



Eurofound

EMCC case studies

Aiming for a 'soft landing' – Plansee Group (Austria)

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Introduction

This case study looks at the way in which the Plansee Group in Austria has sought to ensure a ‘soft landing’ for employees affected by the global economic downturn. Having seen a collapse in demand in 2008, primarily in the parts of its business supplying metal products to the ailing vehicle manufacturing industry, Plansee Group has nevertheless been able to avoid involuntary redundancies by making a significant investment in retraining and by making use of short-time work arrangements. Around 600 of the members of staff most affected by the downturn, most of them based in Austria, went onto short-time work arrangements between April 2009 and February 2010. Of these, 80 took advantage of vocational training leave of up to 12 months and around 70 enrolled in a labour foundation established by the company with the assistance of the public employment service (PES), and used its resources to find employment outside the company.

The company also stopped employing 160 temporary agency workers, allowed fixed-term contracts to lapse and offered voluntary redundancy, early retirement and partial retirement options to a further 100 workers.

This case study charts how negotiations over the company’s social plan were made possible by the positive relationship between the company and its works council, the assistance of regional social partner organisations and the public employment service, and by the supportive policy framework in Austria. This framework offers assistance with measures which aim to increase the internal and external flexibility, adaptability and employability of workers when their employers need to restructure their businesses. Key parts of the framework include Austria’s short time working policies relating to vocational training leave (*Bildungskarenz*), and the positive experience of the labour foundations (*Arbeitsstiftungen*). The foundations have proved particularly successful over the past 40 years in helping to retrain workers and find new opportunities for them when their jobs are affected by structural change and economic downturn.

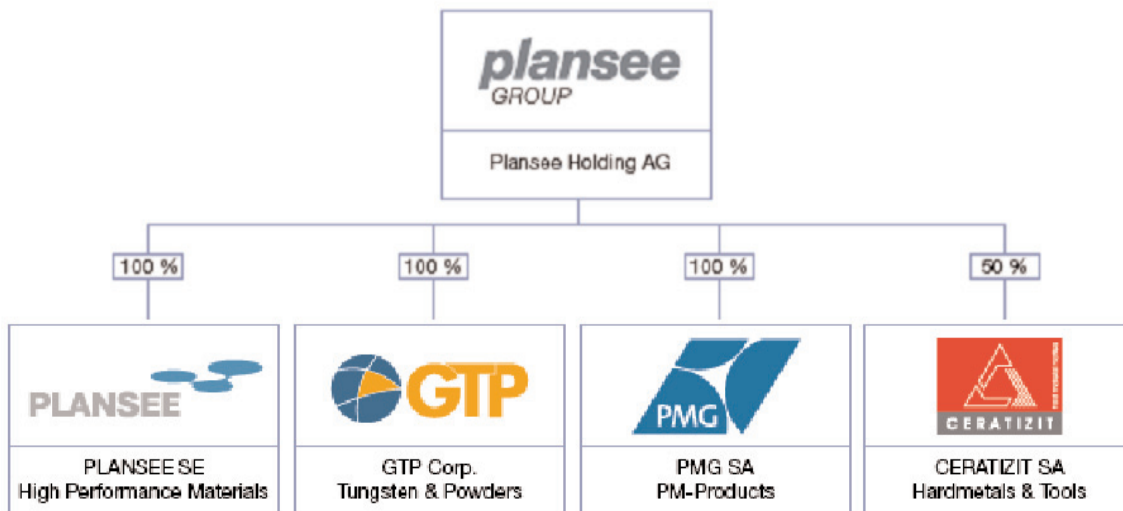
This case study does not cover the measures adopted for Plansee employees in other EU countries in any detail, but it is clear that they have also been significantly affected by the downturn. Plansee Group employees in Luxembourg and Germany have also been placed on short-time working arrangements.

Company profile

Founded in 1921, Plansee is a privately owned company with headquarters in Reutte, Tyrol, in western Austria. The region is an important centre for tourism but has also for some time had a successful manufacturing sector, particularly in high-tech industries such as information and communication technology, life sciences, and renewable energy. Around 30% of the region’s GDP is generated in the manufacturing sector.

The Plansee Group is one of the market leaders in high performance materials produced using powder metallurgy technology. Today the company has four divisions under the management of Plansee Group Holding AG, and more than 30 production establishments and sales offices in around 50 countries (see Figure 1).

Figure 1: Organisational and ownership structures of Plansee Group



Source: *Die Plansee Gruppe: Zahlen, Daten, Fakten (1009/2010)*;

Plansee SE produces high performance coatings and materials for the lighting, medical technology, energy and electrical sectors, and for high performance ovens. Plansee SE was formed by the transformation of Plansee AG, a public limited company, into a so-called 'European Company' (Societas Europaea, SE). This was done in order to bring its various businesses – Plansee Metal GmbH, Société Plansee SARL, Cime Bocuze SA, Plansee Metal Holdings Ltd and Plansee Nordic AB – into one organisational structure. In Austria, this can only be accomplished through the formation of an SE.

GTP Corp. Tungsten & Powders is a US-based company and one of the world's leading producers of tungsten and tungsten-related products, and was integrated into the Plansee group in August 2008.

PMG SA is based in Luxembourg with sites in Spain, Germany, the USA and China, and produces powder metallurgy products largely for the car manufacturing sector. Until December 2009, the company operated a joint venture with Mitsubishi Materials Corporation, but this has since been dissolved as a result of declining demand in the vehicle manufacturing sector.

Ceratizit was formed in 2002 out of a merger of the Luxembourg-based Cerametal Group and the Austrian-based Plansee Tizit. The company produces hard metals used in electricity transmission, vehicle manufacturing and in other high performance products. Ceratizit has production sites in Austria, Bulgaria, Germany, Italy, Luxembourg, Switzerland, India, the USA and China.

