areas. This

practical experience should be collected before thinking about the introduction of new shift models in other areas.

The demands made in the various areas of processing on a new form of work organization are different, however, to those in production. Utilization of capacities varies greatly at different times. There are periods when it lies at 120 to 130 per cent, and other times when it reaches only 70 to 80 per cent. The model which is practised in the production sector is not suited to this situation. If restructuring is to take place here, the management is of the view that it has to be in a move towards more flexibility regarding the annual working time. Fluctuations are currently absorbed by shifting employees to another department when incoming orders in their sector are sluggish. But this only functions because it is generally the case that when there is low capacity utilization in one sector, another sector needs more people at the same time.

Conclusion

The difference between the two departments in which overtime was reduced and new recruitments made - production and napkin-processing - is to be found in the different targets and approaches. The production department had the clear aim of avoiding excess hours to cut costs, or, in the view of the workers' representation, to create jobs. Careful and deliberate considerations were made to this purpose, and outside knowhow sought and used. In contrast to this, the mere extending of operational time without any other change is not aimed primarily at reducing overtime. Overtime was seen as a further indication that the order inflow called for an expansion of capacity. Subsequent action was taken, and a true endeavour made not to be caught in new bottleneck situations. For the future, too, the crucial problem in this department - an uneven distribution of work volume across the year - can only be surmounted in peak times with the help of overtime.

A flexible shift system with stand-by service would undoubtedly be a means of tackling the problem. The present flexibility in the system consists of being able to assign workers to other departments when the capacity utilization rate is too low.

The company has carried out various restructuring measures in recent years. Apart from the changes already mentioned, part of the clothing production was outsourced, apparently with varying success. While the attempt to entrust a consultancy agency with the reorganization was not even crowned with medium-term success, the new shift model in the production sector fulfils the given task precisely and makes use of the time corridor, among other things, to adjust flexibly to changed outline conditions. One decisive reason for this ability to adapt to

the future is that the diverse interests within the firm were smoothed out constructively and solutions were not dictated.

5.5 Minimum employment effect

The town of Hoisdorf is situated just outside Hamburg, in the *Länder* state of Schleswig-Holstein. G. Bruss GmbH & Co has its headquarters here. As one of the largest employers in this chiefly rural area, the company has a workforce of 630, of whom 170 are salaried staff. It produces complicated plastic and rubber seals for engines, gear systems and radiators in sub-contracting for the car industry.

The company is not bound by a collective agreement, i.e. it is not a member of the relevant employers' association. However, a contract was concluded with the competent trade union for the chemical industry, paper and ceramics, the *IG Chemie-Papier-Keramik* (now the *IG Bergbau - Chemie - Energie*) regulating application of the collective agreement within the company. This agreement is also set down in the contracts of employment.

In 1993 the company slipped into a crisis. The car industry suffered a recession, the effects of which were felt directly by the suppliers. Added to this was the so-called López Effect. The then member of the VW board José Ignacio López had used extremely coarse methods to dictate prices to the subcontractors in order to cut the costs for his own company.

A general decline in turnover of up to 15 % was forecast at that time in the trade. Bruss felt compelled to react immediately, and not to wait until figures ran into the red. The reason given for this was that the company is a family business with no financially strong backers who could guarantee that a longer lean period could be survived. Part of the production sector was shifted to subsidiary companies, for instance in Ireland. And 100 of the Hoisdorf workforce of approximately 700 were laid off with a fitting social compensation plan.

A further reaction to the growing pressure was a change in work organization. An island production unit was established and production control, which had also been on separate premises until then, was integrated into production. If a fault occurs it is now determined within ten minutes; in other words, rejects are no longer produced over a period of one to two hours.

In the salaried staff sector, organization according to functions - sales, purchasing, technical design, etc - was dropped in favour of a departmental system. The employees who deal with a particular product are assigned to it in terms of content and premises. This sparked off a huge wave of moves within the company.

After some time it became apparent that the slump was not as steep as had been feared. Instead of the presumed 10 to 15 per cent, the decline in turnover amounted to just 2.5 per cent. And another point became clear: there was no real slump in the number of units. The forcing down of prices was in the main accountable for the decline in turnover.

A first try - an attempt misfired

The distinctly smaller workforce led to an increase in overtime, despite the new work organization and relocation of part of the production. This situation gave rise to considerations to include Saturdays in the production in a move to utilize the facilities more fully and run down overtime.

A works agreement in 1995 stipulated that an early shift was to run on Saturdays. Saturday was a regular workday according to the contract, and so there were no overtime premiums.

30 people were recruited in order to cover this early shift and reduce overtime. The three shift groups working early, late and nights were augmented with a fourth group, which was partly on stand-by. This was virtually the start of the annual working time. Time which exceeded the collectively agreed weekly working time of 37.5 hours was remunerated in time off.

Shifts were allocated in such a way that as few hours as possible were credited to accounts, to prevent overtime accruing. The run of shifts in the previously determined planning would not have sufficed to reach the required annual working time. Additional shifts were allocated in an attempt to bring everyone up to an equal number of shifts. Workers were also urged to apply for shifts if they found that their working time accounts were in the red. But this system did not function well. Workers assumed an 'if I'm not planned in, I don't need to come' attitude. Then, when they suddenly found themselves with a minus of 30 or 40 hours on their account, and the threat of non-payment hanging in the air, they were extremely agitated. Simultaneously, the ruling that Saturdays had to be worked, but that time off in lieu was during the week, was unpopular.

It was agreed that the model be tested for a period of 6 months. At the end of this time it was clear that it had not been accepted by the workers.

But it also proved to be a failure from the employers' point of view. Admittedly, the plant could produce more without overtime, but it was also forced to do so since the working time

was rigid. It was not possible to produce more or less as required. Fluctuating demand was one reason why overtime had occurred before. In short - the necessary flexibility was lacking.

A second try - a high degree of flexibility

Neither the works council nor the executive management wished to continue with the model. Negotiations were rapidly commenced to find a new working time model which would meet the specific requirements of a car industry subcontractor.

Order numbers in the car industry fluctuate tremendously. Some skeleton contracts, for example, provide for the delivery of 50,000 samples of a particular article per week. In real terms, however, demand can lie between nil and 100,000. The company normally learns how high the figure will be four to six weeks beforehand. There are times, though, when the deadline is considerably narrower. The personnel manager says that the company cannot respond to such short deadlines with new recruitments.

In the negotiations both parties agreed to the introduction of an annual working time with the possibility of making the Saturday a stand-by workday - for the early shift alone. The works agreement to that effect came into force on 17. January 1996. Notice of Saturday work must be given ten days in advance. This does not always work due to the demands made by the car manufacturers. Work periods for the various works sectors are planned four months in advance. In the sectors where stand-in calls at short notice are possible, or it is feared that they may be required, Saturdays are fixed as workdays for the workers in question with the proviso that the shift can be cancelled up to the Wednesday preceding the working Saturday. Experience has shown that the employees are happier to have an unexpected free shift than to have to work unexpectedly.

All in all, the subcontractors are the first to be hit by the *Just In Time Production* extolled by businesses in the car industry, with the final effect felt by the workers, who have to demonstrate a high degree of flexibility. Attempts to establish whether there are typical months when order peaks accumulate showed that fluctuations are extremely irregular and therefore cannot be estimated in planning. The works annual holidays, for example, may change or be cancelled.

The working time account may show a plus or minus of up to one weekly working time - 37.5 hours. Where possible, an accumulation of hours should be reduced within one month through time off in lieu. This system functions with a few exceptions. At the end of the year the working time account should be nil. There are only a very few exceptions where this does not

work, mainly among the specialized salaried staff. The accumulated hours are paid out to them.

As there is evidently a need among the employees to create a reserve, they rapidly collect hours on their credit accounts. In order to guarantee reduction, superiors receive a monthly communication - a duplicate of which is sent to the works council - showing the level of the working accounts and asking how reduction is planned. The superiors then have to make a relevant statement.

Working time accounts with the possibility of a plus or minus of 37.5 hours are also kept in the salaried staff sector. A flexitime system is also applied here, likewise with the possibility of accumulating and then reducing hours.

Saturday work takes place in the form of early shifts in two groups. One group is made up of workers from the early and late shifts. Both of these work in two groups, which means for the allocation of Saturday work that each worker only has to reckon with on-call work once in every four weeks. The other group for Saturday work is made up of workers from the night shift. A special feature in the company - and one which the workers themselves wanted - is a permanent night shift. This shift is worked in three groups, so there is a possibility that the workers in question are called in every three weeks for the Saturday shift.

The other aspect of the difficulties which subcontractors to the car industry have to face are the periods when orders are sluggish. In such situations up to three days of free shifts can be fixed, which then have to be balanced out by the end of the year via an appropriate number of additional shifts. So far, however, this ruling has not been put into practice, but from time to time - in summer, for instance, when whole areas of production are closed down in the car industry - the workers were requested or called on to take holidays or make use of their time off in lieu. Such cases were usually settled agreeably.

