



## **New forms of employment**

### **Employee sharing, Austria**

Case study 65: Policy analysis

*Employee sharing enables several companies to share the services of workers for which each individual company does not have a full-time need. The Austrian AGZ arrangement is an employee sharing concept that shows promise not only in meeting the HR needs of companies but also in reducing precarious employment.*

### **Introduction**

In Austria, an *Arbeitgeberzusammenschluss* (AGZ) or employee sharing arrangement is understood as a cooperation among several employers (which can be companies, municipalities or associations) with the aim of jointly employing staff to cover their regular HR needs (which are not enough for the individual organisation to justify a full-time employee) (Baumfeld and Fischer, 2012; Baumfeld, 2012a). The combination of the partial HR needs of each participating employer results in full-time employment for the workers, achieved through a separate legal entity, the AGZ, which becomes the formal employer of the shared workforce and coordinates their assignment to the individual participating firms.

The starting point for an AGZ are individual employers, particularly in rural areas, which need specific competences and qualified workers who they want to employ long-term, but cannot do so as their demand or financial resources are not sufficient to justify a full-time employee, or market developments require them to apply more flexible HR strategies than full-time employment (ÖAR, undated).

Hence, an AGZ is an instrument for the provision of skilled labour to individual companies and the sustainable retention of skilled labour in a region (Baumfeld, 2012b). AGZ are assumed to combine elements of standard employment relationships and temporary agency work, hence expanding the portfolio of available employment forms (Baumfeld and Fischer, undated).

The first attempts to establish AGZ in Austria date back to the early 2000s, when a private consultancy active in the field of regional development (ÖAR Regionalberatung GmbH) learned about the concept through their relationship with a German organisation supporting the implementation of AGZ in Germany. They approached several company networks, but received little positive feedback on the idea.

Around 2010, the German organisation involved the ÖAR in a European project aiming at 'exporting' the concept of employee sharing to other countries. Further European projects followed, for example assessing the potential contribution of employee sharing to reduce precarious work or to bring about better combination of work and family responsibilities. This not only helped the consultancy gain expertise on employee sharing, but also gave rise to a set

of arguments for the establishment of AGZ that could be used in lobbying economic and labour market institutions. With this background, the consultancy conducted a feasibility study on the establishment of AGZ in Austria and got engaged in the start-up of an AGZ in Lower Austria ('AGZeins') which was supported by public funds and facilitated by the interest of various regional stakeholders, including the public employment service and the social partners.

In 2011/2012 an agricultural AGZ was established in Styria, but it has ceased its activities, mainly for financial reasons. Consequently the AGZeins, which is active since autumn 2014, can be considered as a pilot for this way of working in Austria.

This case study gives an overview of the general – theoretical – characteristics of AGZ in Austria in terms of their legal status and implications for employment relationships. It also describes the design and implementation process of the pilot AGZ and the assumed outcomes, strengths and weaknesses of the AGZ concept in Austria. The study is based on desk research as well as interviews with relevant stakeholders.

## **General characteristics of Austrian AGZ**

An AGZ is a 'company of the companies', exhibiting the core principle of solidarity and mutuality (ÖAR, undated). The participating enterprises share the risks related to employment to achieve the advantages inherent to AGZ by covering those regular partial HR needs of the participating companies that can be planned in advance. In this way, an AGZ provides flexibility and security both for the firms and security for the workers ('flexicurity'). The aim is to develop a 'collective core staff' across companies; that is, a regular assignment of workers to the participating companies which should also lead to their integration in the firms and further a sense of belonging and commitment.

AGZ can differ as regards their member companies, such as:

- a single industry versus a variety of sectors;
- profit versus non-profit orientation;
- private versus public organisations;
- size classes;
- legal forms.

The can also differ in their scope, regarding both, the number of participating companies and shared employees, but also geographic spread; and orientation (focusing on shared employment as well as on joint education and training) (Baumfeld and Fischer, 2012).

Nevertheless, the following preconditions have been identified as essential for the sustainable implementation of AGZ.