In the years leading up to the global financial crisis, the company experienced steady growth. During the business year 2008–2009, the group succeeded in increasing its consolidated turnover by 2% to nearly €1.1 billion, strengthening its global market position. In 2009, it also completed an ambitious €400 million investment programme. According to the company, the 2008–2009 result was only achieved due to the acquisition of GTP, without which its turnover would have been 10% lower than in the previous year.

Table 1: *Global turnover, investments and employment in the Plansee group, 2006–2009*

	2006/2007	2007/2008	2008/2009
Turnover (in €million)	971	1,079	1,099
Investments (in €million)	94	116	131
Employment	5,550	5,900	6,350

Source: *Die Plansee Gruppe: Zahlen, Daten, Fakten (2009/2010)*;

In 2009, Plansee Group employed approximately 6,500 staff in its global operations, of which around 2,300 were based in Austria. Its second-largest operation in Europe is in Germany, followed by Bulgaria and Luxembourg. In terms of employee numbers, the company's second largest operation is now in the United States, largely as a result of the 2008 acquisition of GTP. Table 2 provides an overview of the distribution of Plansee employees, and Table 3 provides a more detailed breakdown of the Group's employees in Austria.

Table 2: *Geographical distribution of Plansee employees (2009)*

Country	Number of employees
Austria	2,287
Bulgaria	700
Germany	1,000
Luxembourg	600
Other European countries (France, Spain, Italy, Switzerland)	150
USA	1,500
Japan; China	400

Sources: *Wirtschaftsblatt, 2009*;

Table 3: *Distribution of Plansee Group employees in Austria (2009)*

	Plansee	PMG SA	Ceratizit
Workers	99	599	398
Employees	340	261	200
Trainees	92		
Agency workers	1	108	40
Partial retirement	17	17	11
Vocational training leave	5	27	13
Others	15	19	19
Total	569	1,031	681

Impact of the financial crisis

Impact of the crisis on the Plansee Group

While the development of the business was relatively stable in the first half of 2008, a number of its divisions were hit by the crisis in the second six months of 2008. Worst affected was Ceratizit SA because of its exposure to the turmoil in the global vehicle manufacturing market. According to a trade union representative, Ceratizit's orders fell by 75% in the second half of 2008, prompting the works council to open negotiations with the management on a social plan for the business. Another victim of the global downturn was the joint venture between PMG and Mitsubishi which ended after only four years in December 2009. Sites in Japan and Malaysia were integrated into the Mitsubishi Materials Corporation while production in Germany, Austria, Spain, the US and China remained with PMG, which is now a wholly owned subsidiary of the Plansee Group.

Impact of the crisis on the labour market in Tyrol

The delayed impact of the economic crisis on the labour market can clearly be demonstrated by labour market data produced by the public employment service (*Arbeitsmarktservice*, AMS) in Tyrol. 2008 was described as a good year for the labour market in the region but this situation had changed significantly by 2009. While Austria's overall unemployment rate in 2008 stood at an annual average of 5.8%, unemployment in the region was lower at 5.2%. This is 1.8% lower than the EU average of 7%. In Reutte, where much of Plansee's Austrian operation is located, the unemployment rate was even lower at 4.9%, the second lowest in the region. The number of vacant situations in the region had increased by 4.7% compared to the previous year. The impact of the economic crisis at the regional level is demonstrated by the data from 2009. Although the region's unemployment rate was almost one percent below the national average of 7.2% in 2009, with the EU average at 8.5%, the number of situations vacant had declined by 5.4%. The situation in the local labour market in Reutte had also deteriorated and its 6.7% unemployment rate was the fourth highest in the Tyrol region. Although Plansee has sought to manage the downturn without resorting to involuntary redundancies, the deteriorating local and regional labour market situation inevitably has a knock-on effect on those affected by restructuring and seeking new opportunities following outplacement.

Regulatory and policy context

The way in which companies manage restructuring is significantly affected by whatever regulatory and policy framework is in place. It can either support or hamper their efforts to manage structural change and other global economic pressures in a socially responsible way. Across the EU, one of the most important instruments deployed to limit the impact of the global downturn on employment has been the expansion or, in some countries, introduction of short-time work measures. Austria has long offered the possibility of temporary reductions in working time for businesses affected by significant economic pressures and short-term reductions in demand, making it possible for them to maintain employment contracts and so retain valuable skilled and experienced staff. This section will outline how these measures have been extended to benefit workers and employers affected by the global economic crisis and, in particular, how revisions to such measures have emphasised the opportunities for vocational training offered by short-term reductions in working hours.

As part of its lifelong learning strategy, Austria has also revised and expanded its provisions for more general support for in-work vocational training. Outlined below are the measures designed to support so-called *Bildungskarenz* or vocational training leave which is intended to increase the skills base and adaptability of the employed workforce.

Labour foundations (*Arbeitsstiftungen*) have been employed in Austria over the past 40 years to help workers affected by restructuring, based on a broad and positive partnership between social partner organisations, local and regional authorities and statutory agencies such as the AMS. Labour foundations help workers threatened with redundancy to learn the skills they need to qualify for new jobs either with the same employer or with a new company.

Finally, partial retirement is another measure frequently used in the socially responsible management of restructuring, helping to avoid involuntary redundancy or the use of early retirement measures and therefore the preventing the loss of experienced older workers. Partial retirement also prevents the placing of a greater financial burden on the state and the individual concerned. It allows older employees to make the transition between work and retirement by combining the receipt of pension benefits with paid work. However, in reality, the majority of older workers choose 'block models' involving working full time for a number of years and then retiring fully, weakening the transitional effect of this measure.

The structure and quality of industrial relations is unquestionably crucial in ensuring positive outcomes for workers affected by restructuring. This section will therefore also outline the context for collective bargaining and social partnership in Austria, which provides a significant role for employee representatives in negotiating change management measures through the works council.

Short time working in Austria

In Austria, short-time working (*Kurzarbeit*) can only be introduced following an industry-level collective agreement. It refers to a fixed-term reduction of normal working hours under wage and labour law to maintain employment in times of temporary, non-seasonal economic difficulties. To address the global economic crisis, the maximum period for public short-time working support was first increased from 12 months to 18 months, and since 1 July 2009, to 24 months.