Use of the time corridor stipulated in the outline collective agreement has also led to more flexibility. In one department, where it is foreseeable that production will go down considerably in the next few years, working time was first fixed at 40 and then at 38.75 hours a week and paid accordingly. This has extended operating time, making the acquisition of new machines superfluous. Further investment in this sector would have been nonsense from the company's point of view. Instead, the possibility of making more parts with the same machine capacity was utilized.

The possibility of exceeding the collectively agreed weekly working time of 37.5 hours is also used in the case of so-called bottleneck workplaces, partly in certain departments and partly with specifically named employees, who work 40 hours per week and are paid accordingly.

The working time corridor serves as a replacement for new recruitments in the sectors using it. According to the company, the reasons for this lie in the problems posed by finding the right specialists, and that the time needed to familiarize them with the job would be too long.

The personnel manager believes that the ruling currently in practice brings an optimum of flexibility, and sees no reason at the present time to revive this issue. The works council is also of the opinion that no action is required at the moment.

Reducing the level of employment through flexibility

However, reorganization did not come cheaply. Discontinuation of the regular early shift on Saturdays and the introduction of a flexible annual working time brought redundancies for the 30 employees who had been recruited for the trial run. Employment was subsequently gradually built up again due to the manufacture of new products and the fact that the personnel calculation had been too low. It is pure coincidence that the number of new jobs totalled 30.

The overtime originally in existence was thus liquidated by the annual working time, shifting and new working organization, without jobs having been created. A total of 135,000 overtime hours were paid in 1995, while the number in 1996 was only 34,000 and in 1997 17,500. It was clear to the personnel manager that the company could not carry the high costs incurred by the overtime indefinitely. The alternative would be to shift the manufacture of one or two products to Ireland or Spain. This was not a threat, in the words of the personnel manager, but an economic reality which the company had to be prepared to meet. The distinct drop in returns caused by the López Effect is still much in evidence.

The works council sees the move towards a more flexible working time which began with the reduction of excess hours as a successful attempt to keep jobs on site. The council chairman said that an effort had been made to effect changes in the work flow so that the plant in Hoisdorf could produce more profitably, and also to prevent the manufacture of certain parts being transferred to sub-plants. Viewed in this light, they had accomplished a small piece of job-saving. The employees who had complained about the loss of money for overtime had had to accept this outcome in the end. The works council chairman claimed, however, that it had taken a great deal of effort to make it clear to the workers that the loss of overtime is not so bad as long as they still have their jobs.

The transfer of individual manufacturing already referred to is part of everyday life in the company due to the organizational structure. The most important part of the development takes place at the headquarters in Hoisdorf. Production continues on site for a relatively long time after a series has matured so that the work flows can be tested. The product is then handed over to a subsidiary plant, with or without machines, where it can be produced more cheaply. As long as the present usual fast rate of product change remains, work at the head office is guaranteed.

Jobs through reduction of subcontracted labour

The fact that the level of employment has increased by 30 employees since 1996 is indeed directly linked to the reduction of excess hours. If the volume of work is so large that it cannot be absorbed through the working time model, since the daily working time may not exceed ten hours, the company falls back on hired labour.

In cases where it became apparent that the situation was by no means a short-term peak of three to four weeks - such as extra work due to a complaint - the works council pressed for at least one temporary recruitment. It also made sense to the personnel manager to put a time limit on subcontracted labour. Recruitments followed - on a limited duration basis.

In the meantime it has become the practice to limit subcontracted labour to a period of six months. In this way subcontracted work, which really constitutes overtime, is replaced at least in part by jobs - even though of limited duration. It is also the order of the day for time limits to be extended - the upper limit is a total of two years. Limits were also lifted altogether. At the present time there are 15 employees working on fixed-term contracts, and just as many subcontracted workers in the company. These are all indications that the personnel calculation is relatively tight.

At the moment there are neither recruitments nor are limits lifted. Radical changes are being made in the manufacturing of a seal which has been turned out in Hoisdorf up to now. The metall components, which had to be bought in until now, will be replaced by plastic. This plastic will be produced on the premises of the subsidiary works in Brieselang, by Berlin, in a newly-founded plant which Bruss has shares in. The new seal with plastic frame will then - logically - be produced in Brieselang.

The aforesaid recruitment stop has been introduced to shift the foreseeable number of redundant personnel which these measures will bring to other sectors, instead of having to lay them off. This reshuffle is expected to be completed by the end of 1998.

According to the personnel manager, reorganization - from the introduction of island production to flexible annual working time - has led to a marked increase in production. Conspicuously greater numbers of units are now being produced than at the beginning of the process, with a smaller team.

That, however, is practically the only concrete indicator. The considerable increase in turnover from 162 million marks in 1993 to 265 million in 1997 does not mean much. It can, for example, be attributed to the fact that simpler seals were replaced by high quality seals. The latter can be sold at a higher price, but are also more expensive to produce. This in itself leads to an increase in turnover, without changing the number of units.

In what was altogether a complicated conversion process, the joint search to find workable solutions for both parties was determined by objectivity. The personnel manager regards the works council as a most constructive partner who does not simply reject a proposal, but looks for alternative solutions. In this way it is possible to come to agreements which are acceptable to both parties.

5.6 Tertiary sector: reduction of overtime as a solution to individual cases

The impact of reducing excess hours in the production sector is often only assessable in its tendency, due to various concurrent processes, and is of an altogether varying nature. An assessment in the administrative and in the service sectors is even more difficult, since labour output there cannot be measured by the number of finished parts. Each sector covers very different activities which cannot be valued schematically. Intensification of efficiency is therefore a much more likely option. Those employed there have a very differentiated attitude towards work, which at times puts a new slant on overtime. Such correlations are ultimately no doubt to blame for the fact that - as in the following case - the body representing interests and the management differ in their interpretation of how excess hours arise, what value should be put upon them, and what is done to reduce them. Certainly, both parties are agreed on one point: there is no jackpot in the reduction of overtime, no all-embracing works agreement which makes provision for everything. Which is why the focus is always on small units. These are also a starting point towards finding concrete solutions.

Company B is a large credit institute that expanded extensively in the course of German unification. At the same time, it is going through processes of change which are typical for the trade. Whole sectors in the back office are melting away, while the market-oriented sectors are becoming increasingly more important and are being given a personnel boost. Parallel to that a

new distribution of functions is taking place with the subsidiary banks to create synergy effects. All in all, this is a highly-differentiated process, which cannot be kept track of in figures. Leaving aside the expansion in the new *Länder* - which is not, in fact, really possible, since it has given rise to particular effects which cannot simply be isolated and calculated - there has been a slight decline in the total number of employees in the company, according to the personnel manager. This is a trend which other banks also report. The company has over 5,000 employees.

Excess hours and flexibility

Increased work peaks are forever occurring within the company, and have to be managed in different ways. The two most important means are excess hours and deployment of stopgap manpower, which also deals with banking activities. At the same time - so the personnel manager - overtime is a regular occurrence due to fluctuating work volumes. These two facts are not necessarily connected, however. From the management's point of view overtime in times of fluctuating work volume is caused by a lack of flexibility.

Work organization is regulated by way of the following corner-stones: the collectively agreed weekly working time is 39 hours. The outline collective agreement from the year 1996 stipulates that excess hours inclusive of premiums be reimbursed in the form of time off, whereby exceptions are permissible. Time off in lieu must be taken within a short time span. The only flexible aspect is a flexitime provision with a range of plus/ minus 12 hours. The personnel manager is of the opinion that a working time account with a wider range and longer period over which time off in lieu may be taken would prevent at least a large amount of the excess hours occurring and remove a portion of bureaucracy, such as the time and effort-consuming process of having to have overtime approved by the body representing interests.

This body wants to absorb continuous work peaks over a limited period by means of temporary work contracts. And it is also trying to introduce preventive provisions for such situations, one example of which is the conversion of payments to the Euro and the conversion of software for the year 2000. Conversion to the Euro has already begun, and will take as long as until the middle of 1999, although the bulk of the work has to be completed by the end of 1998. Conversion of the software is underway, and it will take until the first months of the year 2000 until all sectors have been covered. Outside specialists will in any case be brought in for this work, but employees from the affected specialized departments will also be in-

volved, and will then be unavailable for their actual work. This, then, is where the limited but continuous demand for excess hours arises.

At first glance, this stance is no different to that of the management. The company generally recruits new employees in accordance with the amount of work to be done. Where standard work is involved, recruitments are made on the basis of unlimited duration, and with short-term projects on a limited duration basis. The maximum duration of 24 months for limited employment possible in accordance with the Employment Promotion Act is utilized fully here. One example cited by the personnel manager is the higher customer credit, linked with a state incentive, which is transacted through the bank. The necessary personnel is employed on a fixed-term contract for the duration of the project.