- Companies must be aware and familiar with the employment model, its working methods and its implications, including rights and duties of all involved parties and willing to apply this new and innovative employment model.
- The HR demand in the participating companies needs to reoccur regularly and to be known in advance, for example seasonal tasks, peak times that can be well anticipated, or demand for specialists at certain points in time. In the pilot AGZ, a planning period of at least six months is required from the participating companies in order to commit job security to the shared workers.

- The individual demands by the participating companies can be combined as regards timing (no overlaps or off-work periods) and content (required skills and expertise) into joint full-time employment.
- As a consequence, a ‘critical mass’ of participating companies needs to be given. However, the Austrian experience is not yet sufficient to provide a sound assessment on the minimum number of companies that should be involved. A ‘gut feeling’ is that there should be at least five employers sharing two or three workers, but that an AGZ works better if there are at least 10 companies involved that actively share staff.
- Companies must be characterised by some level of social responsibility, in terms of that they do not want to satisfy their HR needs at the expense of the affected workers, but aim at providing good working conditions and job security, even if they just have fragmented HR needs.
- Companies are willing to cooperate with other companies, even in cases when there is some competition among them. They have to have an attitude supporting the ‘bigger picture’ in terms of not only looking at their own company’s benefits, but considering the potential benefits for all (involved companies and workers) as this – in the ideal case – mutually fosters everybody’s advantages.
- Related to this, also mutual trust among the participating companies was repeatedly mentioned as an important precondition for an AGZ to work, so that all employers can rely that also the others will use the employment model properly without exploiting the others. As this needs time to develop, it is of advantage if the participating companies know each other before jointly starting an AGZ and have already established a mutual trust relationship and that later on a principle of transparency and good communication is followed.
- The geographic distance between the participating companies should correspond to a distance the workers are able and willing to cover by commuting to work. The feasibility study (Baumfeld and Fischer, 2012) for the AGZ in Lower Austria, for example, recommends that the commuting distance should not exceed 20 km, 45 km or 80 km, if shared workers have to change their place of work daily, weekly or monthly, respectively.
- As regards sectors, the interviewed stakeholders agree that heterogeneity among companies participating in an AGZ is favourable as this facilitates the combination of HR needs (for example, peak periods are at different times) and might contribute to limit companies’ concerns regarding the shared workers sharing confidential company information with competitors. At the same time, the sectors should not be too different as this might cause a problem to find staff that could work in all participating companies (unless the shared staff is filling transversal posts like IT, administration, marketing etc.).
- The legal framework allows an AGZ to be formed quickly and easily.

The AGZ is the legal employer of the shared workforce while the participating companies are responsible for the work organisation, including, for example, health and safety measures (Baumfeld and Fischer, undated). The legal framework for private sector employees also has to be applied in case public sector bodies participate in an AGZ as, even then, the legal employer (that is, the AGZ) is a private sector entity. Nevertheless, as regards remuneration level, working time and holiday entitlements, the conditions for public sector employees might have to be applied (that is, if they are more favourable).

AGZ workers need to show some level of flexibility and adaptability in order to quickly adjust to the different work environments in the companies they are assigned to. They must favour this type of working in different companies on different tasks, with different colleagues and superiors. This also implies a need for social competences, openness to diversity and interest in new experiences and continuous learning. Consequently, it was mentioned that AGZ are not very suitable for workers preferring a stable work environment with little change of procedures, tasks and teams or those having difficulties with adapting. Next to those considering this type of work exciting and hence being pulled towards it, workers might be pushed towards this employment model due to lack of alternatives on the labour market. If 'real' permanent full-time positions are available, these are most probably preferred by the vast majority of Austrian workers. Consequently, the economic and labour market situation in a sector, occupation or region can influence the demand for establishing an AGZ: If less 'standard' employment is offered, the willingness of workers to engage in AGZ is assumed to be higher.

AGZ workers are covered by the same social protection standards as any standard employment. The AGZ is responsible for registering them with the social insurance body and for paying the contributions. Nevertheless, the participating companies have joint liability regarding the social protection contributions.