With the adoption of the 2009 Employment Promotion Act (*Beschäftigungsförderungsgesetz*) the benefit regime for partial employment has been incorporated into the Public Employment Service Act (*Arbeitsmarktservicegesetz*), thus transferring to the administrative board of the public employment service the power to issue guidelines on eligibility criteria for awarding partial employment benefits.

In cases where short-time working is arranged because of serious disruption to the national economy, the employer can receive a special subsidy (*Kurzarbeitsbeihilfe*) from the responsible AMS office. The subsidy is intended to offset part of the financial loss suffered by employees as a result of short-time working. In order to receive the subsidy, the employer and respective employee representatives must have concluded a collective or works agreement on the payment of compensatory short time work allowance (*Kurzarbeitsentschädigung*) during the period of short-time working. The social partners must also have explored other possibilities for maintaining employment and have found no other feasible alternative. The allowance for the hours not worked by the employee has to amount to at least the value of the corresponding 'fictional unemployment benefit' plus social insurance, and is paid at a flat rate. This is calculated on the basis of the respective normal working hours, the gross salary plus supplementary benefits before entering into short time work, and how many children a worker has. During the crisis, the AMS also covers employers' social insurance contributions from the seventh month onwards. The relevant social partners have to, at the very least, agree that no employees will be made redundant during the period of operation of the scheme. The social partners can also negotiate – or the AMS can, in certain cases, insist – that employment contracts of those workers affected by short time working are maintained even beyond the period of completion of short-time work arrangements.

Since December 2008 the scheme has been open to all private sector employers and can also include a company's temporary workers.

With unemployment rising as a result of the financial crisis, in January 2009 the Austrian Trade Union Confederation (*Österreichischer Gewerkschaftsbund, ÖGB*) and the Austrian Federal Economic Chamber (*Wirtschaftskammer Österreich*) presented a joint draft amendment to the short-time working rules which was endorsed by the Austrian parliament in February. The changes relate to the following:

- Greater flexibility in the reduction of working time so that loss of working hours can range from between 10% and 90% of normal working time;
- The reference periods for these working time arrangements now correspond to the whole period for which the AMS grants a subsidy instead of the previous four week reference period;
- Extension of the maximum term for short-time working arrangements to 18 months – and, in July 2010, to 24 months;
- The introduction of a new short-time working scheme which combines short-time work with further training (*Kurzarbeitsbeihilfe mit Qualifizierung*). This allows employers to receive a special training subsidy if they offer employees training courses during the hours not worked which can enhance their future employability in the labour market (see below).

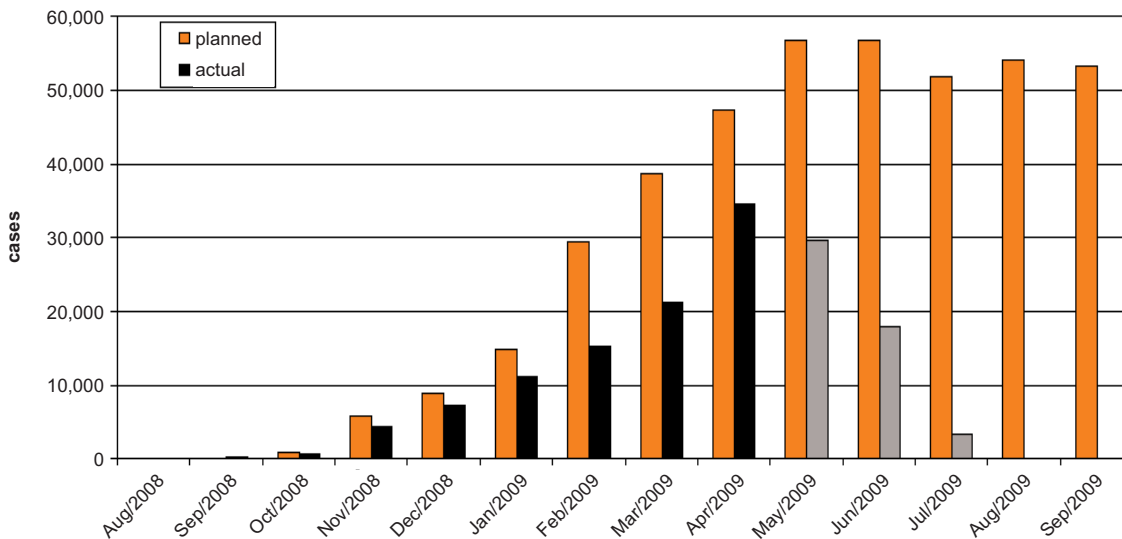
Since April 2009, it has been possible for employers to apply for short-time work allowances with skills enhancement (*Qualifizierungsunterstützung*). Under this scheme employers can apply for an additional payment of 15% on top of the short-time work subsidy if they offer training to employees during their reduced working hours, to enhance their employability and to improve the adaptability of enterprises during changed economic circumstances. This subsidy is passed on in full to employees on short-time work arrangements as a salary enhancement. The AMS also pays a subsidy, co-funded by the European Social Fund (ESF), to cover 60% of course fees up to a maximum of €10,000 per participant.

In order to benefit from this scheme, the social partners have to negotiate and submit an agreed training plan to the AMS. The AMS can offer adaptability and training needs consultancy funded by the ESF to businesses prior to an application but the final training concept still needs to be agreed by the social partners.

It is estimated that so far this measure offering short-time work with skills enhancement has only been used in 9% of all instances of short-time working. There is also a significant gap between planned and actual short-time work cases. This has been attributed to the following factors.

- Trade unions are powerful negotiators in this process and usually call for 90% of wages to be paid during short-time working irrespective of the level of working time reduction, and also ask for no reduction in benefits and entitlements linked to wages. Unions also usually insist on jobs being preserved for a fixed period of time beyond the official end of the measure. This makes short-time working rather costly for the employer because the benefit paid by the AMS is limited. An additional cost factor is that social partner agreements state that the employer must pay employees' social security contributions on 100% of their usual wage rather than on the reduced amount they are paid during the short time work period.
- Establishing a training concept can be time-consuming, and offering training can reduce flexibility, making it more difficult for employers to change working hours quickly should new orders be received. Training also has to take place during the hours in which an employee would normally be working and this can also prove to be inflexible.