One difference lies in whether a concrete situation can be managed via excess hours or whether temporary recruitments are necessary. An important aspect here is how the different parties are inclined to view the situation. The management tends to absorb work peaks by means of excess hours whenever possible - at least in cases where it believes that more flexibility would prevent them from ever occurring -, while the body representing interests defines this as more long-term and presses for recruitments.

As far as flexibility in the direction of an annual working time account is concerned, the body of interests doubts that it is necessary. A bank - so its argument - is not a seasonal business. There are sectors, however, in which a longer time off in lieu period is not only feasible, but would also be good policy. The provision in the collective agreement stipulating that excess hours must be balanced out in the following month is too short-sighted. This is impossible with project work, for example, for the simple reason that projects can stretch over several months, in which time excess hours are a regular occurrence. Another example: when those involved in a project take their time off in lieu after the project has been completed, the work in this sector breaks down. The time off in lieu period must be clarified with the specialized departments, whereby the wishes of the employees are to be taken into consideration. The body of representatives sees quite definite possibilities for planning working time flexibly, but this must not mean that the company or the individual specialized departments have a free hand in the distribution of the work. The body believes that with an annual working time there is a danger of excess hours already performed going by the board or being given a new definition.

When assessing the two different perspectives, the implementation of the outline collective agreement may be an indication that excess hours are already being worked, and could effec-

tively be converted into employment. The body representing interests estimates that the time off in lieu provided for in the collective agreement is only made use of in about 20 to 30 per cent of overtime arising. The fact that this figure puts the company at the top of the branch throws a bad light on the branch, as well as raising the

issue of how a collective agreement which is plainly not adhered to could come about in the first place. This kind of judgement in relation to the company should only be regarded as a tendency, however, as the field of excess hours has to be looked at in concrete detail rather than as a general whole .

As far as the subject of flexibility is concerned, there might be a communication problem in this area. If we disregard the conceptual definitions, both parties in the company are clearly in agreement that in concrete cases it is good policy, and also necessary, to extend the period in which time off in lieu can be taken. One problem is the length of time. Whereas the management considers one year to be good policy, the body representing interests sees six months as the upper limit and argues in favour of blocks of time off. Solutions are possible where concrete details are concerned, whereas a general ruling - in the form of an outline works agreement, for instance -, could hold the danger that it increases the difficulties facing the body representing interests when it comes to dealing with this topic. Such difficulties do exist, namely those resulting from the special working situation of the qualified salaried staff.

Trying to trace excess hours

One problem facing the body of interests is that it is often difficult to find out how many excess hours occur, and where. No central time register exists which would enable hours to be traced in detail. There are also some sectors where the employees do not want the body representing interests to do anything about the issue of excess hours. With many of them it is almost a matter of good form to be well in plus. The board has stated that it does not wish the employees to have so many hours on their account, although employees who continuously move around the minus level are looked at somewhat askance.

The phenomenon of hidden excess hours arises against a background of employees who identify with their work, but also have an eye on their career. The flexitime account , for example, can be used to conceal overtime. Hours which exceed a certain limit on the account are not credited. Of course, applications are never filed for this type of overtime, and so the body

representing interests cannot do anything about it. The phenomenon of hidden or voluntary excess hours is altogether typical for skilled and managerial staff throughout Europe.

There is no systematic procedure for uncovering overtime, as this would generally be too time-consuming. It is more likely to be a case of selective detective work. The members of the body representing interests occasionally hear something in conversation or at firm parties or jubilees that arouses their suspicions and leads them to investigate further. One case uncovered in the course of such an investigation concerns a sector with eleven employees where over 1,000 hours of overtime were worked in a period of six months last year. Mathematically that would be at least a two-thirds post. To qualify that, however, it has to be said that the workers in question were employees outside the collective scale agreement, whose salaries included a certain - not precisely defined - amount of excess hours. But the board also considered excess hours on this scale and over such a long period of time as too much, and it gave the go-ahead for an investigation. In another sector it was later discovered that excess hours were worked over a period of eight years which constituted the budget for one to two people.

Excess hours in practice

Excess hours can only be reduced effectively if they are known. Both sides have to help here. If overtime is run up continuously in certain posts the personnel department becomes active and investigates the reasons for it. Another possibility is that the body representing interests refuses to approve further hours.

The body representing interests claims that it gets applications for excess hours on the table 'all the time'. By studying the grounds for application it hopes to determine whether these might possibly arise out of a need to cover personnel shortages. Such an investigation is, understandably, not always easy. The applications often appear to be grounded on a momentary bottleneck, and it later turns out that this was not the case after all.

As a rule, overtime is approved for maximum four months. When an application is repeated it naturally very quickly gives rise to the question of whether the work involved is of a permanent nature. The same applies when applications are repeated at short intervals, for instance when nothing happens for a whole month after a month of overtime, and then the next application is filed. In such cases a check is made to establish whether staff planning was wrongly calculated or whether the regular need for excess hours can be reduced - for example through organizational measures. If undermanning is identified the sector is ordered to apply to the

board for new personnel, and at the same time the body representing interests refuses to approve further overtime.

Recruitments are indeed often made. The company first recruits on a temporary basis, mainly for the pragmatic reason that the new position does not have to be subsequently included in the budget as such, but can be entered differently. It will then be budgeted normally in the following financial year. But things do not always work as simply as that. There was a head-on conflict in one department, for example, which had 9 budget posts and three temporary posts. 17 posts would have been in keeping with the calculations of the organization and methods department. Logically, pure ‘overtime chaos’ reigned in the sector. When the board refused to hire new labour the body representing interests threatened to bring an action for injunction before the Labour Court. A company may apply to have a refusal to perform excess hours superseded by the Labour Court. In order to revoke such a supersedence, the body representing interests must then take the company before the Labour Court . Faced with the prospect of a labour conflict , the board showed itself conciliatory and made the necessary recruitments.

Difficulties encountered in the practical conversion of excess hours

One problem is that refusing to do overtime and pushing through new recruitments does not lead directly to new labour being hired. Particularly where qualified positions are concerned, suitably skilled specialists are not always immediately available on the market. It simply takes time for the positions to be filled, and this time has to be bridged, of course. The body representing interests therefore tries to take foresighted action, asking for concepts as to how excess hours can be avoided when departments apply for overtime.

Another difficulty lies in the nature of the work. According to the personnel manager, when a group runs up a large amount of overtime it cannot simply be converted into jobs with the help of a mathematical formula. The different members of a group do very different work. In purely mathematical terms, if everyone were to stop doing overtime this would possibly amount to one job. But it is impossible to find one single employee who is equally good at all the tasks done by the group. That, however, would be the prerequisite for converting excess hours into employment in this case.

The body representing interests, faced with a similar problem, encounters another difficulty. It first wants to clarify in a case where overtime comes up regularly whether there is any way of distributing the work in the group differently. The group should particularly try to do this at

times when the number of overtime hours worked is distributed very unevenly per head. The trouble is that there are differences in pay within the group, defined by the work tasks. A different distribution of work results in those with higher-qualified duties refusing to do lower-level work for reasons of invested rights. Those with easier duties would no doubt willingly take on higher-qualified duties, but would then demand appropriate payment for this part of their work.

In practice, therefore, the situation is the following: the personnel manager cannot hire anyone - even if he wanted to - to reduce the regular excess hours worked in a group. He cannot find the multi-specialist required for the job. The body representing interests cannot put well-meant proposals for a more even redistribution of work within the group into practice, since it is hardly likely that their grouping experts will master the problem of invested rights on the one hand and partial upgrading on the other hand. Thus the problems of the respective parties are not so different after all.

Such problems are not unsolvable, however. The body representing interests is perfectly aware that ten-tenths posts resulting from a reduction of excess hours cannot simply be added up to one, unlike production, where this might work, and is therefore demanding imaginative thinking where work organization is concerned. One solution which suggests itself is the call for part-time work. Such a demand is also relatively popular in Germany, at least since the intensified discussion centering around the Polder model, but in practice in the service sector it runs up against a 'part-time aversion', as it is called in a study from 1998. Quotes from two of the responsible personnel staff of a credit institute illustrate this: 'Part-time work in companies is limited to women working in central sectors... But these are sectors where the lower paid groups are located. And so part-time work is found among the lower-qualified posts.'

This type of 'part-time aversion' is not generally found in the company described here, however. There are sectors where part-time work is blocked, but also examples to the contrary. There are part-time workers in the higher collective wage groups as well as in the sector outside the agreed scale rate. There are also - and that is generally an indication of a progressive approach in such matters - qualified male employees on child-raising leave.

The reduction of excess hours always takes place on the basis of concrete situations in the different modules and is ultimately always the solving of individual cases. As in banking, this may well be true for the service sector in general.

