

New forms of employment

Employee sharing, Germany

Case study 2: Policy analysis

Governments, employers and unions at regional level are all agreed about the advantages of employee sharing through Arbeitgeberzusammenschlüsse (AGZ). But the scope of AGZ is at present limited and it cannot flourish without policy intervention.

Introduction

In Germany, an Arbeitgeberzusammenschlüsse (AGZ) is generally understood as a pool of companies, private employers, associations or regional authorities sharing human resources in the form of a cooperative HR management. As such, AGZ are intermediaries between companies, workers and the region; they promote flexibility for the companies, security for workers and they increase the amount of skilled labour in the region (Tamen, 2009; Wölfing et al, 2007; Hartmann and Meyer-Wölfing, 2008; Hartmann et al, 2008).

The aim of an AGZ is to:

- provide participating firms with qualified and reliable staff at a reasonable cost;
- transform insecure employment into secure full-time employment;
- improve the economic development of the participating firms and that of the region by helping to provide better flexibility, anticipation, strategy and innovation skills, expansion and diversification potential (AGZ Infozentrum, 2013; Osthoff et al, 2011).

AGZ provide companies with human resources they need but could not use to full capacity. This is done by combining the part-time staff needs of the individual firms. The participating companies are jointly responsible for the employees who are hired on a full-time basis by the AGZ and work exclusively for them seasonally or at regularly recurrent, fixed-term periods (for example, weekly). On average, this means a worker will be at two to four different workplaces per year. Their income and working conditions are equal to those of the companies' core staff. Participating companies have to plan and guarantee working times and wage payments for predetermined periods. The duties and rights of the participating companies are regulated through contracts or the AGZ charter (AGZ Infozentrum, undated). It and the companies agree on call-out orders (*Abrufvereinbarungen*) indicating the time, location, extent and content of work, as well as the qualifications and any other requirements of the worker.

AGZ take care of the recruitment and induction of employees, the drafting of work contracts, the management of work placements, payroll services, a regular mapping of skill needs and the provision of education and training (participating companies share the costs for this). It is

generally estimated that an AGZ needs about 35–40 workers to create a sufficiently high turnover to employ one or two management staff (AGZ Infozentrum, 2013; Hartmann and Meyer-Wölfing, 2008). Consequently, smaller AGZ do not have a separate management structure but are coordinated by a member company.

When asked about the requirement for an employer group management, the interviewed experts highlight that this must be someone who ‘sees the bigger picture for the region’, that means who aims to improve the overall economic, labour market and social situation by taking on the task to organise an employment model that has the potential of being mutually beneficial if well applied. In order to do so, the employer group management needs to be active and promote the employment model in the region among both, policy makers and companies. With regard to the latter, the employer group management has to be familiar with the regional business structure and systematically approach company owners/managers to explore their demand for an AGZ, their willingness to participate in such an employment model and to probe whether initially flagged demand and commitment will be sustainable in practice. Furthermore, it was mentioned that the AGZ management needs to have a good understanding of the local businesses, to anticipate their concerns regarding the employment model and to find ways of explaining them the potential advantages and disadvantages honestly. For such, it is mentioned that pre-established personal contacts between company owners/managers and the employer group management are favourable as it not only facilitates a sound knowledge basis of the management but also a mutual trust relationship. This is seen as a key success factor for an AGZ, particularly in the start-up phase of an AGZ and when only few ‘good practice’ examples of AGZ are available. The AGZ management needs to have good networking competences to liaise among the participating companies and workers, but also to effectively promote the employment model among institutional actors.

According to Wölfing et al (2007), the precondition for establishing an AGZ is the demand from companies, particularly smaller firms, for qualified, motivated and reliable workers for whom they cannot provide a full-time workload. Several interview partners highlight that a lack of skills or workforce in general is favourable for AGZ to be considered by companies. However, such a labour market situation might be a hindering factor for workers to join this employment model. Those who avail of the skills highly demanded are in a powerful position and most probably can negotiate the best possible employment conditions, which in most cases will be the preference for ‘standard employment’, that is permanent full-time employment with a single employer.

Another important precondition is that companies are willing to cooperate with other regional firms. Consequently, a tight regional company network, characterised by good cooperative spirit and mutual trust is beneficial for the establishment of AGZ. Also, ‘success stories’ are quickly spread through word-of-the-mouth and more companies might become interested in joining the AGZ, so that a healthy growth of the employment model could be realised. In contrast to that, if there are fears that the shared workers could provide competitors with insider information or that some of the participating companies misbehave and abuse the employment model, an AGZ is unlikely to be established or sustainably survive. Also, it seems that in some professions company owners/managers are very much convinced about their own business and have the impression that other regional companies are working much below their own standards. Consequently, they are reluctant to engage with them in order not to endanger their own business as a joint ‘race to the bottom’ is expected.

Another factor in the successful start-up of an AGZ is its promotion by a competent and regionally anchored actor (such as individual employers, advisors or representatives of the

regional labour market policy). This person is crucial in explaining the working methods and advantages of AGZ, as well as engaging in networking with employers, to encourage the shared aim of stabilising the use of human resources in their companies and making jobs less precarious (Hertwig and Kirsch, 2012). This requires:

- a shared understanding of each company's HR needs (extent, timing and qualifications);
- an agreement on how these can be combined to form full-time employment;
- working out where sharing staff or tasks across companies is feasible (not least as regards risk sharing).