Figure 2: Participants in short time work: planned versus actual



Source: Presentation by Claudia Galehr; AMS; EEO-MISEP meeting Stockholm, 8th October 2009

More recent data show that actual take-up rates from June 2009 have been somewhat higher than indicated in Figure 2 with the share of planned versus realised short-time working fluctuating between 60–72% between June, the peak, and November 2009, the low point in this period. Applications started to diminish significantly from September 2009 onwards and the difference between planned and realised short-time working declined to 46% in December 2009. Actual applications were down to 35,135 in December 2009. It is expected that numbers will decline to around 20,000 in 2010 (Die Presse, 14.1.2010). Short-time working has most commonly been used in the metalworking sector. Data from the Austrian Ministry of Labour and Consumer Affairs states that €113.5 billion has been spent on short-time work subsidies, qualifications gained during short-time work and social security contributions in 2009. The Austrian Institute of Economic Research (WIFO) estimates that 8,400 jobs were saved last year as a result of these measures, but the most recent data lead to the assumption that the actual number may be slightly lower at 7,000 saved jobs.

Vocational training leave (*Bildungskarenz* and *Bildungskarenz plus*)

In 1997, within the context of its policy on improving lifelong learning opportunities, Austria introduced a system for vocational training leave for individuals in employment. There is no legal entitlement to vocational training leave and instead access is based on agreement between the employer and individual employees. In companies which have a works council, it must be involved in agreements between the employer and employee about vocational training leave. In order to apply for such leave, an employee must have been continuously employed with the same employer for at least six months. Before 2009, the qualifying period was 12 months and before 2008 it was three years. Vocational training leave can last for between two and 12 months and must begin within four years of the initial application. It can be taken in segments of no less than two months at a time and a new application for training leave can only be made four years after the beginning of the last period of leave. At the end of a period of leave, the employee is entitled to return to the same job. With effect from January 2012, the qualification period for vocational training leave will increase to 12 months continuous employment and the minimum duration of each segment of leave will be three months.

During their period of training leave, the employee is entitled to a vocational training allowance (*Weiterbildungsgeld*) paid by the AMS. The allowance is only paid to those who are entitled to unemployment benefit; in other words, those who have paid unemployment insurance contributions during at least 52 weeks of employment. Individuals under 25 years old must have paid contributions during at least 26 weeks of employment. Since January 2008, vocational training

allowance has been paid at the same level as unemployment benefit (*Arbeitslosengeld*). This is paid at 55% of the net salary in the year prior to application or at a minimum of €14.53 per day. This is a significant enhancement of the allowance since before 2008, workers taking vocational training leave were entitled to a maximum of €14.53 per day. Training must be for at least 20 hours per week, or at least 16 hours for those with children under the age of 7 who do not have access to additional childcare arrangements.

In response to the crisis, the Austrian government created an additional scheme entitled *Bildungskarenz Plus*, co-funded by the respective region and the AMS. This temporary scheme was launched in November 2008 and it is expected that it will be possible to apply for training agreements under the scheme until December 2012. The goal of this measure is to enable companies to retain employees during periods of economic difficulty and to provide them with access to further training. It differs from the normal system of vocational training leave in that the regional government and AMS contribute to the cost of training if the employer has agreed to pay the remaining cost of training. The reimbursement rate varies from region to region, but is most commonly 50% of training costs. Maximum entitlements are set for each company.

Table 4: *Entitlements to Bildungskarenz Plus at regional level*

	Maximum reimbursement rate	Maximum beneficiaries per company	Final applications for the scheme
Vienna	50% (up to max. €3,000)	€100,000 per company	n/d
Salzburg	50% (up to max. €3,000)	Half of employees up to max. 30 per company	n/d
Styria	25% (up to max. €1,250)	100 workers per company	30.6.2010
Burgenland	50% (up to max. €1,500)	n/d	31.12.2010
Carinthia	50% (up to max. €1,500)	n/d	n/d
Vorarlberg	50% (up to max. €2,500)	Half of employees up to max. 30 per company	n/d
Tyrol	50% (up to max. €3,000)	Half of employees up to max. 30 per company	31.12.2010
Lower Austria	50% (up to max. €2,640)	n/d	31.3.2010
Upper Austria	50% (up to max. €3,000)	30 per company	31.12.2010

Source: AMS (2009)

The use of vocational training leave has had a somewhat chequered history, partly due to various changes in the regulations governing access and replacement rates. Following its introduction in the late 1990s, take up was initially very low. 525 individuals took vocational training leave in 1998 but this increased rapidly to a take-up by 4,700 individuals in 2000. This was mainly due to a loophole in the legislation which allowed women to enter vocational training leave immediately following their maternity leave – 94% of beneficiaries in 2000 were women. This loophole was closed in October 2000 with the provision that individuals must have worked for 26 weeks between claiming maternity and taking vocational training leave benefits. As a result, take-up declined to 849 in 2001. Between 2001 and 2008, take-up remained at a relatively low level of around 1,000 beneficiaries per year. This figure only increased in 2008 after further revisions to the legislation allowed access to anyone who had been in continuous employment with the same employer for 12 months – previously the qualification period had been three years – and increasing compensation rates to the level of 'fictitious' unemployment benefit as described earlier. As a result, the number of beneficiaries increased to 2,258 in 2008. However it was the economic crisis, the further lowering of eligibility criteria to six months' employment with the same employer and, presumably, the introduction of *Bildungskarenz Plus* (although detailed data breaking down the take up of *Bildungskarenz* and *Bildungskarenz Plus* are not yet available) which led to a very significant increase in the number of individuals claiming vocational training allowance. According to a report

from APA, based on AMS data, 28,000 individuals claimed this allowance between January and April 2010. According to this report, this amounts to more than twice the number of recipients in 2009.