The starting point for the body of interests to take effective action is the fact that overtime is subject to approval. Of course, no-one would want to see this extensive right of codetermina-

tion undermined. The company does have the possibility, though, of contracting out work for individual activities or outsourcing whole areas of activities. We may regard this - if we so choose to do so -, not only as a reduction of overtime, but also, in relation to the company, as a reduction of work for cost reasons. Consequently, the body of interests must not lose sight of economic interests. For this reason it is not attempting a 100 per cent conversion of excess hours into jobs. It accepts organizational change, and wishes to integrate this into the conversion process. In practice, it is estimated that it will be possible to convert two thirds of overtime into employment and that a third will become superfluous due to rationalization. This rationalization will help keep the company profitable, and in doing so safeguards jobs.

5.7 Conflicts and and a difficult consensus

BMW produces all of its motor cycles, with the exception of one model, and a few car components as well at its Berlin site. There are 1,934 employees, 450 of whom are salaried staff.

One only has to look at the environs of the plant in the Berlin district of Spandau to realize what troubles the city is in. Companies in the neighbourhood have closed down their sites or made massive reductions in the number of the workforce. In one company only 1,000 employees remain from a total of 3,000. Others have built up new plants outside Berlin in the *Länder* state of Brandenburg. During the time of the two German states, Berlin (West) received federal subsidies because of its special situation in order to encourage companies to locate there. This special funding for Berlin was withdrawn soon after reunification. At the same time, incentives were created for companies to locate to Brandenburg. Both factors together prompted several companies to shift their location. An additional incentive was the fact that the collectively agreed salaries are still lower in the new *Länder* and the working time is longer. Unemployment is not merely a statistical quantity here, but a visible problem. The works council representatives are often asked by their colleagues if any training placements are available, and if there is any point in their children applying for a place.

The management views the problematic situation in the city similarly. A management representative commented with a touch of sarcasm that companies very quickly found themselves back in the free market economy with the cessation of the Berlin allowance. There was, then, a need to modernize the company in order to guarantee the competitive strength of the location. A central aim of the management was to gradually make the working time more flexible

and to adjust it to the market situation. In retrospect, the management seriously doubts whether the site in Berlin would still exist if work were still performed as it was in 1990.

These circumstances describe the different position of both works parties where interests are concerned, the pressure they were under and the common objective of safeguarding the location. This was successfully done towards the end of 1997, via a works agreement which was achieved in a difficult negotiating process. 65 permanent jobs were created as part of the agreement through a reshuffle of excess hours. Both sides are in agreement over this outcome, but differ in their evaluation of details.

Potential for conflict in the company

The company's aim to organize working time so that it is geared towards the market was directed mainly at motor cycle production. This is a seasonal business. More machines have to be produced in the first half of the year, when they can be sold more readily. In the second half of the year production can be stockpiled at best, which of course incurs warehousing costs. Employment was pushed up in the first half of the year and then cut back again in the second half of the year in order to adjust production to the varying demand. In practice, temporary employees were hired - often subcontracted labour. Increased demand in spring and summer was also absorbed in part through overtime.

In order to have a better understanding of the works body representing interests, it is important that the reader is aware that there are two election lists within the company who are not always exactly gentle in their treatment of each other. Both lists are formed by trade unionists, and both are recognised by IG Metall, the trade union for the metal industry. The first list has held the majority in the works council since 1994, which means that it provides the chairman and dictates council policy to a large extent.

When the new line-up of the works council took office in 1994 the issues of subcontracted workers and overtime soon came to the fore. A special overtime committee was set up specifically for this purpose.

No central assessment of excess hours was made for the plant; instead, individual sectors were observed in detail. The works council felt obliged to investigate the causes if notices of overtime occurred increasingly often, especially when they were for weekends in order to run complete additional production shifts.

In the course of these investigations it was noticed that the running time of the machines and consequently the utilization level of the plant had, in the opinion of the works council, been

wrongly calculated. Too few standstill periods had been calculated for breakdowns or maintenance, so that the number of units required could only be matched through excess hours. De facto, then, work organization was based on approval of overtime.

Another example was that of the three-shift system where 8 hours were worked per shift. In order to reach the collectively agreed weekly working time of 35 hours, any excess work performed was credited to a so-called 'free shift' account. The only problem was that the employees in question had no prospects of being able to take a free shift.

The works council complained that the size of the workforce was generally too small - in cases of sickness or holidays there was often no substitution available, or it was regulated via subcontracted labour - and declared that it could not agree to such a high degree of excess hours in this situation. It found itself in a relatively strong position, as codetermination in accordance with the Works Council Constitution Act is very extensive in this matter. When the threats were then carried out in some sectors, conflicts were clearly a foregone conclusion. The works council stated that it had approved 95 per cent of the applications for overtime. The remaining 5 per cent constituted the area of conflict.

The company was not able to bridge the overtime which had not been approved via subcontracted labour. The Works Council Constitution Act provides that the works council has a hearing deadline of one week. It is almost impossible for a company to hire temporary personnel when needed at very short notice if the works council makes use of that week. And if it refuses its consent to the recruitment, this consent must be effected through the Labour Court. The other alternative is to bypass the works council. This has often been done in practice, and has of course led to refusal of consent and actions filed with the Labour Court.

Successive new recruitments were finally made in different sectors, with the Works Council Constitution Act and the possibilities it offered being used, and the recruitment was limited to the duration of one year. The employees were then recruited on a permanent basis, or in individual cases the time limitation was extended by a further year. The ultimate result, however, was a permanent post - meanwhile a common practice in Germany.

It is not possible to establish how many employees were hired as a result of the cutback in excess hours effected by the works council policy. (The total number of employees rose from 1,759 in March 1994 to 1,934 in February 1998.) The works council has to quote a high figure as evidence of successful work, while the management generally has to challenge the effect in conflict situations of this type, as it might otherwise appear to be the underdog. The claim made by one representative for the management that there were never any overtime problems

cannot be true for the very simple reason that the works council ended all pending proceedings following the works agreement on new working time models (described below).

On the other hand, it is obvious that the company really did lack the necessary flexibility to be in a position to balance out (unforeseen) work peaks. The management's stance that the more flexibility there is, the fewer excess hours are needed, cannot simply be rejected. This, of course, is only possible with an adequate personnel calculation.

The devil is in the nuts and bolts

The works councils' approach was to intervene selectively, namely there, where overtime occurred to a high degree, using its usufructuary right to cut this back and enforce new recruitments in what could be seen as a more conflict-oriented strategy. However, this was not an attempt to create conditions which would systematically bring a reduction of overtime in their wake.

In comparison, the management by no means systematically pursued its stated objective of organizing the working time in line with market conditions. On the contrary, in spring 1997 deliberations were steered away from labour productivity and geared more directly towards cost reduction.

In the course of a so-called core self-efficiency study - reviewing which parts have to be produced in-company and which can be bought from subcontractors - the idea of producing the motorcycle frames outside the company came up. This would have meant closing down the welding shop. This was quite plainly not an advancement towards flexibility, but a reflection of the alleged economic magic formula of lean management. When the works council got wind of these internal deliberations it made them public.

It was now clear that the Berlin location was in danger. For the works council, the main thing was to safeguard jobs, while the management had to increase competitiveness. Through the intervention of the chairman of the central works council, negotiations were held from summer 1997 to the end of the year on how both could be achieved in joint action.

The core negotiation issue was working time in the motorcycle production sector. Both sides finally agreed to introduce an annual working time and to distribute this unevenly over the year. It was prolonged considerably in the first half of the year, when order inflow was at its peak. Saturdays were introduced as regular working days in the two departments involved in motorcycle production - assembly and mechanical production.

There is a two-shift system in the assembly plant. The early shift works Monday to Friday from 06.00 to 14.30h and Saturday from 06.00 to 12.00h in the peak order inflow periods, while the late shift works Monday to Friday from 14.30 to 23.00h. In the period when there is a drop in orders the working time is Monday to Thursday from 06.00 to 14.00h and 14.00 to 22.00h respectively. The employees have around 12 free shifts per year to comply with the collectively agreed working time.

In the production plant four shifts work in three shift groups over the peak order inflow period. The early shift runs from 06.00 to 14.00h, the late shift from 14.00 to 22.00h, and the night shift from 22.00 to 06.00h. The total operating period therefore runs from Sunday 22.00h to Saturday 22.00h. After three times six shifts the workers in this department have a week off. The Saturday is dropped as a working day in the period when the order inflow is weaker.

With both of these working time models the workload can be adjusted to the order inflow situation. A closer look at the details, however, reveals considerable points for dispute which led to the negotiating difficulties. A central issue was payment of premiums for the Saturday work in the peak order inflow periods. The company pushed through its negotiating policy of not paying premiums in a very demonstrative way. In conformity with the collective bargaining agreement valid in Berlin - different from other districts in the collective agreement - an introduction of Saturday as a regular working day is not possible through a works agreement. The parties to the collective agreement - the trade union and the employers' association - must conclude a pertinent agreement. This was duly done.