If this is achieved, the participating companies jointly establish a new entity which becomes the employer of the shared workforce. While in general few specific requirements as regards shared workers can be highlighted, it is mentioned that they need to have some level of adaptability and flexibility to enable them to work in different companies, at different tasks, with different teams and superiors without causing them additional stress. This also implies that they need to be good 'team players' that can easily join existing teams. At the same time, they need to be able to work autonomously, be reliable and willing to engage in continuous learning, so that their assignment in the different companies does not cause additional supervisory efforts in the participating company, nor for the AGZ management. In this context, one of the interview partners suggests that an AGZ might be a more suitable employment model for slightly more mature workers (around the age of 40) as they might have a more realistic perspective as regards employment relationships. Hence, they might understand better that workers need to accept some concessions for an employment relationship to work well, and that a 'perfect job' according to their expectations can hardly ever be realised.

As set out by Kratz and Böcker (2010) competition and confidentiality are not deemed to be a problem because:

- member companies have the opportunity to define the limits of their cooperation and get to know each other.
- the AGZ applies the same contractual regulations on dealing with sensitive information as is done in other employment relationships.
- member companies use AGZ workers only for jobs they deem 'safe' as regards the transfer of information or procedures.

There are one to two annual meetings between AGZ management and member companies to discuss how the AGZ has developed, plans, and the alignment of HR needs. The management then draws up an annual plan and the member companies guarantee to provide a workload and payment for the workers for the defined periods of time. In general, member companies finance the AGZ by a contribution of 12%–15% of the gross wage costs of the shared employees (Osthoff et al, 2011).

While there is no legal framework or general policy on AGZ in Germany, there have been regional activities dealing with this employment form since the early 2000s. This case study gives a brief overview of a selection of these initiatives to illustrate the macro environment of German AGZ. To supplement this, a more in depth description about the main characteristics, working procedures and developments of one German AGZ, is contained in a case study on the Arbeitgeberzusammenschluss Südbrandenburg (see Case study 1).

Background and objectives

AGZ began to be considered in Germany when companies started to experience a shortage of skilled labour in the mid-2000s. Up until then, companies had been used to cheap labour and had many ways of filling vacancies (including using precarious labour). Now, however, they had to compete for workers, which was particularly difficult for the smaller and rural companies that were not able to provide attractive working conditions and income. At the same time, labour market policy began trying to eradicate precarious jobs and was also coping with mass unemployment in structurally weak regions. AGZ fit rather well in such a situation, as they appeal to employers' sense of responsibility and also offer those that cannot provide permanent full-time employment access to skilled labour. In regions where most businesses follow seasonal production cycles, cross-company cooperation in HR management can contribute to cutting unemployment in off-season periods, as workers can then be active in other firms less seasonally dependent. This, in turn, contributes to keeping skilled labour in the region which fosters the regional competitiveness and the sustainability of firms, particularly small and medium-sized ones.

With this perspective and the knowledge about the AGZ practice from France, the German approach to AGZ is a comparatively academic one. The idea was to analyse systematically the characteristics and working methods of French employer groups and to assess how well they could be transposed. Consequently, this has led to a comparatively large amount of scientific analyses and many discussions on the best way to draft a sound theoretical basis for setting up specific AGZ.

Characteristics of employee

Legal framework

In Germany, there is no specific legislation framing the activities of AGZ. Rather, AGZ fall under legislation covering temporary work agencies (*Arbeitnehmerüberlassungsgesetz, AÜG*). While this provides good protection for the employees, it does not address the intention of an AGZ in establishing companies' joint responsibility for the shared workforce (Hartmann, 2012). The law on temporary work agencies rests on the assumption that an employer is outsourcing their HR risks and responsibilities to a third party against payment. This not only creates confusion among companies interested in joining an AGZ, but also fosters a negative image of AGZ among, for example, trade unions for whom temporary agency work is often related to precariousness, low wages and worse working conditions than standard employment.

Being subject to the AÜG legislation also means that AGZ are bound by the minimum wage legally established for temporary work agencies. In practice, however, it often happens that AGZ companies and workers are active in sectors or jobs that are characterised by low wage levels, and would therefore have to be paid higher wages than the companies' core staff. This is a rare situation for Germany where temporary agency workers tend to be paid less than core staff in enterprises and therefore not only causes higher costs for the AGZ companies, but also an unfavourable working atmosphere within the firms. It also makes it hard to convince companies to join an AGZ.

The authorisation for temporary work agencies requires a deposit of €2,000 per worker, which is often a lot for the participating firms. Also, being seen as a temporary work agency means that the AGZ must charge VAT for the services it provides the member companies.

In case of many agricultural companies, this constitutes additional costs as they cannot deduct VAT from their taxable turnover. Another sectoral consideration is that, according to the AÜG, in the construction industry temporary agency work is allowed only on a limited basis, hence, an AGZ could not be used here.