Between the AGZ and the workers an employment contract (in the ideal case full-time and permanent) is established while, between the AGZ and the participating companies, a service supply contract is agreed (hence, the participating companies are invoiced for the working hours the shared workforce spends with them). The employment contract has to include a reference to various workplaces (Haubenberger, 2012). This is particularly important if the workers are supposed to work at different companies during the same working day, as the time for commuting between work places is considered working time and the worker is entitled to reimbursement of travel costs. If there is a change in the work place (for example, if a new company joins the AGZ), the employment contract has to be changed. Consequently, it is recommended that the employment contract includes a clause allowing for the worker to be assigned to different workplaces (however, not all collective agreements provide for this).

Blue-collar workers acting as shared employees in an AGZ are subject to the collective agreement for temporary agency work, while white-collar shared employees are subject to the collective agreement for crafts, services, information and consulting (Baumfeld and Fischer, undated). Consequently, different regimes apply regarding minimum requirements related to working time and remuneration between the shared employees and the core staff of the participating firms that are subject to the sectoral collective agreement relevant to the firm. However, if a company's collective agreement is more favourable, then it also has to be applied to for the shared employees.

In general, an AGZ is supposed to cover its costs, but not to be profit oriented. In this respect, the feasibility study regarding appropriate legal forms for Austrian AGZ found that associations (*Verein*), cooperatives (*Genossenschaft*) and private limited liability companies (*Gesellschaft mit beschränkter Haftung*) were the most suitable (Baumfeld and Fischer, undated). Associations are seen to be the most attractive as they are easy to establish and cheap to organise, administer and run. Furthermore, both public and private sector organisations can join one (Baumfeld and Fischer, 2012; Haubenberger, 2012). Barriers to establishing an AGZ as a cooperative are the requirement for regular audit and obligatory membership of the participating companies while the disadvantages of forming a private

limited liability companies would be the legal requirement of a minimum start-up equity and tax treatment are disadvantageous.

As of 2016, an AGZ in Austria has to be established as a temporary work agency, with all related consequences mandated by trade law (Baumfeld and Fischer, undated). This also implies that the AGZ is subject to the law regulating temporary agency work (*Arbeitskräfteüberlassungsgesetz, AÜG*) and the management has to have a certificate of professional qualification for this sector.

Taxation issues (such as value-added tax, community tax or income tax) have to be clarified for each AGZ on a case-by-case basis (Baumfeld and Fischer, 2012). However, if an AGZ is established as an association, it is subject to value-added tax (20%), community tax (3% of the gross wage of the employees) and income tax (25% of the realised profits) (Baumfeld and Fischer, 2012; Haubenberger, 2012).

In the longer run, the interview partners agree that there needs to be a formal clarification about the status of an AGZ (that is, whether it is to be treated as a temporary work agency or as a specific employment model as is the case in France) which could affect the applicability of labour law, corporate law, tax law, collective agreements etc. The interviewees mention that the current status of AGZ and legal framework allowed for the start-up of the pilot AGZ without many problems or additional burden, but this was mainly to be attributed to the joint support of all institutional actors and the small scale of the exercise. If the employment model AGZ is to be used to a larger extent, the existing legal framework needs to be explored as regards whether it is fit for purpose, and adapted if necessary. There is a general consensus that a specific 'AGZ legislation' specifying the concept and the related rights and obligations in all legal areas in an easy to understand and transparent way would facilitate the application of the employment model in practice (also as the temporary work agency status results in some additional costs for the participating employers, notably those that cannot deduct value added tax) and provide security to both workers and participating companies. The interview partners assume that such a specific legal definition would not require a complete redrafting of the current legal framework, but some amendments and additional clarifications. However, as long as the employment model is not more widespread (that is, attracted some 'critical mass' which could not be further specified), the chances of realising such legal action are considered to be rather low (one of the interview partners mentions a probability of 30%) as the legislator cannot act without any evidence that the model is applied in practice. This highlights again the importance of success stories of well working pilot AGZ. A specific legal basis should also clarify which collective agreement to be applied. In the current situation, the requirement to apply the collective agreement of temporary work agencies can be a barrier for companies subject to collective agreements with lower wage levels. In the pilot AGZ, this has not been a problem so far as the participating companies agreed to pay the shared employees in line with their core staff, and their wage levels are above the collective agreement.