In Tyrol, the region where Plansee's main operations in Austria are located, there were 2,705 claimants.

Table 5: *Recipients of vocational training allowance in 2010*

Region	Number of recipients
Upper Austria	8,823
Styria	5,552
Vienna	4,595
Lower Austria	3,374
Tyrol	2,705
Salzburg	1,295
Carinthia	946
Vorarlberg	607
Burgenland	383

Source: AMS (2010)

Labour foundations

Labour foundations have been used in Austria for some 20 years to redeploy 'surplus' labour. They were developed in co-operation between the social partners and the public authorities to find solutions for regional structural change, and to assist labour market adjustments. Their main goal is to intervene early in restructuring situations to offer affected workers new opportunities through outplacement, help with job-hunting, further retraining or assistance with becoming self-employed, and to prevent the negative effects of long-term unemployment. Labour foundations are accustomed to dealing with the threat of redundancies (outplacement foundations), and in situations where there are staffing bottlenecks (inplacement foundations).

There are three different forms of labour foundation.

- **Company foundations:** These foundations are established by individual companies which are affected by the threat of large scale redundancies. Participants in such foundations only receive assistance from the AMS in the form of 'foundation unemployment benefit' (*Stiftungsarbeitslosengeld*) for a maximum of 156 weeks (209 weeks in exceptional circumstances).
- **Insolvency foundations:** These foundations can be set up in the event of business insolvency and resulting redundancies. They receive support from the AMS up to a maximum of 50% of total costs and for a maximum of 156 weeks (209 weeks in exceptional circumstances – in addition to unemployment benefit payments).
- **Regional foundations:** These are established at the regional level where a whole territory is significantly affected by restructuring. Such foundations can receive up to 25% of their funding from the AMS in addition to unemployment benefit payments.

Labour foundations are established as a result of an agreement between social partners at company level (and additionally at regional level, where appropriate). A final decision on the establishment of a labour foundation is taken by the regional AMS in consultation with the social partners. Labour foundations are co-financed from different sources, often involving the employer, the AMS and the region. Participants in labour foundations are entitled to unemployment

benefit payments for up to 156 weeks (or a maximum of 209 weeks in exceptional circumstances). In addition, participants receive an allowance to supplement their unemployment benefit.

Participation in the labour foundation is voluntary, with affected workers free to choose other options offered by the AMS or, indeed, to take redundancy instead. The advantages for individuals entering a labour foundation are essentially threefold.

- They receive assistance and support tailored closely to their personal needs from day one, with one counsellor responsible for the same individual throughout. Redundant workers get practical help with careers advice, training, retraining and job-hunting and also receive psychological support.
- Individuals registered with a labour foundation are not 'officially' unemployed and are considered to be employed by the labour foundation. This means they do not have to satisfy the usual requirements of actively seeking work.
- This in turn means that individuals can receive longer-term training and retraining and this can be particularly helpful for those wishing to pursue a new career.

Upon entering the labour foundation, each participant agrees a tailored career plan based on individual profiling, and which sets out the action required to find new employment. Each participant is obliged to take part in agreed activities and measures. Each career plan is assessed by the AMS to ensure its relevance for the local labour market and its effectiveness and efficiency. Measures can include:

- additional accredited training to expand and enhance existing qualifications;
- vocational training for accredited job profiles;
- workplace based vocational training;
- training at accredited vocational training institutions and schools;
- training in accredited adult training facilities;
- assistance with business formation.

In response to the economic crisis, certain regulations governing labour foundations were reviewed in 2008, largely to make it possible for smaller companies to access these services and also to cover new groups of employees such as agency workers and young people.

The success of labour foundations is demonstrated in the growth in their numbers over the years, accelerated by the economic crisis. In 2007 there were 79 outplacement and 114 inplacement foundations registered with the AMS; by November 2009, these had increased to 141 and 175, respectively.

Tyrol has a regional labour foundation (*Arbeitsstiftung Tirol*), but Plansee opted to establish a company foundation instead to ensure that its employees had the highest possible level of support in a familiar environment, and the labour foundation was set up on company premises.

Partial retirement (*Altersteilzeit*)

Partial retirement was introduced more than ten years ago as an option to help reduce unemployment among older (and younger) workers and to ease the transition between work and retirement. It allowed employers, on the basis of an agreement with the works council, to introduce partial retirement options that reduced the working time of older

employees and agreed a level of compensation – usually above the pay for the actual hours worked as well as the obligation to replace retired workers with apprentices. The difference between the salary for actual hours worked and the salary paid to workers on partial retirement is covered by the AMS. The minimum compensation (*Lohnausgleich*) payable by the employer is 50% of the difference between the previous salary and the salary earned for the hours on partial retirement. Higher levels of compensation can be agreed at individual level and by the works council.

The earliest that older employees can currently qualify for partial retirement options is at age 53 for women and age 58 for men. The intention was to increase the age of entitlement by half a year each year between 2004 and 2010, and the earliest access in 2004 was for 50 and 55-year-olds respectively. However, this was frozen in 2009 and the next increase is now not due until 2011. By 2014 the earliest possible entry into partial retirement will be at 55 for women and 60 for men.

Between 1999 and 2000 and between 2003 and 2009, it was only possible to reach agreements on partial retirement if the employer agreed to recruit an apprentice for each older worker taking up the partial retirement option. This significantly restricted the take-up of this measure. As a result of the economic crisis, it was again decided to remove this requirement. In addition, part-time employees working 60% of full time hours (previously 80%) also became eligible for access to partial retirement.

To qualify for partial retirement, the following conditions have to be met:

- individuals must have at least 15 years insured service in the previous 25 years, although not necessarily with the same employer;
- both employer and employee must be willing to agree on a new contract;
- normal working hours must be reduced by between 40% and 60%;
- social insurance coverage must be maintained at 100%

Further amendments to the legislation in 2009 serve to make the large scale use of the scheme less attractive to employers, particularly the reduction in the amount of compensation covered by the AMS. The public employment service previously covered 100% of the difference between the salary for hours worked and the compensation paid, and this has now been reduced to 90% for individual agreements and 50% for block agreements with a significant number of workers.

