

Temporary agency work and relocation as challenges for national and transnational union policy in Germany

EU-Employee Agritech Project, Final Conference

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Content

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- **Relocation and temporary agency work: Race to the top or race to the bottom?**
- **Restructuring and participation: Ignoring, surrendering or going new ways**

Globalisation affects all European countries, but not all in the same way

Ambivalent effects of globalisation

- Globalisation improves economic growth in Europe but threatens employment and income of workers in the most exposed industries.
- According to OECD Employment Outlook 2007 wage inequality is growing, the share of wages from national income is sinking. But employment security is not generally reduced.
- Globalisation changes the international division of work. Low skill jobs are going to be reduced, high skill jobs emerge (change of qualification structure).
- Employment is not generally sinking but jobs in the most exposed industries are threatened by globalisation.

Competitiveness includes more than wages: Global competitiveness index, 2007-2008

US (1)

Germany (5)

Finland (6)

Austria (15)

France (18)

Spain (29)

Czech Republic (33)

Hungary (47)

Poland (51)

Index based in 12 pillars:

Institutions

Infrastructure

Macroeconomic stability

Health and primary education

Higher education and training

Goods market efficiency

Labour market efficiency

Financial market sophistication

Technological readiness

Market size

Business sophistication

innovation

Source: World Economic Forum, 2007

Source: European Foundation, 2008: Global competition and European companies' location decisions. Background paper to the Poznan Conference, 3-5 June 2008, Dublin, p.13.

Respondents' view of globalisation's impact on companies and employment (EUROBAROMETER 2003 and 2006)

Country	Eurobarometer results 2003		Eurobarometer results 2006	
	Globalisation represents a <i>good opportunity</i> for companies due to the opening up of markets (%)	Globalisation represents a <i>threat</i> to employment and companies (%)	Globalisation represents a <i>good opportunity</i> for companies due to the opening up of markets (%)	Globalisation represents a <i>threat</i> to employment and companies (%)
AT	50	41	32	52
CZ	-	-	43	45
DE	61	35	34	59
ES	56	35	35	33
FI	60	34	38	57
FR	40	58	21	72
HU	-	-	28	49
PL	-	-	46	31
EU 25	-	-	37	47

Source: European Foundation for the Improvement of Living and Working Conditions, 2008: Perceptions of globalisation: attitudes and responses in the EU. Dublin.

No „one best way“ of corporate restructuring

- Results of a recent European research project concerning forms and effects of corporate restructuring show (www.worksproject.be):
 - There is no „one best way“-solution. Value chains are changing but in very different ways. Countries, industries and regions make a difference.
 - Corporate activities have an impact on the European, national and local level. But these activities were also influenced. Institutions like policy and trade unions matter.
 - Changes along the value chain can put very quickly pressure on workers in single parts of the value chain.

Value chain restructuring in Europe: different ways, manifold effects

- Value chain restructuring has manifold effects inside and outside the frontiers of organisations – from the labour process at the shop floor level to the international division of labour.
- The adaptation patterns vary between countries, industries, regions. There are alternatives!
 - Getting cheaper: downsizing, outsourcing, dismissals...
 - Getting better, „reflective“ restructuring: qualification and training, innovation, work-Life-Balance...

Relocation and temporary agency work: Race to the top or to the bottom?

Relocation strategies: getting better or getting cheaper?

- Relocation has different forms, motives, effects.
- According to the EU firms from the manufacturing sector are using relocation strategies more than the economy as a whole.
- Explanations:
 - Higher tradability of manufactured products
 - Greater ease of fragmenting the production chain along geographical lines
 - Firms aim at adjusting and optimizing their production pattern in such a way as to better seize the opportunities provided by comparably more favourable production conditions in different locations.

Forms of relocation

	Change of ownership	
Change of location	No change – own company	Change to another company
Same country	Internal relocation	Outsourced
Other EU country	Offshored	Offshored and outsourced
Outside the EU	Offshored	Offshored and outsourced


Source: Storrie, 2006: Restructuring and Employment in the EU: Concepts, measurement and evidence. European Foundation for the Improvement of Living and Working Conditions, Dublin.

Restructuring cases involving job losses and delocalisation in the EU, 2003-2006

	Total cases involving job losses		Cases involving delocalisation		Delocalisation as % of total	
	Announced cut in		Announced cut in		Announced cut in	
	Number	employment	Number	employment	Number	employment
2003	745	525,389	55	47,011	7.4	8.9
2004	745	662,986	89	45,241	11.9	6.8
2005	1,049	657,072	112	63,894	10.7	9.7
2006	936	600,346	100	38,144	10.7	6.4
2003-2006	3,475	2,445,793	356	194,290	10.5	7.9

Source: European Restructuring Monitor, 2007.

Between 2003 and 2006 nearly 8% of job losses in restructuring cases get lost due to delocalisation. Especially low skilled jobs in export oriented industries in high wage countries are threatened.



Source: European Foundation, 2008: Global competition and European companies' location decisions. Background paper to the Poznan Conference, 3-5 June 2008, Dublin, p.13.