In smaller AGZ, the administration (particularly the coordination of the shared employees) is conducted by one of the participating firms while, in larger AGZ, there is a separate management (ÖAR, undated). The interviewed stakeholders agree that a good manager is a key factor in the successful establishment and operation of an AGZ as he/she ensures sound and fair contractual relationships between the involved parties. Due to the so far limited experience no well-grounded information could be provided, but there is the feeling that it requires a scale of about 40-50 shared workers employed by the AGZ to justify a specific full-time AGZ manager (that is, to cover the arising costs without too much burdening the participating companies). For an AGZ to work properly, it is essential that the AGZ managers

are well known, respected and trusted in the region. They need to be good at networking with regional institutional stakeholders and companies (see below), the media and other AGZ managers. Furthermore, the management has to have good planning and organisation competence, a high level of problem solving skills and sound knowledge about labour law, collective agreements and HR administration. AGZ managers have to provide support to both companies and workers for which they need to understand the interests and motivations of both and find solutions that are satisfying for all. In this context, tasks that need to be covered by the AGZ managers refer to the establishment of fair contracts and operational processes with workers and companies, ensuring that the contractual obligations are realised, recruitment of the shared workers, formal administration of the shared workers (for example, registering them with the social insurance body, paying social insurance contribution, payroll accounting, invoicing the participating companies), planning of assignments of the shared workers to the individual participating companies for each point of time, searching for solutions for lower and higher staff needs realised by individual participating companies on short notice, advising companies and workers in case of difficulties emerging from the employment relationship, organising training and similar. In a nutshell, the AGZ management has to ensure that the (administrative) effort related to the employment relationship is as little as possible for the participating companies. This could also be facilitated by establishing electronic forms or interactive online platforms to facilitate exchange among all involved parties.

## **Design and implementation process and working methods**

For the ÖAR, the main reason for interest in the AGZ was the fact that more people were retiring than starting work, which will result in competition for skilled labour at regional level. Consequently, retention of skilled labour will gain importance. Although workers prefer to work full-time, many regional companies cannot afford to pay for this. Employee sharing satisfies the HR demands of several companies while providing full-time employment to the shared staff. Furthermore, experience from other countries shows that AGZ tend to invest more in education and training initiatives for the workers than do individual companies, thereby making the region attractive for the workforce.

The following phases in the establishment of an AGZ are generally recommended (progressNETZ, undated):

1. **Analysis:** Sufficient demand for seasonal or part-time workers among regional employers is crucial. Therefore it has to be determined whether this demand can be combined into full-time jobs and whether a region's employers would be willing to establish an AGZ. This can be done by providing information to the regional employers, conducting a 'value-added check of employee sharing' (*AGZ Mehrwert-Check*, see below), publicising HR demand and the potentials of employee sharing visible and finally deciding whether an AGZ is feasible.
2. **Start-up:** This includes the choice of a suitable legal form and the formal establishment of the 'company AGZ' as well as the design of management roles and tasks and their initiation. Preparations are made for the operational running of the AGZ, including the establishment of quality standards and working procedures. Employees are recruited and employed.
3. **Operation:** It should be made clear to all involved parties that the first phase, in particular, of an AGZ is characterised by consolidation and necessary additional effort that should be jointly borne by all member companies.

As a region confronted with fewer young people entering the labour market and more workers retiring, Lower Austria decided to become a pilot region for AGZ (Baumfeld and Fischer, 2012). A feasibility study was conducted to investigate whether an AGZ could contribute to the retention of skilled labour in the region, drawing partly on the experiences of France and Germany, where the concept of employee sharing is more established (Eurofound, 2015a and b).