On the collectively agreed scale the premiums for the first two hours of Saturday work are 25 per cent, and from the third hour 50 per cent per hour. The works council tried to make up for these lost premiums in another post, and were successful. A starting point to this end was the regulation of the breakfast break. Before the working time changes were implemented 10 minutes of the 15-minute break were paid, and now all 15 minutes were paid. At 225 work-days per year, the 5 minutes won each day amount to 18.75 hours per year. Waivering of the Saturday premium on 7 Saturdays amounts to 17.5 hours in the assembly plant. The breakfast break compensates for this loss. In production, where 8 hours are worked on Saturdays, there are two free shifts in addition to the break time.

Another gain in the assembly plant is that there is a four-week works annual holiday period between the two periods with different working hours. Four days holiday are credited from this per week. Hence this period is formally classed with the period in which four days are

worked and four holiday days calculated per week. 5 holiday days per week are calculated in the period when Saturday is included.

Thus, when considering the works agreement as a whole, the success which the company had achieved through withdrawing the Saturday premiums was undone in other places. However, it remains a success on the level of relations between the parties to the collective bargaining agreement. The IG Metall, which regards many aspects of an annual working time rather sceptically, felt obliged to agree to the approval of Saturday as a working day, and in doing so publicly professed the necessity of a far-reaching move towards flexibility - at least in this specific case.

Differing Views

Both parties are agreed as to the quantitative employment effect of this agreement, which was that 65 employees were recruited in the motorcycle sector. With respect to the qualitative assessment, however, opinions differ. The differences start with the terms of definition. While the works council refers to a location contract - or also to a location guarantee contract - the management disputes this evaluation explicitly. From the management's point of view the talk is solely of a working time contract. The personnel manager declared in a public statement that this contract had brought the company onto an equal footing with Bavaria and the working time models practised at locations there, putting an end to the issue of why production takes place in Berlin and not in Bavaria when it is so cheap there.

This phraseology infers that there were discussions at top management level concerning the location of Berlin, and that adjustment to the Bavarian working time model has silenced these for the time being, at least. Seen in this light, the works agreement implies the end of current deliberations on shifting the company, which can of course indirectly be interpreted as a safeguarding of location. But there are no commitments whatsoever in the works agreement concerning the employment level or investments. It must be added, though, that shortly after the works agreement had been concluded investments were launched which will go a long way towards safeguarding jobs and holding out the prospect of new ones. The external motive for the agreements - outside production of the frames and the subsequent closure of the welding shop - is settled for the moment. The preamble to the works agreement leaves both interpretations as to the nature of the contract open.

There is another different evaluation concerning the connection between reduction of overtime and new working time models. A representative of the personnel department sees abso-

lutely no connection between the two groups of topics. The problem of overtime is 'another building site'. In his opinion, the uneven distribution of work has led to a smoothing out of employment. Previously, the serious differences in the level of demand had to be balanced out in the main through temporary recruitments or subcontracted labour - and to a lesser degree through overtime. The annual working time has made it possible to cut back the hire and fire approach and to create 65 permanent jobs. This has reinforced the core workforce and cut back the fringe workforce.

The management, whose job it is to ensure that demand is adequately satisfied and that the company can make a profit, regarded the old ruling purely as a method of juggling with different means to guarantee that the work which came up was done. The decisive means to this end were the different working conditions of the time, a different form of overtime.

However, if we view the process from the aspect of work volume and employment, it is clear that excess hours did occur in the first six months, due to demand. Through the new working time model, overtime and precarious employment - with a time limit, lower pay and waivering of the works social welfare benefits - would accordingly be replaced by regular jobs. This is also a considerable employment effect when seen from the qualitative aspect.

One advantage for the company is that it can give up the hire and fire practice, considered by society and by the company itself to be socially irresponsible. The reputation of a company here - perhaps we differ from countries such as the USA or Britain in this respect - can influence the company's market situation significantly. Another advantage from the management's point of view is that it is no longer necessary to have to keep training subcontracted labour and initiating them into the job. Elimination of the friction this had caused was not the only advantageous aspect. A job rotation system functions in the company to prevent the workers having to continuously perform monotonous tasks. This is a step towards humanizing the work for them, while also safeguarding quality. Monotony leads to lack of concentration and then the mistakes begin to creep in. However, when a post is limited to six months it does not pay for the company to familiarize the workers with more than one job.

The shift system structure does not automatically rule out overtime, however. Around 12 free shifts a year have to be run in the assembly plant - as already mentioned - to meet the average weekly working time. If there is no possibility to do this, excess hours accumulate. For the production sector, the collective agreement stipulates that a group's free shift week should 'not be filled with in-company further training, excess hours resp. holiday or sickness substitution'. Which means that this can happen in special cases.

There was a disagreement in the company concerning the new working time models, or more precisely, about the financial loss incurred by the fall-out of overtime. Members of the minorities list in the works' council, in particular, argued along the lines that in face of rising costs the employees did not know what to do with their additional free time, that they needed money. The loss suffered through the waiving of overtime can amount to as much as 400 marks in the peak order inflow period. As a result of the additional shift groups in the production sector, the employees now run fewer shifts, i.e. fewer late and night shifts which are rewarded with premiums. These shift premiums will now be lost.

Ultimately, however, the argument that existing jobs can be safeguarded and new ones created outweighed. At the 1998 election of the works council the first list was able to increase its advantage, which is also an indication that the ruling is supported on a broad basis within the company.

5.8 The possibilities and limitations of overtime reduction

Company A belongs to the metal-processing industry and is a subsidiary of a combine cooperative. It is a subcontractor to the car industry and as such directly dependent on the cyclical trend in this trade. Excluding trainees, 1,648 employees were working in the company in June 1996. 290 of these are salaried staff.

Planned redundancies and a large-scale order

In the first half of the nineties the company was in economic difficulties, and ran up figures in the red. In this situation, a consulting agency was engaged to look for ways of restructuring the company. Following a longer investigation, a rationalization outline was submitted which saw the reduction of 150 workplaces. In the middle of 1996 the management and works council entered into social compensation plan negotiations in accordance with the regulations of the German Codetermination Law.

At the same time there was a considerable increase in the amount of overtime worked due to the rising economic trend in the car industry. Approximately eight and a half to nine per cent of hours worked in the industrial sector at that time was overtime. For the individual workers this meant 50 to 60 hours of overtime per month. The parties in the ongoing social compensation plan negotiations very quickly came to the agreement that it was better to reduce excess hours and in doing so not only keep their workers, but also possibly to create new jobs. Negotiations were thus steered in this direction.

While the negotiations were going on the company was also trying to secure a long-term large-scale order which would continue into the next century and more than substitute for discontinued models. In order to be awarded the contract, the company was endeavouring to reduce the costs for the production of these components, which would involve 200 employees. One intention was to extend the operational running time of the machines by introducing Saturday as a regular workday. This also had to be negotiated. The negotiations were not prompted by any technical obligation, however. Both parties - the management and works council - saw a need for action and had therefore approached each other simultaneously.

The negotiating process on the reduction of overtime and negotiations on the introduction of the six-day week to work off the new large-scale order ran more or less parallel. Technically speaking, the works council holds a relatively strong negotiating position within the company. Over 90 per cent of the industrial workers belong to a trade union, and 50 per cent of the salaried staff. Nonetheless, it was under great pressure, and felt itself to be under a high degree of moral obligation, since the objective was to save jobs. The management was equally under pressure. It was endeavouring to secure the large-scale order, and expected compromises on the side of the works council. The order could namely also have gone to another combine subsidiary abroad. The two negotiation strands were, of course, interrelated.

The negotiations had been concluded by October 1996. The works agreement concerning reduction of overtime stipulates that all overtime, including premiums, be converted into time off. A working time account was established which may show up to 70 hours plus or minus. The weekly working time can be fixed at between 28 and 40 hours, with a week's notice having to be given. This arrangement meant that redundancy announcements were avoided, for the time being at least.

At the same time the shift system was restructured for the large-scale order, and the operating time for the department in question extended from five to six days. Four teams are now working in three-shift systems from Monday to Friday. This shift model provides for an uneven distribution of the regular working time. This is possible in compliance with the outline collective agreement. In practice, however, it means waiving the otherwise customary Saturday premiums. The fact that the works council agreed to this clearly shows the pressure it felt itself to be under; pressure which - as already mentioned - also weighed on the management, in a different way.

The fact that an agreement was eventually reached is a reference to the responsibility accepted by both sides for the affected location and the jobs involved. However, the structure of the

German Codetermination Law works in such a way that the parties - as they say themselves - have no other choice than to come to a mutual agreement. From the point of view of the workers' representation, it was important that the framework of the agreement was adhered to. Handling of the area collective agreements (which are always valid for certain regions) has long been a hotly debated subject in Germany. In some branches the area collective scale only has a limited regional effect - in the new *Länder*, for example. Some large companies - IBM, for instance - have opted out of the collective commitment.