The interviewed experts agree that the current legal framework in which AGZ in Germany have to operate is the main barrier for the employment model not to grow without institutional support. Next to raising concerns of institutional stakeholders (notably workers' representatives tend to have an unfavourable impression of temporary agency work), the fact that AGZ have to be established as temporary work agencies brings about counterproductive operational implications. This, for example, refers to the fact that according to the temporary agency work regulation a user company is obliged to hire temporary agency workers as core staff if they have continuously worked for them for a certain period. While it is recognised that this is an important protection mechanism for temporary agency staff, in the case of an AGZ this would mean that the workers cannot be given an indefinite employment contract with the AGZ and repeatedly be sent to the same participating companies as at some stage one of them would need to incorporate them into their core staff and the others would not have access to them anymore; hence the basic working method of an AGZ would be dissolved.

The legally unclear status of an AGZ results in a wide range of insecurity for the operational implementation of AGZ. An example for such refers to the approval of public support. Practitioners experienced that their application for public support was declined as the AGZ was considered as a temporary work agency which was not eligible for sector specific support. However, in another decision, an AGZ was declined public sector specific support as it was assessed to belong to an industrial sector not eligible, hence not considering its formal status as temporary work agency.

Research on the legal forms possible for the AGZ organisation itself (Hädinger, 2006) show that an AGZ can have any legal form other than an association (*Verein*). In Germany, there are two forms of associations – one for non-economic purposes which cannot to be combined with the objectives of an AGZ, and one for economic purposes which would result in the AGZ not being an individual legal entity itself (contradicting the AGZ model in which it must be able to 'lend' workers to the member companies). It was concluded that, ideally, an AGZ should be organised as a cooperative (*Genossenschaft*) as this implies a strong cooperation among member companies. Since the minimum number of members for setting up a cooperative was lowered to three, this legal form can also be used by very small AGZ. It also offers the advantage of limited liability for members, and ease of joining and leaving. The form of a private limited company would also be possible, but would require a certain level of start-up capital and the need for notary deeds.

Within the current legal framework it is assessed that it is hardly possible for public employers to participate in an AGZ. On the one hand, for them the VAT that is charged by the AGZ in its role as temporary work agency represents real costs that cannot be deducted, hence increases the HR costs (see above). On the other hand, the legal form which is deemed most suitable for an AGZ in Germany – a cooperative – is only possible to join for public employers if they are granted a majority vote to realise decisive power. This is unlikely to be accepted by the other members in practice.

In general, the interview partners highlight that the specification of a legal basis for AGZ would clarify the employment model for institutional stakeholders, companies and workers. This would streamline its application, facilitate the communication of the employment model (and its related rights and obligations of all involved parties) and hence render the implementation less complex. Accordingly, the interview partners recommend exploring the possibilities of enacting a specific AGZ regulation, which could be either a stand-alone framework or embedded into the current regulation of temporary agency work. Such would need to consider the specific characteristics of AGZ as well as the potential disadvantages for the affected workers and the potential abuse by participating companies – which are deemed to be different from temporary agency work. However, the interview partners express little hope that the legal framework work will change in the foreseeable future to favour the implementation and running of AGZ due to the above-mentioned limited political interest in the employment model and the only recently realised amendments of the temporary work agency regulations.

Organisational structures

The Federal Association of German Employers' Alliances, in existence since 2007/2008 aims to:

- support and promote existing AGZ and the establishment of new ones;
- contribute to quality assurance of AGZ and to the further development of flexible and secure employment.

It runs an online information centre providing advice for regional initiatives, SMEs (and their networks) and for individuals interested in working in an AGZ.

It has also, in cooperation with regional organisations such as trade unions, developed certain quality standards (Hartmann et al, 2008) which an AGZ is expected to achieve.

- It should have a legal form enabling it to enter contracts related to achieving its objective.
- It should offers permanent jobs with alternating assignments in the member companies. Its aim is indefinite full-time employment while in the start-up phase, but it can consider fixed-term contracts in economically difficult times.
- The chosen legal form implies a shared responsibility by the participating companies for the employees and the management of the AGZ, through the charter of the AGZ. This responsibility needs to be matched with the member companies' ability to influence the AGZ activities, for example through informal meetings or formal involvement in advisory councils.
- Only member companies can benefit from the AGZ's services, and this needs to be considered in the charter. All member companies must know each other's identity, to foster trust.
- Employment contracts should consider the principle of solidarity and the joint responsibility of the member companies. Each contract has to regulate the worker's time and schedule, the duration and period of work in each company, the notice periods before changing between companies, the distance between the companies the worker is contracted to, the nature and type of tasks, access to induction and training and how this affects the worker.

- The AGZ has to provide at least equal payment and working conditions for its workers as member companies offer their comparable core staff ('equal pay – equal treatment').
- The AGZ safeguards the required competence development of the workers. Based on the needs of the member companies, a qualification plan is developed at least once a year, and there are internal agreements between the AGZ and the companies and workers regarding access to, financing of and organisation of induction and qualification phases. Formal and informal forms of learning need to be considered.
- The member companies integrate the AGZ workers in all relevant activities, including working conditions, health and safety and qualification measures.
- The AGZ has to join the Federal Association of German Employers' Alliances, which is responsible for safeguarding the quality of work in AGZ.
- The management of the AGZ has to have an organisational structure and internal procedures which safeguard proper and professional activities. The AGZ management should be trained on legal issues, health and safety, HR and organisational development. Networking among AGZ managers and with the Federal Association of German Employers' Alliances is recommended.

The intention, with these standards, was to create a 'label' and to show the particular qualities of an AGZ compared with other employment forms. The standards were also expected to show employers that an AGZ is not aiming to exploit workers but to create good quality and safe jobs for them. However, there is no legal obligation for member companies (or the established AGZ) to follow the standards.