Risk cascade for workers

- **Restructuring has massive impact on employees. According to Kädtler (2008) there are 3 broad categories:**
 - „First league workers“: high skilled, near or at the headquarter, strong bargaining power (f. e. R&D experts). Low risk.
 - „Second league workers“: important company-specific skills and knowledge but not irreplaceable. (Limited) Competition with specialists at other locations.
 - „Third league workers“: routine tasks, workers easy to replace. Endangered by a „race to the bottom“.
- **Many production jobs are graded as “third league jobs”. High risk of relocation to cut costs.**

Limitations of relocation strategies (Offshore outsourcing)

- **Contradictions of strategic aims (price vs quality)**
- **Size and complexity of transaction costs (“hidden costs”)**
- **Availability of skilled workers at the new location.**
- **Complexity of processes: controllability, disturbances**
- **Stability of the institutional environment: Security, taxes, infrastructure, education and training system etc.**
- **Loss of regional networks**
- **Ignorance of improvement potentials at the home location.**

Example Germany: new role for works councils

- **Already the announcement of relocation by the management puts pressure on wages and labour standards.**
- **The role of WC is changing:**
 - **WC must be able to evaluate management's restructuring strategies (aims, motives, costs) and its implementation at the shop floor,**
 - **To develop own positions, strategies, concepts**
 - **And to organize the conflict for better solutions.**
- **The high pressure for professionalisation of the WC work demands new forms of support from the trade unions (competence development of WC).**

Strategies for works councils (1)

Phase	Costs oriented strategy („cheaper “)	Market oriented strategy („better“)
Management is developing a restructuring strategy	<ul style="list-style-type: none"> - Motive: cost cutting - Effects: job losses at the home location, often additional income losses 	<ul style="list-style-type: none"> - Motive: opening up new markets - Effekts: job growth at the new <u>and</u> (often) the old location
Decision making	<ul style="list-style-type: none"> - Focus on (wage-) costs comparison - Often static 	<ul style="list-style-type: none"> - Strategic concept, - comprehensive and dynamic comparison (diff. szenarios)

Strategies for works councils (2)

Phase	Costs oriented strategy („cheaper“)	Market oriented strategy („better“)
Planning and building	<ul style="list-style-type: none"> - over-optimistic planning, „plug and play“ - longer and more difficult implementation, - hidden costs, negative side effects 	<ul style="list-style-type: none"> - realistic planning, year long building phase - anticipation of realistic need of manpower and time - no dramatic deviation from the plan.

Strategien für Betriebsräte (3)

Phase	Costs orientied strategy („cheaper“)	Market oriented strategy („better“)
Regular management and controlling	<ul style="list-style-type: none"> - „Fire brigade-strategy“ and bad HRM cost money. - Additional costs are not documented. No fair assignment of costs to the locations. - Make bad figures due to management decisions seem better. Make the figures of the old location seem worse. 	<ul style="list-style-type: none"> - Fair assignment of costs according to the cause (old and new location) - cultural exchange between locations - challenges, problems and successes were communicated and treated

The internationalisation of temporary agency work

- The number of temporary agency workers in Europe rises between 1996 and 2006 from 1.5 to 3.4 millions.
- Market concentration: 20 big TAW companies occupy 39% of the world market.
- National Policy promotes TAW, f. e.
 - Deregulation in Germany (2002) supports massive growth of TAW jobs (doubling between 2003 and 2007).
 - Poland and Czech Republic legalize TAW (2004).

What are the drivers of globalisation in TAW?

- **The big TAW companies follow their big customers to other countries.**
- **Risk reduction by market diversification (opening up of new industries).**
- **Diversification of occupations (more „high skill service jobs“)**
- **Deregulation of labour markets in high wage countries like Germany.**

Different country effects

- **TAW reacts very sensitive to national labour market regulations and institutions (educational and training system, industry structure etc.).**
- **According to the institutional framework the function of TAW can differ:**
 - **Example Netherlands: TAW offers young people an easy access to establishments (= socially accepted function).**
 - **Example Germany: TAW as „second class work“ for the unemployed or people threatened by unemployment. Instrument of one sided employer oriented flexibility. Negative image (= controversial debate).**

Collectively agreed wages for TAW in GER set at low wage level

Einstiegstarife in Zeitarbeitstarifverträgen 2007/2008 (brutto pro Stunde und relativ zum Median 2006)

Tarifvertrag zwischen	Westdeutschland		Ostdeutschland	
	Brutto pro Std.	Relation zum Median (14,42 €)	Brutto pro Std.	Relation zum Median (10,22 €)
AMP und CGZP <i>in den ersten 6 Monaten*</i>	7,07 € 6,40 €	49,0% 44,4%	5,77 € 5,70 €	56,5% 55,8%
iGz und DGB	7,15 €	49,6%	6,06 €	62,3%
BZA und DGB	7,38 €	51,2%	6,42 €	62,8%
zum Vergleich: Mindestlohn-TV ab 2008	7,31 €	50,7%	6,36 €	62,3%

* Absenkungsmöglichkeit in den ersten sechs Monaten der Beschäftigung gemäß Entgelttarifvertrag.