Converting overtime into jobs

The working time account is equipped with a so-called 'traffic light function', which is intended to act as a warning signal when the number of hours exceeds certain limits. When there is a plus of 35 hours, workers can decide themselves how they wish to reduce the hours. When the amount is 35 to 50 hours, employees have to come to an agreement with their superiors as to how time off compensation should be settled. When an account shows a credit of 50 hours, this is a signal for the works council - which regularly receives a list of the working time accounts - to press for new recruitments.

Soon after the works agreement was concluded the working time accounts began to fill up, and so the works council pressed for recruitments with the personnel department. Employees were then recruited from February 1997. The contracts are limited to six months, after which time those concerned are normally taken on or recruited temporarily for a further six months, and then taken on. The fixed-term contract is not construed as a possibility for reducing the posts at short notice, as these are established in staff planning. This results in a net increase of 300 jobs, allowing for fluctuation. The recruitments also affect the sector of salaried staff, where there were 15 new recruitments. According to the personnel department, this number will have reached 25 by the time the conversion process has been concluded. The increase in employment in this company stems just as much from the reduction of excess hours as it does from the good cyclical situation of the car industry. Mathematically speaking, the employment effect of overtime reduction can be calculated as follows: the number of constant overtime hours on the working time account are divided by 123. This is the average monthly working time of an employee, with holidays, average number of sickness hours, etc. have already been taken into account. However, the personnel manager and the works council are both of the opinion that this theoretical effect cannot be put into practice in the ratio of one-to-one. The productivity gain achieved through this move towards flexibility speaks against it. The possi-

bility of allowing the weekly working time to fluctuate between 28 and 40 hours increases the chances of minimising 'idleness'.

The personnel manager sees the principle behind this as follows: the idea is not to pay the workers for their presence, but for the time they spend in the firm that is filled in with work. This can also be interpreted as a minimization of recreation time or 'secret breaks', consequently as an increase in efficiency.

This move towards flexibility has the advantage for the employees that they do not have to suffer a direct loss in earnings when the weekly working time is cut back in periods of sluggish order inflow, but that they can simply reduce the hours on their working time account or perhaps go into minus.

On the one hand, flexibility enables the company to react to fluctuations in demand - it produces on a just in time basis -, and on the other hand it means that accumulated overtime can be turned into time off relatively swiftly. When the plant is closed over Christmas and New Year, for instance, the weekly working time account of the company falls steeply.

It is not possible to calculate the productivity gain achieved through the flexibility which went hand-in-hand with the reduction of excess hours and longer utilization of some of the machines due to the inclusion of Saturdays, as the company is continually investing in order to ensure state of the art technology, and this equally influences productivity. The decisive factor is that both the works council and management see a productivity effect, and that the reduction of excess hours cannot be converted into employment at the rate of one-to-one. At the same time, this means that the reduction of excess hours has an employment effect.

Some individual problems arose when the reduction of excess hours was put into practice. Production is managed via manufacturing islands, with key positions in each of the relevant workgroups. Skilled workers here cannot always easily be replaced, and so it often happens that they cannot take their time off in lieu in the short time span stipulated. The light on the working time account can send out a warning in such cases, it is true, but that often does not provide any practical help. Those involved believe that an answer can be found to the problem once the model is up and running. But the works council insists that the 'traffic light function' should not only exist technically, but that it should be given a purpose and applied in the daily working routine.

Limitations of the reduction of excess hours

The overtime reduction ruling functioned - apart from the normal minor problems which go with having to adjust to a new situation and applying the tools of it correctly - for one year; overtime was at zero, respectively time off in lieu had been taken for all the hours on the working time account. But the accounts filled up again on account of the continually good cyclical situation in the car industry. Recruitments were and still are being made. However, no-one can assume that a cyclical situation such as this will continue unchanged for years. Since the company in its function as subcontractor is practically totally dependent on the car industry, it has hardly any means of coming out of a slump in the car industry unscathed through its own initiative, for instance via diversification of the products. The prospect of first having to implement short-time work and then to resort to redundancies for operational reasons does not strike the works council or the personnel management as desirable. Which is why both parties agreed to modify the model on a temporary basis. Since the beginning of 1998, the first 16 hours of overtime in each month will be reimbursed in monetary terms, and from the 17th hour on the excess hours will be credited to the working time account. At the same time, excess hours worked on Sundays and public holidays will be paid, as will any premiums then due.

It is almost impossible to say where the borderline lies for determining how many excess hours which are not compensated for in time off are needed to serve as a buffer for a stable level of employment. When we consider how particularly dependent the situation of a subcontractor is, there is no denying the fact that such a buffer for a possible recession would be good policy in this particular company. A hire and fire system dependent on the cyclical trend - which would be the alternative - would tend to merely promote the division of the employees into a core and a fringe workforce, between those who always have work and those who are recruited or laid off according to the cyclical situation. Such a system can hardly be in the interests of the workers.

Thus, if there is a decline in economic activity, the paid overtime can be cut back to zero again. In mid May the set term for this special arrangement was extended once again until the end of the year. Despite this, recruitments were still being made. But the 16-hour ruling is not the only buffer in the model in practice. The possibility of going up to 70 hours into the red on the working time account also fulfils such a function. In cases of overcapacity the company would, for example, cut back the six-day week in the shift system mentioned above to a five-day week.

The works council is aiming for a further employment-political buffer, which does not result directly from the two works agreements. It is pressing to have the collectively agreed ruling for semi-retirement implemented to win scope for avoiding redundancies - usually among the younger workers due to the seniority principle - or at best that younger people can be hired because older employees make room for them. It is to be feared, however, that this will merely serve to balance out the employment-political consequences of the gradual raising of the early retirement age to the regular retirement age of 65 years for age of entry to retirement. In concrete terms, this signifies the saving of the status quo, albeit at the financial cost of those who are going into semi-retirement. Seen from other perspectives, this means that jobs are saved in concrete situations.

These manifold efforts to secure buffers to stabilize employment show that it is important to use a variety of possibilities to create or safeguard jobs. To rely on one starting point alone - even if it is very effective, as was the reduction of excess hours in this case - involves the danger of being left with empty hands in a situation of changed outline conditions. If, for instance, no more excess hours occur in periods of sluggish order inflow, it logically follows that they cannot be reduced. Then, perhaps, the concept of semi-retirement could be effective.

Those affected accept the reduction of excess hours

Over the negotiating period the works council regularly updated the workforce in works meetings on developments, explaining their own position and opening it for debate. The most important argument was the creation of jobs. But, of course, an uncompromising conversion of excess hours into time off meant a distinct loss in earnings. For many of the skilled workers the loss amounts to between 500 and 1,000 marks. There were no real protests against it, but a certain degree of dissatisfaction was expressed. This came mainly from those working in key positions. They had worked constant overtime over many years and had reckoned with the additional income.

On the other hand, it was immediately discernible for those affected that their sacrifice would bring someone else a job. Ultimately, no-one wanted to or indeed could refuse to show solidarity. Anyone who was not convinced of the correctness of the agreement themselves, was faced with group-dynamic pressure. Anyone who did not support the reduction of excess hours should at least not work actively against it.

All in all, acceptance of the reduction of overtime and the introduction of the six-day week among those affected was not at all negative. The fact that there were no abstention votes at the 1998 election to the works council can be regarded as an indication of acceptance.

Annex

Steffen Lehndorff

Planned manpower requirements as a measure of the employment and productivity effects of working time reductions¹

When a firm is faced with the need to implement a cut in working time and does not wish to reduce operating hours at the same time, the personnel department will have to determine the changes in personnel requirements needed in each department. This can be demonstrated by the example of two German body and assembly plants.

The guideline issued by the personnel department at plant A during preparations for the last two stages of the reduction in working time stated that:

- the number of employees involved in production, i.e. those working in the so-called direct production departments, should be increased in proportion to the reduction in working time (1:1 relationship between the arithmetically possible and actual employment effect);
- the number of employees in areas related to production, the so-called indirect production areas, should be increased by half of the percentage reduction in working time (personnel replacement ratio of 1:0.5);
- the number of employees should remain unchanged (personnel replacement ratio of 1:0).

These proposals went hand in hand with two requests addressed to department management teams. The first of these concerned direct production departments, which were offered the opportunity of introducing concrete rationalisation measures that would allow them to increase manpower by less than the percentage decrease in working time. Thus the reduction in working time was taken as an opportunity to implement personnel savings over and above those planned. In only a few cases were these personnel savings the result of human beings being replaced by machines; generally speaking, they arose out of changes in work organisation. In the end, the ratio between the theoretically possible and the actual employment effect was 1:0.85 rather than 1:1.