Social partnership and the role of the works council

Social partnership in Austria is strongly institutionalised. Social partners play an important role not only in collective bargaining but also in tripartite consultation with government and public authorities at all levels, and on all important aspects of economic, social and labour market policy.

Collective agreements in Austria are almost exclusively concluded at sectoral level, between various Economic Chambers and the Austrian Federation of Trade Unions (ÖGB) or its sectoral federations. ÖGB organises seven sectoral trade unions. From 2007, ÖGB agreed that each affiliated union is entitled to establish itself as society with some legal capacity. As a result of changes in the ÖGB's statutes and overall organisation, member unions have been recently given more autonomy and can now negotiate collective agreements at sectoral and branch level and sign these on behalf of the union federation.

On the employers' side there are various employers' associations or chambers organised under the Credit Section of the Austrian Chamber of the Economy (*Wirtschaftskammer Österreich*, WKÖ), which represents nearly all private companies in Austria. The remaining employers are organised in the Association of Austrian Industrialists (*Industriellenvereinigung*). Each subsector has its own employers' association and the membership of employers in associations is statutory; as a consequence the aggregate bargaining coverage of collective agreements is as high as 98%. Only a minority of collective agreements are concluded at the Länder level.

Austria's model of workplace interest representation is based on a dual model of works councils and trade union representation. According to Austrian law, companies with at least five employees are required to elect a works council (*Betriebsrat*) that represents the interests of all employees, both trade unionists and non-union members, if employee representatives request it. The council is elected by employees every fourth year and has the legal right to participate in the company's decision-making. The management has to inform and consult the members of the works council on a regular basis about any issues relevant to the company's workforce.

Under the Works Constitution Act (WCA), the works council has to be consulted and informed promptly about any individual dismissals or change of the establishment planned by the employer. The works council is also entitled to make proposals to prevent, mitigate or assuage any consequences of such changes that might be detrimental to the employee. If the two sides cannot agree on the terms of the works agreement and no collective agreements cover such arrangements, then the issue can be taken to a disputes board.

Soft restructuring and the social plan at Plansee

When the economic crisis hit the Plansee group in the second half of 2008, the management, the company works council and the chambers of commerce agreed a three-step social plan in early 2009. Its aim was to limit the detrimental effects of the collapse in demand on employees and avoid involuntary redundancies as far as possible. Different elements of the package of options were offered in different parts of the group, taking account of the extent to which they were affected by the economic downturn.

Table 6 summarises the different options offered and the number of individuals affected by these different restructuring options. The options included a wide range of measures including reducing or cancelling overtime hours, asking employees to take outstanding leave or bring leave forward, not renewing agency and temporary contracts, voluntary redundancy, early retirement and partial retirement, vocational training leave, the use of short-time working and the establishment of a labour foundation. Strong emphasis was placed on the retention of experienced workers and training.

Initially the hope was that most of the workers on short-time working could be retained and that those on vocational training leave would return to work with more adaptable and transferable skills. By placing the labour foundation on the premises of the company, it was also hoped that those participating in it would retain contact with the company and, if possible, return to their former employment with new and improved skills. As the economy improves, it currently appears that many of these aspirations can be met.

Table 6: *Workforce restructuring measures taken at Plansee Group*

Measure	Number of employees affected
Reducing/cancelling overtime working	Offered across the group, total number of workers affected unknown
Employees required to use outstanding holidays/bring forward 2009 leave entitlements	Offered across the group. All employees were required to take outstanding leave, but only 20 choose to take leave for 2010 early.
Agency work contracts and temporary work contracts were not renewed	Measure used across the group 160 workers affected
Voluntary redundancy	Measure offered across the group, taken up by 87 employees
Voluntary early retirement	Measure offered across the group, taken up by 8 employees
Partial retirement	Measure offered across the group, taken up by 5 employees
Extension of parental leave from 18 to 30 months with financial assistance	Measure offered across the group, taken up by 25 employees
Vocational training leave	Measure offered across the group, taken up by 70 employees
Short-time working	Measure applied to employees of Ceratizit, affecting a varying number of employees between June 2009 and February 2010 (see table 8 below)
Labour Foundation	Measure offered to employees of Ceratizit, taken up by 71 employees

Source: *Interviews with employer and trade union representatives*

Those individuals who chose to take voluntary redundancy received their statutory redundancy payment. The statutory minimum levels of severance pay are presented in Table 7. Upon termination of the employment contract, an employee is entitled to severance pay only if he/she has at least three years' service in the organisation and has not resigned of his or her own free will.

In 2002 Austria reformed its severance pay legislation (*Abfertigung Neu*), with new provisions applying to all contracts signed after December 31, 2002. The new scheme stipulates that all private sector employees are entitled to severance pay from the second month of employment onwards instead of only after three years continuous service. This entitlement cannot be lost, even where employment is terminated voluntarily or for reasons relating to a fault of the employee. Under the new scheme, the employer contributes 1.53% of the monthly wage to an employee income provision fund. If an employee leaves the company, the accumulated employers' severance pay contributions may either be paid directly to employee (if they have at least three years' service) or transferred to the fund of their new employer. These funds are obliged by law to administer companies' severance pay contributions and to invest them in the private capital market in order to build up the employees' severance pay entitlement towards a future supplementary occupational pension. If the employee is entitled to severance pay, he or she can choose either to cash in this entitlement, to leave it invested with the old employer, move it to the new employer or to move it to a private pension fund.

Table 7: *Statutory levels of severance pay*

Employment length	Severance pay
3 years	2 months salary
5 years	3 months salary
10 years	4 months salary
15 years	6 months salary
20 years	9 months salary
25 years	12 months salary

In addition to the statutory provisions, at Plansee the company and the works council negotiated an additional 40% increase in severance payments.