Quelle: Eigene Zusammenstellung (Tarifverträge) und IAQ-Berechnungen mit dem SOEP (Median und Relationen)

How do German companies use temporary agency work?

- 2,8% of companies use TAW in 2006 (1998: 2,1%).
- But: 39 % of the bigger companies, focus on manufacturing.
- The number of intensive users is growing (TAW rate 10%+)
- Intensive users are esp. manufacturing companies with high collectively agreed wages and a high share of strongly fragmented manual production like in the automotive industry and its suppliers
- Strategy change: Temporary agency work as a new HR strategy

Dilemmas and contradictions of TAW for the user establishments

- **User establishments want to save labour costs and to increase numerical flexibility by using temporary agency workers. The practise shows that this strategy can create a lot of problems for the user establishment with a high share of TAW:**
 - **Hidden costs**
 - **Controllability problems**
 - **Conflicts between temps and permanent staff**
 - **De-motivation and insecurity of permanent workforce**
 - **Comfortable short term assignments replace strategic HR-Management (apprenticeships, vocational training et al)**
 - **No sustainability: skills shortages in the future pre-programmed, ability to innovate is endangered**

Interim conclusion: No job like the others...

- Job quality in TAW deviates in central categories from the standard employment relationship: income, job security, interest representation, social integration.
 - Some establishments, the so called intensive users, use TAW as a strategic, long term element of HRM.
 - The customers gain from the wage gap between TAW and the collective agreements of the customer industries, the (partial) removal of HR administration, "on productive" working time, the low union density in TAW, easy and discrete personnel reductions without expensive redundancy payment schemes.
 - Some establishments work already with a „second workforce“ of temps.
- ***How do works councils react?***

German works councils do not use their opportunities regarding TAW

- Very few specific activities for temp workers at the establishment level. Mostly no systematic contact between WC's and temp workers, low level of control (wages, wage group, working conditions).
- **But: If structures exist in the establishment (WC member responsible for temps, committee for temp work) the WC is involved.**

Restructuring and participation: ignoring, surrendering or going new ways

Rationalisation and participation (GER, WSI-works councils-survey 2006)

- WC are involved mainly in internal restructuring (f. e. teamwork, working time) with relatively good chances to put through suggestions.
- Low activities of WC in the cases of relocation and temporary agency work. Very few own suggestions, low chances of success.
 - But: **Pro-active WC are (partially) successful!**
- Deals in the context of relocation/TAW: WC make concessions esp. in the regard of longer working time or work on weekends.

Corporate strategies: High or Low Road?

- **Low Road:** mainly price competition, short term employment, casual employment contracts, low trust and commitment, low company training

or

- **High Road:** mainly quality competition, innovation, long term perspectives, employment security, high trust and commitment
- ***Unions and works councils can play a key role in restructuring processes.***

Example: Project „Competence and innovation“- support for works councils

kompetenz & innovation.nrw

Bezirksleitung Nordrhein-Westfalen

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Start

- Verlagerung
- Leiharbeit
- Innovation
- Produktionssysteme

Beste Konzepte für sichere Arbeitsplätze in der Industrie - ein Industriepolitischs Projekt der IG Metall NRW

Mit dem Projekt "Kompetenz und Innovation" organisiert die IG Metall den Dialog von Betriebsräten und Wissenschaftlern. Im Zentrum steht die Frage, welche innovativen Strategien besonders zur Entwicklung und Sicherung industrieller Arbeitsplätze beitragen.

Darüber laden wir zum Dialog ein!

Aktuelles

170 Betriebsräte diskutieren auf einer Fachtagung ihre Möglichkeiten bei drohenden Standortverlagerungen

2008-07-15 17:31:16

Angesichts der guten konjunkturellen Situation und der Presseberichterstattung über Rückverlagerungsaktivitäten von Unternehmen nach Deutschland könnte der Eindruck entstehen, dass Standortverlagerungen derzeit kein Thema für Betriebsräte wäre. [» mehr...](#)

Für Betriebsräte

"Wissenschaftliche Kompetenz in Zusammenarbeit mit dem Betriebsrat - das gibt uns neue Möglichkeiten für eine positive Standortbetrachtung in Deutschland."

[» Interesse?](#)

Für Wissenschaftler

"Über Lohnsenkungen können sich Betriebe im Wettbewerb nur Zeit kaufen. Aber wenn sie bei ihren Innovationen nichts tun, gewinnen sie gar nichts. Die Mitbestimmung ist ein treibender Faktor für Innovationen!"

[» Interesse?](#)

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EUROPÄISCHE UNION

Quelle: www.nrw.kompetenz-innovation.de

Proceeding of „Competence and Innovation.nrw“



Orientation and support for works councils

kompetenz & innovation.nrw



Bezirksleitung
Nordrhein-Westfalen

Standortverlagerung – Fehlentscheidungen kosten Arbeitsplätze und Geld

1. Industriepolitisches Memorandum – Projekt „Kompetenz und Innovation“



www.esf.de



Standorte fair vergleichen – Arbeitsplätze sichern!

Handlungshilfe für Betriebsräte



NRW. Ministerium für Arbeit,
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