The activities of the Federal Association of German Employers' Alliances are mainly implemented by the [Tamen GmbH](#), the Development Office for Work and Environment, which supports SMEs and promotes regional economic development. The Tamen learned about the concept of employer groups in the 1990s in connection with an EU project on transnational exchange in the French construction sector. In 2002, the Tamen was involved in another EU project on flexicurity, again involving a French employer group. The group's structured approach (its legislative framework) and the fact that the concept was comparatively widespread and well known raised interest among the project partners. The Tamen presented the model to the German regional agricultural and labour ministries who recognised its potential benefits and agreed to provide public support.

Now, the Tamen is the German centre of expertise on AGZ – with three of its four staff members dealing with the topic. It provides advice and consultancy to those interested in starting up an AGZ, and spreads awareness of the concept among policymakers (governments, employers' organisations, trade unions) as well as networking with academia/research. This is mainly in Brandenburg, but the Tamen also networks with other regions and supports other federal states in their attempts to establish AGZ.

The resource centre is deemed important to promote and lobby for the employment model towards policy makers and companies, as well as to provide operational support to existing AGZ and those about to start-up. As regards the latter, it is highlighted that there is need for a resource centre that can be approached by individual AGZ at any time in their development phase to provide advice and answers to specific questions (including, for example, the choice of the legal form, the design of the contractual relationship within an AGZ or of the processes and procedures agreed upon within an AGZ). Furthermore, the resource centre should provide a platform for exchange among AGZ, to enable them to discuss and learn from each other and jointly further develop the employment model.

The Tamen also networks with AGZ and their umbrella organisations in other European countries, notably France. The European Information and Resource Centre for the Employers' Alliances ([CERGE](#)) has been set up to deal with such cross-border exchanges about employer groups and to compile information and expertise.

Policymakers are interested in the concept of AGZ at regional level, but not so much at national level. It is mentioned that while employers' organisations have a more neutral attitude, notably workers' representatives and governments are more sceptical about the operational implications of strategic employee sharing for workers and request to see 'good practices', that is a larger scale of evidence on the outcomes of AGZ for the shared workforce. As such is difficult to satisfy with the limited number of AGZ currently running, institutional actors flag some reluctance to provide operational support for the establishment or promotion of AGZ. Such, however, would be essential for a further spread of the employment model according to the interviewed experts.

In the area of Brandenburg, particularly, the regional government, employers' organisations and trade unions show a positive attitude towards the concept and recognise its benefits for employers, employees and the region. They are interested in being informed about the latest developments and engage in active exchange with the Tamen. However, recent years have seen an internal restructuring in several of the regional authorities, resulting in staff leaving the body or being assigned different tasks. For the AGZ movement this means that relationships established between representatives of the resource centre and the institutions to lobby for the employment model are void and need to be re-established with the successor staff. In some cases such is not (yet) explicitly assigned, or both the institution and the resource centre lack time to enter in such renewed discussions.

The regional trade union DGB Berlin-Brandenburg has been actively involved in the Tamen's projects from the beginning as its management is open to new ideas for helping workers. The While all institutions flag interest in the employment model and after some initial active (financial) support to conduct feasibility studies and establish pilot AGZ, by summer 2016 there seems to be some reluctance of the institutional actors to actively support or promote AGZ in Germany as long as no 'critical mass' in employment terms is realised by the employment model. Such, however, seems to be difficult to achieve against the current legal

framework and lacking political will to foster the employment model; hence, AGZ seem to be confronted with a vicious circle or a lock-in situation that is hard to be overcome.

Public support

At national level, little attention seems to be devoted to the issue of AGZ in Germany. The labour ministry's support programme ('Perspektive 50+') helped establish an AGZ ('Perfino eG Jena') to provide jobs for long-term unemployed aged 50+, but was not particularly successful. Ministers concluded that AGZ activities, simply focusing on reintegrating unemployed people, are not sustainable if there is no real demand from companies (Hartmann, 2012).

There have been several initiatives at regional level. The federal state of Brandenburg made the first move. Between 2003 and 2005 the regional Ministry for Rural Development, Environment and Consumer Protection (Ministerium für Ländliche Entwicklung, Umwelt und Konsumentenschutz, MLUV), with funding from the European Union's European Agricultural Guidance and Guarantee Fund, supported a project in the agricultural sector to foster cooperation to retain skilled labour (MLUV, 2005; Wölfling et al, 2007). This included an assessment of the transferability of the French employer group model to Germany. This was done in three steps (MLUV, 2005).

Firstly, a transfer study investigated the possibilities of transposing the French model to Germany/Brandenburg. This included a legal assessment and an intensive exchange with French experts and practitioners.

A pre-study (six to eight months) then mapped regional frameworks by applying a French guideline; this included numerous discussions with regional actors (employers' and employee representatives, interest groups) and companies, as well as the adaptations of the French guidelines to the German environment;

A pilot project, an agricultural AGZ, was set up (Case study 1).

The studies concluded that AGZ were possible in Germany, cross-company employment forms can be achieved and will help deal with the anticipated demographic change (MLUV, 2005). Public support (from regional level) was deemed necessary for the feasibility study, preparatory activities and start-up phase of an AGZ due to limited financial and HR resources in the participating companies.