The second request related to white-collar workers. Managers in the personnel department wanted to use the cut in working time as a lever to hasten rationalisation of the company's administration, which they regarded as ripe for such measures. According to their own accounts, they were particularly concerned that each department should detail the actual rationalisation measures by means of which the planned savings were to be achieved, up to and including the elimination of hitherto standard administrative activities.

These data can be used as the basis for a simple calculation: the actual employment effect of a 5% reduction in working time is the product of the arithmetically possible employment effect

¹ From: Lehndorff, Steffen, 1995: Reducing working time, saving jobs? The example of the automotive industry. A study commissioned by DG V of the European Commission

and the personnel replacement ratio, which lies somewhere in the range 1:1 to 1:0, depending on the area in question. The employment effects achieved in each area have to be weighted in accordance with the share of each one in the total workforce. This produces an actual employment effect of around 3% throughout the firm as a whole, compared with the theoretical maximum of 5%.¹ In other words, 40% of the arithmetically possible employment effect of the working time reduction was cancelled out by productivity increases, while the remaining 60% was actually realised.

In a body and assembly plant operated by another car manufacturer - plant B - the following internal guidelines were issued for the implementation of the working time reductions of 1988 (from 38.5 to 37.5 hours) and 1989 (from 37.5 to 37 hours):

- the number of weekly paid workers directly engaged in production was to be increased in direct proportion to the reduction in working time, producing a 1:1 relationship between the arithmetically possible and the actual employment effect;
- the number of weekly paid workers in the premium payment category (a variant of the incentive or performance-related payment system) was to be increased by 75% of the reduction in working time (personnel replacement ratio of 1:0.75);
- the number of weekly paid workers indirectly engaged in production tasks and the number of salaried employees was to be increased by 40% of the reduction in working time (personnel replacement ratio of 1:0.4).

The same calculation as that carried out in the case of plant A above produces, in the case of plant B¹ and the same working time reduction of 5%, an actual employment effect for the whole plant of 3.975%. This means that at plant B 80% of the arithmetically possible employment effect was actually realised following the two phases of working time reduction in 1988 and 1989.

However, the guideline issued for the next phase of working time reduction in 1993 (from 37 to 36 hours) provided for no increase in personnel at all. Indeed, this stage of the working time reduction coincided with a period of reductions in manpower levels. The push for productivity gains was intensified considerably, and because of weak demand operating hours were reduced (e.g. by amalgamating free shifts). Thus the guideline on manpower requirements drawn up in preparation for the working time reduction was fully incorporated into the company's strategy for reducing personnel levels. It can be assumed from this that, in the light of the reduction in operating hours, employment levels in plant B would have

² The calculation proceeds as follows: With a 5% reduction in working time, the firm's workforce increases in purely arithmetical terms by the factor $E_c = 0.05$. The actual employment effect in the firm as a whole is the product of E_c and the actual personnel replacement ratio R derived from the guideline issued by the personnel department. For direct production workers $R_1 = 0.85$, for indirect production workers $R^2 = 0.5$ and for white-collar workers $R_3 = 0$. Thus there are three separate employment effects for each area of the firm's activities, E_1 (direct production), E_2 (indirect production) and E_3 (white-collar/clerical), which have to be weighted in accordance with the share of each group of employees in the workforce as a whole. In our example, these shares are 60% for direct production workers, 20% for indirect production workers and 20% for white-collar/clerical workers. Thus the actual employment effect for the firm as a whole is $E_c = E_1 + E_2 + E_3$, or $E_c = (E_c \times R_1 \times 0.6) + (E_c \times R_2 \times 0.2) + (E_c \times R_3 \times 0)$. This means $E_c = (0.5 \times 0.85 \times 0.6) + (0.5 \times 0.5 \times 0.2) + 0 = 0.0255 + 0.005 = 0.0305$.

³ In plant B, weekly paid workers directly engaged in production account for 60%, weekly paid workers in the premium wage category for 10% and indirect production workers and white-collar/clerical workers for 30% of the total work force.

declined even further without the concurrent reduction in working time. In this way, the cut in working time made a very real, albeit concealed contribution to safeguarding jobs during the recession.

At least in those cases in which operating hours were maintained or extended, the planned manpower requirements prove to be a useful tool for assessing the effectiveness in employment policy terms of a working time reduction at firm level. However, the limits of this approach must be acknowledged. The calculation is based on the assumption that the productivity increase that occurred in conjunction with the cut in working time was actually a result of that reduction. In very many cases, this assumption is undoubtedly reasonable and justified. However, if a firm perceives a working time reduction to a certain extent as a welcome opportunity to put into practice a rationalisation programme that was already planned in any case, then it is questionable whether the productivity increase associated with it can really be regarded as the result of the cut in working time. In such cases, which cannot of course be clearly distinguished, the actual employment effect of the cut in working time is greater than that calculated on the basis of planned manpower requirements. Thus the replacement ratios obtained in our examples should be considered as minimum values.

However, if we try to find those employment effects in the personnel statistics of the firms concerned, then the search will generally be fruitless. Even in periods when economic circumstances were favourable, the positive employment effects are largely or even wholly blotted out by the large-scale rationalisation processes implemented in automotive plants.

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Tables

Table 1: Overview

	Industry	Size of firm (No. of employees)	Composition (share of white-collar workers)	Interviewee
Borsig GmbH	Mechanical engineering/service	400	183	Head of personnel, hair of works council
Erfurt & Sohn	Paper manufacturing/Paper processing	430	130	Personnel manager, Chair of works council
John Deere	Production of agricultural machinery	2319	585	Human Resources Manager, deputy chair of works council, member of works council, works council spokesperson
Halstrick GmbH	Paper processing	380	60	Works manager, chair of works council
G. Bruss GmbH & Co. KG	Plastics and rubber processing	630	170	Head of personnel department, chair of works council
Company B	Financial services	5000	5000	Head of personnel, chair of central works council, chair of works council
BMW	Motor cycle production	1934	450	Deputy head of personnel, deputy chair of works council, member of works council
Company B	Metal processing	1648	290	Head of personnel department, chair of works council, deputy chair of works council

Source: Interview data

Table 2: Wages lost by production workers as a result of overtime reduction (examples from case studies)

Establishment	Loss of earnings (per month)	Causes
Erfurt	200 DM	Reduction of actual working time, loss of overtime premia, additional working-time reduction to 36 hours without compensatory wage increase
Halstrick	up to 1400 DM	Reduction of actual working time, loss of overtime premia, additional working-time reduction to 35 hours without compensatory wage increase
Borsig	200 - 400 DM net	Reduction of actual working time, loss of overtime premia
Automotive component supplier A	500 - 1000 DM	Reduction of actual working time, loss of overtime premia
BMW	up to 400 DM	Reduction of actual working time, loss of overtime and shift

Source: Interview findings

Table 3: Reasons for the reduction of overtime

	Job creation/job protection	Extension/flexibilisation of working time	Change in work organisation	Reduction of wage costs
Borsig GmbH	Prevention of redundancies, recovery of capacity	Weekly working time up to 50 hours	Introduction of group work	significant reduction through overtime cut
Erfurt & Sohn	collectively agreed target: compulsory time off in lieu, prevention of redundancies	6-day week, working-time account	two new shift crews, Saturday standard working day, complete change in sales department	cost-neutral through elimination of overtime payments and overtime premia
John Deere	Prevention of redundancies, job protection	Longer working times in busy periods, shorter in slack periods	continuous, independently of overtime reduction	cost-neutral
Halstrick GmbH	Cost reduction (management point of view)	Reduction from 38 to 37.5 hours	Flexibilisation, 30 shifts on call	80 hours per month plus 400 overtime premia
Bruss GmbH	Avoidance of plant closure	Flexibilisation of working time; annual working-time account; Saturday on call	Flexibilisation; introduction of stationary assembly platforms; Saturday standard working day	Equivalent of 30 jobs
Company B	Job creation (point of view of workforce representative bodies)	individual flexibility, flexitime (+/- hours)	independently of overtime reduction	impossible to ascertain
BMW	Avoidance of plant closure, flexibilisation of working time (management), prevention of redundancies, job creation	variable working time in busy and slack periods; 6-day week in busy periods	Flexibilisation, Saturday standard working day (compensation for lost premia elsewhere)	to the extent that the site could be safeguarded
Company A	Prevention of redundancies, job creation at a later date	working-time account, weekly working time variable between 28 and 40 hours, 6-day week	Flexibilisation/ extension of operating hours, Saturday standard working day	Minimising of slack

Source: Interview findings

Table 4: Change in working time (I)