This included the following steps (Baumfeld and Fischer, 2012) and was carried out with the involvement of representatives of the region, the local public employment service and the ÖAR:

- **Phase 1:** Analysis of the regional labour market situation through secondary data analysis (for example, identifying prospering and declining industries, the use of temporary agency work, trends regarding vacancies in specific occupations, labour supply) and development of an online questionnaire (May 2011). This phase resulted in a list of sectors for which HR demand was forecast and the sharing of employees across companies was assessed to be possible (for example, in construction, and the metal, chemical and health sectors).
- **Phase 2:** Mapping demand (June to October 2011), starting with an information workshop to familiarise regional municipalities and companies with the concept of AGZ, followed by an online survey to investigate the HR needs of the regional organisations. The survey identified six clusters of HR needs among the municipalities (simple construction activities, qualified construction activities, IT, accounting, legal issues, gardening) and four clusters among regional companies (accounting, IT, cleaning and marketing). For both employer types, the majority of the HR needs were related to skilled labour (workers who had completed apprenticeships or higher education). It was estimated that the HR demand of the 15 surveyed municipalities could be combined into 3.66 full-time equivalents and that of the eight surveyed companies into 2.96 full-time equivalents; that is, a total potential for the creation of 6.62 full-time jobs. In both cases, the combination was expected to be comparatively easy to achieve as the demand was mainly on a monthly basis.

- Phase 3: Analysis of demand, assessment of feasibility and activation (October to November 2011) was done through analysing the results of the online survey and discussing them with municipalities and companies during two workshops. It was found that the municipalities would be willing to participate in an AGZ if it was more cost effective than their current HR solutions. The municipalities were aware that this would constitute a pilot project, requiring them to contribute and to be flexible, as some elements would be clarified only in the form of ‘learning by doing’. In contrast, the companies, showed little willingness to engage in such ‘pioneering’ tasks and were concerned about the possible spread of company secrets. The companies suggested that the model should be piloted by the municipalities and if successful, they would also be willing to consider it.
- Phase 4: Recommendations and reporting (November 2011 to March 2012), deriving an implementation strategy based on the results of the previous phases and summarising it in a report (Baumfeld and Fischer, 2012). This also included an assessment of the legal aspects of setting up AGZ in Austria (Haubenberger, 2012).

As part of this project, a ‘value-added check for employee sharing’ (*AGZ Mehrwert-Check*) was developed (Baumfeld and Fischer, 2012; Baumfeld, 2012a). The aim of this instrument was to estimate the value-added of each job created by an AGZ, compared with other employment forms according to five aspects:

- costs, such as hourly wage, costs for administration and coordination, any potential additional fees (value-added tax or similar) (Baumfeld, 2012a);
- productivity – factors identified as influencing productivity include qualification, experience, attitude towards work, recruitment procedures, induction, time requirement per task (Baumfeld, 2012a);
- cost reduction through flexibility – it is assumed this can be increased if there is a high coincidence of a worker having multiple qualifications, a willingness for short-term mobility, willingness to conduct diverse tasks, plus an employer’s working time flexibility, the number of participating firms in the AGZ, and heterogeneity among the participating firms in the AGZ), (Baumfeld, 2012a);
- retention of skilled labour – this depends on the employment form, the availability of skilled labour in the region and the cooperation among regional companies regarding the qualification of workers (Baumfeld, 2012a);
- employer branding – this is influenced by the remuneration level compared to the sector and the core staff in the participating firms, fringe benefits (for example, health provisions), age management, diversified tasks, career development possibilities, autonomy, teamwork, leadership and atmosphere at the work place (Baumfeld, 2012a).

For each job under consideration, each of these five aspects is given the median score (five points) while an assessment for the scores that a corresponding AGZ job would achieve is derived in discussions between the participating companies and external experts. Each of the aspects is weighted. As the relevance of these five aspects might differ across the individual cases, weights can be changed. The result is a numeric estimate, showing whether an AGZ job could achieve a better or a worse result than the alternative employment form.

Furthermore, the check contributes to a better mutual understanding between the companies and the experts as regards the HR needs and characteristics as well as the establishment of trust among them.



Although the feasibility study showed good potential for the establishment of an AGZ in Lower Austria, it was not actually established. Companies were reluctant to take the first step, and the municipalities which were willing to engage could not do so for cost reasons. The current legal framework would have resulted in a financially unfeasible situation in which the communities/municipalities would be liable for an additional 20% value-added tax on top of the wage costs for the shared workers.