From 2005 to 2009, the regional government, with finance from the ESF, funded several projects investigating the possibility of broadening the scope of AGZ from the agricultural sector to other occupations (Hartmann, 2012). The regional Ministry for Labour, Social Affairs, Health and Family (*Ministerium für Arbeit, Soziales, Gesundheit und Familie des Landes Brandenburg*) commissioned various studies (for example, Wölfling et al, 2007). In 2007, it created a support programme for the creation of company networks for qualification and AGZ (Richtlinie des Ministeriums für Arbeit, Soziales, Frauen und Familie zur Förderung von Kooperationen zwischen kleinen und mittleren Unternehmen in Qualifizierungsnetzwerken und in Arbeitgeberzusammenschlüssen im Land Brandenburg), targeted at SMEs (the networks had to have a minimum of ten partners of which at least six needed to be SMEs). The most important issue was that of qualifications and training. Although the ministry was interested in the idea of an AGZ contributing to job retention, both it and the AGZ felt that fostering training, by applying cross-company cooperation in HR issues showed the big difference between an AGZ and a temporary work agency.

The programme financed, over six months to two years, the design of company networks (for example, establishing network and management structures) and advice for the founders of such networks on shared HR management, specific expenditure for transnational networking activities and childcare expenses with a maximum support of €45,000 per year. The AGZ (that is, the participating companies) had to contribute 10% of the total costs in the first year and 25% in the second year. The intention was that, after these two years, the AGZ would be self-sufficient. While the participating companies, and their contribution to the cost coverage, had to be identified in the application phase, the involved workers did not need to be identified, and the programme also allowed staff fluctuation during the support period.

Little money was made available to support the AGZ. Out of the €1.17 million (ESF and regional government funds) that were paid out in this programme between 2008 and 2012, only about €69,000 was for AGZ. The programme was stopped at the end of 2010. Experts judge that the lack of interest was caused by the eligibility criteria, which required applicants to have an established company network. This meant an applicant had to identify companies, negotiate with them, and establish sound legal structures before actually submitting the application (which was not very feasible, particularly considering the level of support provided).

In 2009, the start-up of the first AGZ in western Germany (AGZ Soest-Ruhr-Lippe eG) was financially supported by the regional labour ministry (Ministerium für Arbeit, Gesundheit und Soziales Nordrhein-Westfalen), involving many one-person enterprises (Hartmann, 2012). This experience showed that an AGZ can contribute to reducing companies' reluctance to hire the first employee.

In contrast to this lukewarm support for the establishment of an AGZ, there is no public support for running an AGZ. Consequently, costs for running the AGZ have to be borne by the participating companies (generally a percentage of the wages of the AGZ workers employed in the firm).

Also, the Tamen's work on AGZ has not been supported financially in any systematic way; rather, their engagement is based on their own initiative and financed, whenever possible, through individual programmes and projects (mainly EU support such as PROGRESS). Such programmes are not specifically targeted at AGZ but follow different objectives which the Tamen and their partners then analyse from the perspective of AGZ. Examples are:

- new forms of social dialogue;
- anticipation of change for SMEs;
- flexicurity;
- avoidance of precarious employment;
- reconciling work and family, or work and care obligations.

The Tamen estimates that about one third of its activities devoted to AGZ are self-financed; that is, conducted without external financial backing with staff volunteering their time.

The interviewed experts assess that the lack of specific public financial support for conducting feasibility studies and supporting the start-up of AGZ as well as for the running of the German resource centre on AGZ to be an important hindering factor for the further spread of this employment form.

Outcomes and effectiveness

Macro level

As of August 2013 there were seven AGZ in Germany, with about 110 participating firms and about 100 shared workers.

Overview of German AGZS

Name of the AGZ	Industry	Approx. number of participating firms	Approx. number of shared workers
AGZ Südbrandenburg	Agriculture, food processing, office services, catering, tourism	15-20	40
AGZ Jena – Perfino eG	Food processing, metal, engineering	25	1
AGZ Uckermark	Metal	15	10
AGZ Soest-Ruhr-Lippe eG	Agriculture, gardening	20	10
AGZ SaisonPLUS eG i.G.	Agriculture, (fruit and vegetables)	10	0 employed with the AGZ, approx. 20 coordinated through the AGZ
AGZ Fachkräftenetzwerk Oberlausitz	Social services, education	10	5
AGZ Rügen eG	Accommodation, communication services	10	10

Sources: AGZ Infozentrum, 2013; Arbeitgeberzusammenschluss

Südbrandenburg, 2013; AGZ Soest-Ruhr-Lippe eG, 2013; AGZ Rügen eG, 2013

Status: August 2013

Only two of the existing AGZ have been established on the initiative of companies. The others were initiated by other stakeholders who thought an AGZ would be a good solution for companies and region alike, and approached regional intermediaries with the idea to get their support in setting up the AGZ.

By summer 2016, only three AGZ are still running, in three different German regions. Some of them stopped their activities due to the unfavourable framework conditions which made their further operation unfeasible. Others stopped as some of the participating companies misused the employment model by exclusively taking advantage of its benefits but not being willing to take on the related responsibilities. A third group, however, ceased their activities as AGZ due to the success of the employment model and general economic/labour market developments: The AGZ provided a 'perfect match' between participating companies and workers, and when the economic situation allowed the firms to directly hire the workers – in a labour market situation of skills shortages – they jointly agreed to do so and dissolved the AGZ.