Those who extended their period of maternity leave also received an increase in their compensation payment and a guarantee to be able to return to their old job upon their return.

The few workers entering partial retirement schemes also received compensation in relation to their reduced hours. Most of those opting for partial retirement chose the block option of working full time for a period and then retiring full time. They received the minimum compensation payable, 50% of the difference between the previous salary and the salary earned for the hours during partial retirement.

Short time working

As previously discussed, only Plansee's employees at Ceratizit were placed on short-time working. The table below shows the number of employees on short-time working in the months between June 2009 and April 2010. It shows that although short-time working officially ended in April 2010, there was no take-up of the scheme even in March and April of this year, and figures had indeed dropped significantly from December 2009. At the time of writing (July 2010), the Plansee Group is experiencing a significant expansion in demand, but it is currently unclear how sustainable this recovery will be.

Table 8: *Number of workers on short-time working arrangements between June 2009 and April 2010*

Month	Number of employees working reduced hours
June 2009	517
July	460
August	408
September	386
October	333
November	216
December	187
January 2010	89
February	8
March	0
April	0

No precise information is available on the number of employees who were on short-time work arrangements throughout the time between June 2009 and February 2010, but it can be assumed that this affected a significant number of employees.

For those on short-time working measures, working time was cut by 15 hours per week for the duration of their participation in the measure. Based on an agreement reached between management and the works council, employees working short-time received 90% of their previous salary as well as retaining additional benefits and pay-related entitlements. For low-paid workers, salary during short-time working was raised to 94% of previous wage.

Training was also offered during short-time working under the regulations for short-time working with skills enhancement. This was offered to all employees on short-time work arrangements during the two days that they were not working. All training was offered on the employers' premises, largely by internal trainers. The employer and the works council had agreed on a training plan which had previously been discussed between unit managers and relevant employee representatives. All training was employer and process relevant, but some general training – on health and safety issues, for instance – was also delivered. Training was largely in the form of short courses to allow sufficient flexibility should there be a renewed increase in demand. A total of 14,600 hours of training were delivered during this time.

As outlined above, the public employment service pays an allowance equivalent to the 'fictitious' unemployment benefit to employees on short-time working. Under the short-time working with skills enhancement scheme, Plansee was able to apply for an additional payment of 15% on top of the short-time work subsidy. This subsidy is passed on in full to employees on short-time work arrangements. In addition, the AMS paid a subsidy to cover 60% of course fees up to a maximum of €10,000 per participant, co-funded by the ESF.

Despite these subsidies, it must be borne in mind that employers in Austria continue to be responsible for 100% of the social security contributions due on employee's full wages even when they are working reduced hours. For Plansee this meant that less than 50% of the entitlements received by short time workers (salary and on-costs) came from public funding, with the company paying the balance.

Nevertheless, short-time working helped Ceratizit avoid making redundancies among permanent staff with the associated loss of experience and expertise that would have entailed, making it possible for the company to start work immediately on any new orders which came in. It is, however, seen as very much a temporary measure to be phased out as soon as the economic situation improves, because it is so costly for the employer.

Plansee labour foundation

The Plansee labour foundation was established in 2009 and closed its doors to new entrants in March 2010. The management and works council, in consultation with the public employment service in Tyrol decided to establish a company labour foundation rather than provide access to the regional labour foundation, to provide greater support to employees voluntarily entering the foundation. Management of the foundation was provided by Alois Oberer, previously head of the works council at Plansee, with Detlef Bartsch, Plansee's Head of Human Resources deputising. The management team was completed by Dr Andreas Lackner, representing the Ceratizit management, and Christoph Schreiber, current head of the Plansee works council.

The labour foundation is based at the premises of the Plansee group in Reutte, which means that employees who entered the foundation could return to familiar surroundings, continue to see colleagues, maintain contact with the company and find out about any job vacancies.

The work of the labour foundation was funded by Plansee and Ceratizit through a specific fund established for this purpose by the works council, the AMS and the Tyrol regional government. The public employment service contributes unemployment benefit and an additional €100 'foundation allowance'. Training costs are covered by the foundation; the company contributes an average of €9,000 per participant (€1,000 of this was drawn from the contribution of the work council fund per participant); the regional government provides an additional €1,000. This is significantly higher than average company contributions to labour foundations, which are usually in the region of €5,000 per beneficiary. The company and the works council made a decision to invest in high quality training for former Ceratizit employees.

A total of 71 employees volunteered to enter the labour foundation. Around 70% of participants were under the age of 30 and five of the beneficiaries were aged over 50. The majority of beneficiaries were semi-skilled or skilled men.

Participation in the labour foundation starts with an orientation phase during which individuals work with a foundation representative and the AMS to develop a career plan. This phase assesses existing skills and qualifications and allows each participant to decide independently whether they wish to use this opportunity to make a complete career change, or whether they prefer to enhance existing skills and qualifications. Although the training and development plan must be approved by the AMS, which assesses whether the new skills and qualifications sought are indeed required by the local labour market, the final decision on which career path to pursue rests with the individual. Participation in the foundation is possible for three years, or four years for those over the age of 50. The average length of participation in the Plansee foundation is 30 months, significantly higher than the national average of 10 months.

Table 9 provides details of the types of qualifications obtained by individuals who entered the Plansee labour foundation. This highlights the fact that a significant proportion of those entering the foundation were young, semi-skilled workers without higher-level educational qualifications, and that they used this opportunity to obtain those qualifications (the *Matura*). This means that they will, if they wish, be able to go to university or vocational college and improve their general position in the labour market. They were motivated either by their own realisation that this 'time out' provided them with an opportunity to complete their education, or by the assistance of their counsellor. Others used the opportunity to obtain a higher vocational qualification and a significant number chose to change career entirely, with many opting for training in the health care professions. A significant number (11) also elected to seek assistance to enable them to become self-employed. This is less surprising when it is taken into account that levels of self-employment in Austria are relatively high compared to the EU average. In 2009, self-employment accounted for 20% of all employment in Austria – 3.5 percentage points higher than in the rest of the EU. Other technical vocational courses also proved popular.