Nevertheless, still enthusiastic about the concept, the ÖAR approached progressNETZ (an association also active in regional development) and they started the 'AGZeins' pilot project in Lower Austria, which is publicly supported (see below). progressNETZ had just finalised a project on a 'model region for tourism' and hence had good contacts with companies and representatives of the municipalities. In this project, many of the companies needed skilled labour but had difficulty retaining workers if work was available only seasonally. Hence, the firms were relatively open to cooperating with other employers to ensure they had access to the human resources they needed when they needed them, rather than having to repeatedly invest time and money on recruitment and induction.

After some initial general information sessions, in-depth meetings were carried out with the companies concerned. In total, about 25 such meetings (*Mehrwert-Checks*) were conducted. Investing this time for one-to-one meetings with the potential participating companies (due to the available public support, see below) is seen as an important success factor in the pre-start-up phase of the AGZ. Out of those 25, about 40% were deemed to be suitable for engaging in an AGZ, and finally nine companies agreed to participate in the start-up. The majority of them are in the tourism sector (both SMEs and large firms), but there are also manufacturing companies (for example a multinational active in 45 countries). In the pre-start-up phase attempts were made to convince regionally important and well-known companies to participate in the planned AGZ so that the project could benefit from their reputation and raise public interest.

The AGZ was formally established as an association in 2014, with the nine participating companies as board members. A CEO, a deputy CEO and two cashiers were elected from among the members. The CEO is the head of a member company who was previously involved in staff recruiting and coordination and volunteered to take on this role in the AGZ.

The identification and bundling of HR needs (conducted by progressNETZ) has been very difficult; the aim was to create full-time jobs, but the companies sometimes needed staff at the same time while there were periods when there was no work available at any of them.

Overall, there was a need for 22 workers, but progressNETZ calculated that it would not be possible to guarantee this many people permanent full-time employment. Consequently, it was decided to start with 12 shared workers, who could be guaranteed a full workload. Also, starting at a more modest level was seen as a good strategy for such an innovative project.

The AGZeins established templates for contracts with the participating companies and workers as well as a set of 'fair play rules' to which all participating companies commit themselves and which imply shared responsibility for the workers but also mutual respect between the companies (that is, avoiding a situation where one of them takes advantage of the workers to the detriment of others). The rules were drafted by progressNETZ and the ÖAR and then discussed with all participating companies, during two half-day workshops, as well as with external stakeholders such as trade union representatives. An example of one issue which was intensively discussed among all stakeholders is what would happen if one of the participating companies was interested in taking on one of the shared workers into its core staff. This is an important consideration as it would result in the other participating companies

no longer being able to use the services of this employee, despite having contributed to the development of his or her competence. Although other European AGZ do not allow this possibility, AGZeins decided to enable it, but only if certain procedures were followed (for example, applying to the AGZ management to transfer the employee to the core staff, and allowing time for the AGZ management to find a replacement). Other examples relate to the agreement that shared workers cannot be employed beyond the agreed hours (in the form of undeclared work); the procedures if a company no longer requires its agreed amount of HR; or what happens if a participating company faces insolvency.

progressNETZ and the ÖAR see their role in the establishment of AGZeins as the following (Baumfeld and Fischer, undated):

- identifying and mobilising resources, (understood as political power, finance, knowledge, network relationships and passion);
- linking the above resources (and related actors);
- supporting stability through triangulation;
- cooperating in a partnership model; and
- being available as part of the network (informing, supporting, interacting with the other actors).

In practice, they see themselves working in five fields:

- marketing (convincing companies to participate)
- institutions (lobbying)
- media (arranging publicity))
- civil society;
- EU programmes (for example, using LEADER initiatives to focus on SMEs and employment aspects, for which the concept of AGZ could be used).

The organisation which set up the agricultural AGZ in Styria, undertook similar activities to the AGZeins in its pre-start-up phase (Vötsch and Titz, 2011):

- establishing a system for payroll calculation and administration as well as for invoicing the participating companies;
- clarifying which collective agreement is applicable;
- drafting a template for the employment contract;
- drafting a cooperation agreement;
- dealing with legal issues to ensure that the AGZ is based on sound legal constructions (for example as regards the legal form, trade law);
- identifying and mapping the HR demands of the companies to ensure longer-term employment relationships.