According to several studies (AGZ Südbrandenburg, 2013; AGZ Infozentrum, 2013; Hartmann, 2012; Kratz and Böcker, 2010; Tamen, 2009; Wölfling et al, 2007; Hertwig and Kirsch, 2013; Osthoff et al, 2011; Hartmann and Meyer-Wölfling, 2008) AGZ have benefited their regions in several ways, through:

- indefinite full-time jobs and the retention of skilled labour, providing regions with a competitive advantage;
- improved working conditions due to employers' influence on each other and the implicit obligation for employers to provide similar working conditions to remain attractive within the AGZ;
- skills development in the region due to enhanced on-the-job learning opportunities;
- effective support of small enterprises in accessing skilled labour;
- improvement of 'soft factors' determining the attractiveness of the region as a business location or place to live (AGZ initiate discussions on the availability of education/training infrastructure, leisure centres, and care facilities with regional policymakers);
- labour market integration of disadvantaged groups for whom individual employers would like to provide jobs out of social responsibility, but cannot afford to do so on their own.

Micro level

There are also several advantages that AGZ can offer to companies from a micro perspective (AGZ Südbrandenburg, 2013; AGZ Infozentrum, 2013; Hartmann, 2012; Kratz and Böcker, 2010; Tamen, 2009; Wölfling et al, 2007; Hertwig and Kirsch, 2013; Osthoff et al, 2011; Hartmann and Meyer-Wölfling, 2008):

- distribution of employment risk across participating companies;
- cost of employment kept below that of temporary agency workers, not least because of the non-profit character of the AGZ;
- increased competitiveness (in case of sudden large orders core staff can be flexibly supplemented by AGZ workers who are already familiar with the company and its working procedures);
- familiar workers mean shorter induction periods;
- access to qualified specialists for strategic part-time activities, such as quality management, marketing, IT;
- reduction of the workload of the owners/managers who would have to conduct these tasks themselves, notably in very small firms or family owned businesses; hence, this

- gives them time to deal with more strategic or managerial tasks, including business development;
- access to and awareness of professional strategic HR management; realisation of HR administrative tasks by the AGZ management decreases some burden for the owners/managers
- access to tailor-made qualification measures and distribution of education/training costs across participating companies;
- high motivation and commitment of workers;
- image as a responsible and attractive employer;
- cooperation with other companies, also beyond the shared workforce (such as joint use of machinery, shared purchases, acquisition of clients).

The same studies show that AGZ can offer workers:

- job creation and avoidance of overtime as tasks going beyond normal working hours can be shifted into a new post;
- integration into the regular labour market;
- establishment of full-time indefinite employment with a single employer (the AGZ); this is assumed to be particularly relevant for qualified workers in regions with a dominance of small businesses that are not big enough to offer full workload to specialists;
- equal treatment with core staff on income, working conditions and participation;
- access to flexible working arrangements, facilitating the combination of family obligations and work;
- increased chance of continuously being assigned tasks that correspond to their skills rather than having to conduct underqualified tasks due to lacking workload for the more specialised ones in a single company; it is assessed that this renders the work more interesting and motivating;
- access to education/training measures, also fostering career development of the workers and their employability on the labour market.

It should be noted from the above points that Hartmann and Meyer-Wölfing (2008) found that, in relation to integration of the long-term unemployed, nine of the 16 surveyed AGZ employees were unemployed before joining their AGZ, and almost all AGZ employees work in their specific occupation or related jobs. Hartmann and Meyer-Wölfing also found that half of the surveyed AGZ workers had a definite employment contract (mainly for one year) which is quite usual as it takes a while to design the job rotation across employer companies and assess properly whether a sustainable model can be established. They also found that AGZ workers tend to be dissatisfied with their income, possibly because income levels vary depending on their specific work assignments. However, Hartmann and Meyer-Wölfing found that all surveyed AGZ workers confirm that the employment in the AGZ gives them good opportunities to combine work with private life, including family obligations (they particularly appreciate the flexibility if short-term changes in work assignments are required, for example, if children fall sick).

Regarding education and training, it must be said that German AGZ, in practice, are too small to provide much formal education or training for AGZ workers. Structured and institutionalised training is rarely offered due to the administration required, as well as the costs incurred by the companies. Nevertheless, informal and non-formal training (including

on-the-job training) is offered in an AGZ to a higher extent than in individual companies, simply because of the combination of different employers and the rotation of workers across firms. Almost all of the 16 AGZ workers surveyed in Hartmann and Meyer-Wölfing (2008), for example, report that this rotation had contributed to their skill development.

As AGZ follow the general principle of equal treatment of the AGZ workers and the core staff of the participating companies, AGZ workers experience different working conditions in different work assignments. While the AGZ's main objective is to provide human resources with the skills as and when required by their member companies, it also tries to take into account the individual preferences of the workers (such as commuting distance, working hours, specific tasks or the size of the firm). Nevertheless, it does happen that workers become unhappy with changing working conditions or with working conditions in specific employer companies. These workers are generally the ones who leave the AGZ as soon as they find another job.