It is important to note that it takes on average two years to obtain a new vocational qualification through college-based tuition linked with workplace learning. This goes some way towards explaining the relatively long stay of former Ceratizit employees in the labour foundation.

Interviews with representatives of the Plansee management and trade union representatives has provided anecdotal evidence that some of the individuals trained for relevant technical professions have already found re-employment within the Plansee group. As an update to Table 9, seven trainees have so far left the labour foundation; four of these have been re-employed and three are looking for work. The average length of time spent in the training foundation is 33 months. Training offered as part of the foundation scheme is full-time.

Table 9: *Training/retraining pursued by Ceratizit employees entering the labour foundation*

Type of qualification/institution/action	Nature of training	Number of trainees
Apprenticeship	Mechanical engineer	2
	Recruitment consultant	1
	ICT manager	1
	Sales manager (<i>Industriekaufmann</i>)	1
Further vocational training (Kolleg)	Automatisation technology	22
	ICT and organisational management	2
	Registered nurse	1
Pedagogical Academy (PÄDAK)	Teacher	2

Table 9: Training/retraining pursued by Ceratizit employees entering the labour foundation (cont'd)

Type of qualification/institution/action	Nature of training	Number of trainees
Vocational training college (Bachelor degree)	Media design	1
	Social work	1
	Process and energy technology	2
	Global sales management	1
	Engineering	1
Distance learning degree	Economic engineering (<i>Wirtschaftsingenieurwesen</i>)	2
	Mechanical engineering	1
University (bachelor degree)	Metallurgy	1
	Philosophy	1
	Translator	1
	Pedagogy	1
	Economic engineering	1
	Construction and environmental sciences	1
	Economics	1
Other vocational training	Care assistant	1
	Qualified foreman/shift manager	2
	Fitness coach	1
	ICT manager	4
	Journalist	1
	Yoga trainer	1
	Masseur	1
	Sound engineer	1
	Communications manager	1
Self employment	Pet shop manager	1
	Masseur	1
	Health/life coach	1
	Shiatsu practitioner	1
	Logistics manager	1
	Sculptor	1
	Energy efficiency advisor	1
	Dog trainer	1
	Beautician	1
Looking for work	Actively seeking work	1
Total		71

The training accessed by labour foundation beneficiaries was largely sourced locally by representatives of the labour foundation in consultation with the AMS and the individual. All training was provided in recognised education and vocational training facilities and all training was accredited. The financial contribution from Plansee and the region was sufficient to cover the full training costs for all beneficiaries.

Vocational training leave

A further 70 Plansee employees used the opportunity to take up vocational training leave (*Bildungskarenz* and *Bildungskarenz Plus*). As indicated above, vocational training leave provides employees with the opportunity to pursue accredited training for a period of between two and 12 months with a guarantee of being able to return to their previous

job upon their return. During this time, employees received the vocational training allowance from the AMS. Plansee covered the cost of their training at an average of €3,000 per participant.

For 30 of the 80 employees taking this leave, Plansee was able to use the provision of the vocational training leave 'plus' regulations to recover 50% of training costs from the public employment service.

The offer to take training leave closed in August 2009. Table 10 provides an overview of the level of training accessed by those on vocational training leave. Based on anecdotal evidence, this training was relevant to the existing jobs of individuals in many cases, while other employees used this opportunity to retrain.

Table 10: *Level of training accessed by those on vocational training leave*

Type of qualification/institution/action	Number of trainees
Apprenticeship	5
Further vocational training (Kolleg)	25
Pedagogical Academy (PÄDAK)	2
Vocational training college (Bachelor degree)	6
Distance learning degree	3
University (bachelor degree)	7
Other vocational training	13
Self employment	9
Total	70

Lessons learned and conclusions

Plansee used a wide range of measures in an attempt to ensure a 'soft landing' for employees affected by the downturn in global markets. Two key factors contributed to the company's ability to rely on such measures rather than resorting to involuntary redundancies:

- The strong track record of social partnership and consultation within the company between the management and the works council, and the wider partnership with trade unions and the chambers of commerce, and with the regional Public Employment Service.
- The extensive framework of supportive public measures available in Austria for short-time working, vocational training leave, partial retirement, and the well-established concept of labour foundations.

The framework of public measures in place clearly helped, but the information presented here has also demonstrated that without the additional willingness and the financial ability of the company to put in place further supporting measures – topping up short time work allowances, contributing generously to a labour foundation, funding training for those on vocational training leave – the options would clearly have been significantly less attractive to employees and would have resulted in considerably greater financial hardship.

A defining demonstration of the company's commitment to its employees was the establishment of a company-specific labour foundation which was considered particularly valuable by affected employees, since it kept them in touch with the company and their former colleagues, making their transition from employment with Plansee somewhat easier. The

above-average investment made by the company in the labour foundation made it possible for lower skilled workers to upgrade their educational qualifications, and also made it possible for some to enhance existing skills and return to more skilled employment within the company.

Less than half of the employees participating in the labour foundation chose to retrain for positions entirely different to their previous field of work. This may also be a reflection of the fact that before the crisis the labour market in the region was generally healthier than the national average. It indicates that there is a relatively high demand for skills related to their job at Plansee at the local level but that there is also a generally low level of occupational mobility in Austria.

Vocational training leave was made more attractive for workers by increasing the compensation rate to the level of 'fictional' unemployment benefit and was further enhanced by the offer of co-funding of training for at least some individuals. Plansee also offered to cover training costs up to a maximum of €10,000 for all workers keen to take advantage of the scheme, even where this could not be co-financed by the public employment service.

While it is too early to say whether the jobs saved at Plansee are sustainable, in Austria at least there has been no need for the company to consider forcing through involuntary redundancies. However, much will depend on developments in the global economy and it might be some time before it is possible to assess whether Plansee's approach has achieved the desired effect of allowing the organisation to maintain its skilled and experienced workforce in difficult times.

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