Later on, when the Styrian AGZ was running, the implementing organisation provided these services (Vötsch and Titz, 2011):

- recruiting of staff;
- management of the induction phase of the workers;
- management/coordination of the employee sharing (control, steering);
- education and training measures;

- social-pedagogical support for the workers; and
- continuous contact with the employers.

An example from the AGZ agricultural pilot in Styria shows that a shared employee worked in four local companies that had intensive periods of harvesting, leading teams of mainly non-Austrian farm hands (Vötsch and Titz, 2011). During autumn and winter, he participated in several further education initiatives (gaining a driving licence for tractors and forklifts, doing courses on plant protection). All shared employees were paid according to the regional collective agreement for agriculture.

## External support

The necessity for a resource centre is mentioned by several of the interviewees. Particularly when introducing the employment model in a country, there is a need for a ‘preparatory committee’ working full-time on spreading information about the concept and lobbying for getting the framework conditions right. More operationally, to start-up an AGZ there is a need for a resource centre to approach companies, explain the employment model to them and attract them to join if the model is a suitable solution for their HR needs. Furthermore, the resource centre is needed to provide assistance and advice regarding establishing and running the AGZ until the employer group management has sufficient experience to handle the AGZ itself. Another important precondition for the efficient running of AGZ is that the resource centre provides the relevant tools, such as templates for contracts between the AGZ and the companies and for employment contracts, templates for codes of conduct within an AGZ, a label of quality for AGZ (rating how well the developed ‘good practice’ is followed) and similar.

Accordingly, and to enhance the exchange of experiences, support the establishment of new AGZ and inform interested parties, an Austrian information centre on employee sharing (AGZ Infozentrum) was established by the ÖAR and a private consultancy in the field of labour market policy. The activities of the information centre are fully funded and carried out by ÖAR and progressNetz (for example, ÖAR decided to devote 10 working days annually to activities related to the information centre, to be cross-financed by other activities of the consultancy).

The centre offers the following services:

- advice and consultancy for employee sharing initiatives;
- helping AGZ in their planning and start-up phase, (for example in the analysis of HR and training needs, the identification of potential participating companies and support in negotiations with public authorities, chambers and the labour market institutions);
- organising information events and publishing information material and guidelines;
- organising exchanges between AGZ, and with similar bodies in other countries (France, Germany, Belgium);
- public relations activities.

As regards public support, between March 2011 and February 2012 a pilot project was conducted in Styria to establish an agricultural AGZ, supported by the regional government and public employment service as well as the chamber of workers in agriculture (*Landarbeiterkammer*) and implemented by the training institute for people in rural areas (*Ländliches Fortbildungsinstitut*). The aim was to assess whether employee sharing was a

feasible instrument for the region to create sustainable and secure (in labour law terms) agricultural jobs (Vötsch and Titz, 2011).

The project '*Zukunftsmodell AGZ – Moderne Personalentwicklung für Regionen im Tourismus, der Gastronomie und in der Freizeitwirtschaft*' (future model employee sharing – modern HR development for regions in tourism, restaurant and leisure industry), aiming at establishing the AGZs in Lower Austria, was financially supported by the Federal Ministry of Labour, Social Affairs and Consumer Protection (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz, BMASK*) and the public employment service (*Arbeitsmarktservice, AMS*) as well as political support from the social partners (*Produktionsgewerkschaft PRO-GE and Wirtschaftskammer Österreich*). Based on the findings of their previous project related to the development of regional tourism, progressNETZ applied for funds to investigate the potential of an AGZ for creating jobs and reducing precarious work, and was awarded a grant to pilot the AGZ. BMASK and AMS acknowledged the potential advantages of AGZ for the local workforce and economy, taking into account the local characteristics (for example, seasonal industries, labour market competition from the Vienna region) and were willing to provide funds to establish a 'pilot AGZ'. AMS highlights that although AGZ are new to Austria, similar instruments have been available for 20 years. An example is the not-for-profit secondment of workers ('*gemeinnützige Arbeitskräfteüberlassung*') in the framework of which AMS and social partners jointly start-up an association which hires workers full-time and send them to work in other companies. In this model, the risk for not being able to provide continuous workload is covered by public funds. It was calculated that this model is cheaper for the public budget than having to pay unemployment benefit for the affected workers. Another example is the cross-company cooperation in the field of apprenticeship training ('*Lehrausbildungsverbund*'), where apprentices rather than just working in one company do so in two or more in order to be provided the full spectrum of occupational skills which could not be done by a single company.