None of the AGZ (as of October 2013) has established a works council, in spite of the general legal requirement to do so. Experts say this would have to be initiated by the AGZ workers themselves, who do not seem very interested in doing so. Hartmann and Meyer-Wölfing (2008) find that most of the surveyed AGZ workers do not participate in the design of their work organisation, although the workers indicate that there are no conflicts over this. The respondents say any conflicts are solved 'spontaneously, through permanent contacts', while written procedures regulating participation are rarely available.

Strengths and weaknesses

While at regional level many actors are positive about AGZ and their potential for the regional labour market, operational activities are driven by, and limited to, private actors. The main reason for this is that policymakers see few ways of justifying public support for AGZ as long as there are so few of them, with consequently limited labour market impacts.

Unfamiliarity is the biggest barrier to establishing and running an AGZ, and consequently their spread across Germany (Hartmann, 2012; Hartmann and Wölfing, 2012). Quality standards for AGZ have been developed to counteract this, but companies are still sceptical about cooperating on HR management, especially in terms of having to satisfy different interests and potentially compensate for the mistakes of others (Wölfing et al, 2007). Indeed, the general approach of companies is to look first for potential problems and list all the reasons against joining, rather than trying to identify ways in which the AGZ could be beneficial. It is also quite difficult to persuade companies why they should bother about workers who are not operationally active in their own firm. This works against the active engagement of firms and their taking responsibility for the shared workforce, which is an important precondition for an AGZ.

Next to this, the biggest problem for German AGZ is the absence of specific regulation. As they are covered by the law on temporary work agencies, this causes confusion, especially as AGZ have different objectives and, consequently, possible stakeholders are reluctant to engage in the idea.

Furthermore, there is the danger that the legal basis considerably influences the working procedures of the AGZ, resulting in the loss of some important characteristics of AGZ, such as:

- joint responsibility of the companies;
- non-profit orientation;
- indefinite employment;
- integration of the workers in the companies;
- equal pay;
- legal form.

As a result it may mean that AGZ have to regulate important issues on an individual basis. The French, who have specific legislation covering their employer groups, are bound, for example, by regulations regarding poaching of AGZ workers; issues such as this need to be dealt with in the statutes of each AGZ in Germany.

From an institutional point of view, German regional structures tend to be rather weak in terms of lacking existing company networks, multistakeholder structures or cooperation among various regional actors and programmes. This makes it more difficult to establish an AGZ. The first step entails identifying an intermediary who can familiarise regional stakeholders with the model and convince them to participate. Experience shows that a critical mass of companies and employees needs to be there from the beginning in order to obtain an effective and efficient AGZ management. This means that a long-standing relationship, based on trust, is essential.

At micro level, because at first AGZ tend to be too small to be able to finance a specific AGZ management, it might be that the designated AGZ management has to look for additional income sources (as full-time employment cannot be provided), and that these alternative activities delay the establishment of the AGZ and might even cause mistrust among the participating firms (Wölfing et al, 2007). This challenge is reinforced by the fact that, particularly in the beginning, procedures related to identifying and characterising HR needs, and planning, combining and coordinating the requirements of the individual companies, often take more time than some of the participating firms are willing to invest, as they are looking for rapid solutions rather than long-term projects and strategic planning (Wölfing et al, 2007).

Commentary

In Germany, AGZ are still in the pioneer phase compared with the French employer groups (Hartmann and Meyer-Wölfing, 2008; Hartmann et al, 2008). The concept, inspired by the French model, is not yet widespread or well known. This makes it difficult to attract companies. Hertwig and Kirsch (2012), for example, state that publicity such as leaflets or workshops (describing the general characteristics of AGZ and showing good practice examples) and contacting people help in establishing an AGZ in a short period of time. Hertwig and Kirsch also say that the most important aspect for success in setting up an AGZ

is that the companies trust the AGZ approach and their willingness to cooperate. This is facilitated by existing (personal) networks and previous cooperation among the firms.

While, quite naturally, companies need to see an economic advantage in joining the AGZ, for it to work effectively it is also important that they understand:

- the need for long-term and strategic HR management;
- their social responsibility for the workforce (even when a worker is with another employer);
- other companies in the region;
- the joint labour market.

Clearer framework conditions (for example, legal status, taxation) and more systematic public support for the start-up and development phase of an AGZ is necessary. The challenge is to link such public start-up support to methods of raising firms' awareness and willingness to participate. Firms' commitment, sense of responsibility and active participation is crucial to the sustainable establishment of an AGZ, as experts observe that AGZ activities often cease after public support stops because companies are not willing or able to take over themselves.

German AGZ seem to be stuck in a vicious cycle. Governments, employers' organisations and trade unions, at least at regional level, seem to be convinced about the model and its advantages, but no operational support is provided due to the limited scope of the current AGZ. These, in turn are limited in their growth potential due to unfavourable framework conditions which will not change without policy intervention. One solution would be to explore the possibilities of incorporating the AGZ idea into other, more established structures, notably those already related to SME cooperations (such as business cluster initiatives).

However, it must be emphasised that AGZ cannot be considered a 'silver bullet' to solve all labour market problems, but rather a way of helping to improve specific situations, notably binding workers to regions and securing qualifications and access to labour for SMEs. Consequently, AGZ should be considered as one tool in a set of regional labour market policies.

Information sources

Websites

AGZ Infozentrum, available at <http://arbeitgeberzusammenschluesse.de>.

AGZ Rügen eG, available at <http://agz-ruegen.de/>.