	Change in agreed working time	Reduction of overtime
Borsig GmbH	collectively agreed weekly working time	150,000 (1992) to almost zero (1995 ff.)
Erfurt & Sohn	from 38 to 36 hours per week (range of fluctuation)	from 10 to 12 % of working time to 1%
John Deere	collectively agreed weekly working time of 35 hours applies	Overtime is kept low by means of annual planning, and 50% were converted into temporary jobs in the preliminary phase of the negotiations (Example: in 1997, the overtime rate was 0.7 hours per manual workers per week)
Halstrick GmbH	38 to 37,5 (range of fluctuation)	in department concerned (28 employees), 400-600 to virtually zero
Bruss GmbH	in parts of the plant from 37.5 to 38.75 (range of fluctuation); otherwise unchanged	135,000 (1995) to 17,500 (1997)
Company B	no change to collectively agreed weekly working time (39 hours)	still only in individual departments, two thirds converted into jobs, one third eliminated through rationalisation
BMW	collectively agreed weekly working time	impossible to ascertain
Company A	no change	from 8.5 to 9 % of actual volume of work in production department to virtually zero

Source: Interview findings

Table 5: Change in working time (II)

	Shift length	Scheduling of shifts	Working days/shifts per year	Annual working time account (range of fluctuation + / -)
Borsig GmbH	flexible	partial two-shift system, Saturdays with premia, in exceptional cases Sundays with cash premia	as per balance in accordance with standard employment relationship	introduced, account balanced not at year end but in accordance with volume of overtime worked (35 hours, in individual cases with agreed exceptions up to 100 hours)
Erfurt & Sohn	8 hours	Monday to Saturday continuous production; long blocks	about 210 (depending on timing of holidays)	de facto through blocks of free time
John Deere	at least 6 hours (outline company agreement), maximum 8.6 hours (annual variation 1988), of which 0.6 hours defined as overtime for which premia therefore have to be paid	Monday to Friday	variable because of “bridging” days and plant shutdown	there is 1. An annual working time account (1998: 50) and 2. An additional working time account (1998: 25) that serves as a buffer for cyclical fluctuations
Halstrick GmbH	8 hours	Continuous production, Monday to Sunday	variable	introduced
Bruss GmbH	8 hours	Monday - Friday continuous production, Saturday on call (in exceptional circumstances permanent night shift)	variable because of Saturdays on call and time off in lieu (base: 37.5 hours per week, 30 days' holiday)	introduced (37.5)
Company B	no shift work	Monday to Friday	about 210	no
BMW	variable, two-shift system: 8.5 hours (busy period), 8 hours (slack period) three-shift system: 8 hours	Monday - Saturday (busy period) Monday-Thursday (slack period), three-shift system Monday-Saturday, every fourth week off (busy period), Monday-Friday, every fourth week off (slack period)	about 220 working days	introduced
Company A	8 hours	Monday - Saturday continuous production (not exclusively shift work in production area)	variable because of flexible working time	Working-time account (70)

Source: Interview findings

Table 6: Assessing the employment and other effects of overtime reduction (selected examples)

Establishment	Volume of overtime	Reduction measure	Immediate employment effects	Parallel and associated processes
Erfurt	10-12% of working time in production department	Reduced to 1% by new shift system (additional shift crew); additionally, reduction in standard working time	39 jobs safeguarded = 13% of production workforce	Increased output, JIT, flexibility, organisational restructuring
Halstrick	8.5% of contractual working time (one department)	Reduced to zero by new shift system (additional shift crew)	Safeguarding of jobs previously at risk and 7% increase in size of workforce (new appointments)	Training provided in order to integrate less-skilled workers into new shift crew
Borsig	25% of contractual working time (equivalent to 100 employees)	Reduced to zero by flexible annual working time	40 new appointments (one year later)	Group work
Automotive component supplier A	10% of contractual working time	Reduced to zero by flexible annual working time and additional shift crew	22% increase in size of workforce (new appointments)	Increased output, restructuring

Source: Interview findings

Table 7: Consequences for employment and productivity

	Productivity	Wage costs	Changes in real earnings
Borsig GmbH	Productivity gain through working time flexibilisation (e.g. elimination of “secret” breaks)	in line with productivity gain and reduction of overtime (premia)	Loss of between 200 and 400 DM as a result of cut in overtime
Erfurt & Sohn	Productivity gain through less rigid work processes	cost-neutral	Average monthly loss of 200 DM
John Deere	evolution unconnected with overtime reduction	cost-neutral	variable from case to case because of previously uneven distribution of overtime
Halstrick GmbH	Productivity gain through smoother work processes	reduction as a result of reduced working time, elimination of overtime premia and lower sickness rate	Monthly loss of up to 1,400 DM
Bruss GmbH	significantly increased: virtually total elimination of overtime through change in work organisation	saving of overtime costs	Loss of paid overtime
Company B	constant increase through rationalisations and organisational change	savings in order to prevent company failure	Loss of paid overtime (but only a small share of total earnings in any case)
BMW	increased productivity was precondition for keeping plant open	reduction was precondition for keeping plant open	up to 400 DM
Company A	Increased flexibility (cannot be more precisely quantified because of simultaneous investment in new plant)	savings on premia	Losses of between 500 and 1000 as a result of cut in overtime

Source: Interview findings

Table 8: Consequences for working conditions

	Changes in skill levels	Role of work organisation	Work intensification	Changes in earnings
Borsig GmbH	unchanged	important in keeping plant open	through elimination of “secret” breaks	Loss of overtime earnings, including premia
Erfurt & Sohn	unchanged	crucial for overtime reduction	reduction in pressure caused by constant overtime (reduced sickness levels)	Monthly loss of 200 DM can be reduced to between 120 and 130 DM by bonus payments
John Deere	Company agreement on further training, so that workers at risk of redundancy can take on a different job in the plant, constantly increasing skill requirements	unconnected with overtime reduction	Possible work intensification due to continuous changes in work organisation	Losses incurred through cut in overtime
Halstrick GmbH	Some employees retrained for new jobs	crucial for overtime reduction	not as far as can be ascertained	Losses incurred through cut in overtime
Bruss GmbH	unchanged	crucial for overtime reduction	as a result of irregular working time	Loss of overtime allowance
Company B	constant further training irrespective of overtime reduction	generally of fundamental importance to the company	Reduction in rest periods through continuous rationalisation	no change
BMW	unchanged	decisive in keeping the plant open	yes	Losses incurred through cut in overtime
Company A	unchanged	decisive in keeping the plant open	yes, e.g. as a result of minimising slack	Loss of overtime allowance

Source: Interview findings

Table 9: Industrial relations and the reduction of overtime

	Strength of trade union in plant	Nature of negotiations (harmonious/conflictual)	Employee involvement/reception given to outcome of negotiations	Changes in the management/works council relationship
Borsig GmbH	slightly above average rate of unionisation for the engineering industry	business-like, goal-oriented	considerable problems with parts of the workforce, difficulties in obtaining works council's approval	unchanged
Erfurt & Sohn	average level of unionisation for a chemical plant, works councillors members of BCE	conducted in a predictable and honest manner, search for outcomes acceptable to both sides	information provided continuously and in good time, much persuasion required	still good
John Deere	high level of unionisation, although there are fractions within IGM	conflictual at times, but ultimately attempts at rapprochement met with success	workforce kept well informed and involved, bargaining position vigorously rejected at times, which is why only 50% of overtime was converted to time off in lieu.	unchanged
Halstrick GmbH	average level of unionisation	business-like, constructive	workforce kept informed, no major conflicts	changed for the better
Bruss GmbH	average level of unionisation for the chemical industry; works councillors all from BCE	business-like and constructive on both sides	workforce kept informed, laborious process of persuasion required	unchanged
Company B	above-average level of unionisation for financial services industry, staff representative bodies trade union-dominated	business-like	staff representative bodies kept informed, overtime "concealed" to some extent by employees	unchanged
BMW	above-average level of unionisation, albeit with some internal conflicts (2 separate lists of union candidates for works council election)	in accordance with Workplace Industrial Relations Act, conflictual at times (appeal to labour courts)	continuous provision of information, considerable conflicts	unchanged
Company A	unusually high level of unionisation, 90% among manual workers, 50% among white-collar staff	business-like	information provided regularly and in good time, some disquiet at cuts in real earnings	unchanged

Source: Interview findings

Table 10: Problems with implementation/unforeseen consequences

	Problems with implementation	Changes in original objectives during implementation process	Unforeseen consequences
Borsig GmbH	none	none	none
Erfurt & Sohn	no serious problems	none	simultaneous dispute over changes to social security legislation (sick pay)
John Deere	permanent dispute surrounding the conversion of temporary jobs created through the abolition of overtime into permanent jobs	on the works council side: only 50% of overtime converted into extra jobs	none
Halstrick GmbH	none	none	none
Bruss GmbH	first attempt failed	work reorganisation after initial failure	Jobs created through the elimination of agency work
Company B	dispute over temporary and permanent appointments	none	none
BMW	none	none	none
Company A	Problems in key positions	temporary change in reduction process (16 hours per month paid for) because of favourable economic situation	none

Source: Interview findings