AGZ Soest-Ruhr-Lippe eG, available at <http://www.arbeitgeberzusammenschluss.de/>.

Arbeitgeberzusammenschluss Südbrandenburg, available at <http://www.agz-ee.de/>.

European Information and Resource Centre for the Employers' Alliances, available at <http://en.cerge.eu/>.

The Tamen, available at <http://Tamen.de/>.

Bibliography

AGZ Infozentrum (undated), *Arbeitgeberzusammenschlüsse von A – Z* [Employer associations from A–Z] the Tamen (Development Office for Work and Environment), Berlin.

- Der Mittelstand* (2009), 'Im Kurzinterview: Bodo Schwarz. Vorteile für Mittelständler [A short interview: Bodo Schwarz. Benefits for SMEs]', No. 2/2009, BVMW bundesweit [Federal Association of medium-sized businesses], Berlin.
- Eurofound (2015), *New forms of employment: Employee sharing – Germany, Case study 1: Arbeitgeberzusammenschluss Südbrandenburg*, Dublin.
- Hädinger, G. (2006), *Juristische Expertise. Der Arbeitgeberzusammenschluss in der Rechtsform des Vereins* [Legal expertise. The employer merger in the legal form of an association].
- Hartmann, T. (2012), 'Arbeitgeberzusammenschlüsse in Deutschland – Kooperationsmodell für die Zukunft [Employer associations in Germany – Cooperation Model for the Future]', conference presentation *FlexStrat*, Dortmund, 20 June.
- Hartmann, T. and Meyer-Wölfling, E. (2008), *Flexible Organisation der Arbeit und Auswirkungen auf die Beschäftigten in Arbeitgeberzusammenschlüssen, Abschlussbericht* [Flexible organisation of work and impact on employees in employer associations, Final Report], Hans-Böckler-Stiftung/the Tamen (Development Office for Work and Environment), Berlin.
- Hartmann, T. and Wölfling, S. (2012), *Umsetzung und Diskussionsstand Arbeitgeberzusammenschlüsse in Deutschland* [Implementation and discussion on employer associations in Germany], Arbeitspapiere 45, Materialien zu Flexicurity, the The Tamen (Development Office for Work and Environment), Berlin.
- Hartmann, T., Wölfling, S. and Wünsche, G. (2008), *Qualitätsstandards von Arbeitgeberzusammenschlüssen* [Quality standards of employer associations], the Tamen (Development Office for Work and Environment), Berlin.
- Hertwig, M. and Kirsch, J. (2012), 'Arbeitgeberzusammenschlüsse als Instrument der intern-externen Flexibilisierung und Fachkräftesicherung für kleine und mittlere Unternehmen [Employer associations as an instrument of internal–external flexibility and security specialists for small and medium businesses]', in Möslin, K.M., Bullinger, A.C., Eichler, L. and Trinczek, R. (eds) *Flexibel, stabil, innovativ – Arbeit im 21. Jahrhundert* [Flexible, stable, innovative – working in the 21st century], Cuvillier, Nuremberg, pp. 147–155.
- Hertwig, M. and Kirsch, J. (2013), 'Betriebsübergreifender Personaleinsatz: Arbeitgeberzusammenschlüsse und tarifvertragliche Arbeitnehmerüberlassung [Operation Cross workforce: employers associations and collective bargaining temporary workers]', WSI Mitteilungen Hans Böckler Stiftung, Dusseldorf, 2/2013, pp. 107–116.
- Kratz, A. and Böcker, U. (2010), 'Verbundprojekt "FlexStrat" – Was sind Arbeitgeberzusammenschlüsse? [Collaborative project "FlexStrat" – What are ABZs?]' presentation, *Gesellschaft für innovative Beschäftigungsförderung mbH* [Society for Innovative Employment Development Corporation], August.
- LUV (Ministry of Rural Development, Environment and Consumer Protection of the Federal State of Brandenburg) (2005), *Arbeitgeberzusammenschlüsse* [Employer associations], Potsdam.
- Osthoff, K., Langbein, M. and Hartmann, T. (2011), *Verbindung von Stabilität und Flexibilität. Arbeitgeberzusammenschlüsse als regionales Instrument zur Fachkräftesicherung für KMU* [A mix of stability and flexibility. Employer associations as a regional instrument for securing skilled labor for SMEs], Working Papers Economic

Sociology Jena, No. 10, Friedrich-Schiller-Universität Jena, Institute of Sociology, Work, Industrial and Economic Sociology, Jena.

The Tamen (Development Office for Work and Environment) (2009), *Projekt 'Internationaler Erfahrungsaustausch zu AGZ', Dokumentation* [Project 'International experiences on AGZ', documentation] the Tamen (Development Office for Work and Environment) / Ministry of Labour, Social Affairs, Health and Family of the Federal State of Brandenburg, Berlin.

Wölfig, S., Wünsche, G. and Hartmann, T. (2007), *Arbeitgeberzusammenschlüsse in Brandenburg – ein Beitrag zur Umsetzung des Flexicurity-Ansatzes* [Employer associations in Brandenburg – a contribution to the implementation of flexicurity, the Tamen]. (Development Office for Work and Environment) / Ministry of Labour, Social Affairs, Health and Family of the Federal State of Brandenburg, Berlin.

Irene Mandl, Eurofound.

August 2016.