The project cooperated closely with the regional public employment service, trade unions and employers' organisations, municipalities and national and international experts in regional development and employee sharing. Both, the trade union and the employer's organisation were informed about the developments from the very beginning. The regional trade union had some initial concerns as regards the effects of the employment model on the working and employment conditions of the affected workers. However, these could be quickly resolved by experts on legal issues and temporary work agencies<sup>1</sup> in the national trade union.

The funding period was initially planned to end by October 2014, but was prolonged until April 2015 as the funds have been used efficiently and the project sparked new questions and issues that were deemed worthwhile investigating.

The ÖAR and progressNETZ highlight the considerable importance of support from employers' and employees' representatives for the implementation of AGZ in Austria. Having a strong tradition of social partnership, the institutions' lack of understanding of the concept and their scepticism regarding its advantages for the labour market was a major barrier to establishing AGZ in other federal states. On the other hand, good support from individuals within various institutions, particularly the trade unions and the local public employment service, helped to reduce concerns within the institutions and finally resulted in a generally rather positive attitude towards AGZ.

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<sup>1</sup> According to the current legal framework, an AGZ has to be formally established as temporary work agency in Austria.

The involved institutional stakeholders deemed the establishment of the pilot AGZ to have been a successful first experience with this employment model that should be followed up. Furthermore, other Austrian regions (including several LEADER regions<sup>2</sup>) learned about the first AGZ and flagged interest in considering this employment model also for their region. As a consequence, BMASK is providing further financial support from January 2016 to December 2017 with the following objectives:

- To establish an Austrian AGZ resource centre to provide information and assistance to other regions in establishing AGZ and setting up standards for employment conditions and cooperation within AGZ
- To establish further AGZ in different Austrian regions and sectors, with the plan to start-up three new AGZ in 2016-2017
- To explore, on the basis of the experience with these first AGZ, the framework conditions that need to be in place for the employment model to be used to a larger extent, including an assessment whether the current legal framework is fit for purpose

The public funds provided for this purpose cover two full-time staff for two years as well as some funds that can be used to contract experts to support the core team on specific issues.

The interviewed stakeholders highlight that an important precondition for AGZ to be established and successfully operate in Austria is not only the awareness of institutional actors about the employment model, but more generally a positive attitude of the government and its authorities (including, for example, the public employment service) as well as the social partners towards innovative human resource (HR) management practices and labour market policies/instruments. The opinion persists that during the last decades, labour market policy and its instruments have much developed in Austria and are now at a very mature state. Consequently, innovation has to be realised by creating ‘something really new’ rather than further development of existing strands or measures. In general, labour market actors are seen to be rather open to innovation, favouring the introduction of strategic employee sharing. At the same time it is made clear that innovative measures will not be introduced just for their own sake but have to show some positive labour market effects. This challenges the further political and financial support for AGZ if no larger scale or at least potential can be evidenced. For any future further development of AGZ in Austria it is deemed important that the institutional stakeholders are actively involved and engaged in the process of designing the characteristics of the employment model and its framework conditions. As a consequence, the current public support project entails an advisory committee composed of BMASK, AMS and the social partners to further develop the ideas, concepts and legal framework of AGZ in Austria and to provide operational support for the establishment and running of AGZ. Thereby, it should be ensured that higher hierarchical ranks within the institutions are involved as otherwise it might be more difficult to get full commitment and support. In this context, the existence of a strong tradition and good culture of tight social dialogue was repeatedly mentioned as a benefit in the Austrian environment as this enables an objective discussion of any issues due to a sound level of mutual trust that no party wants to overreach the others. As regards the activities that could be undertaken by the government and social

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<sup>2</sup> LEADER is an initiative of the European Union which aims to support rural areas to improve their economy and living conditions through fostering cooperation. There are about [75 LEADER](#) regions in Austria. About five of them explicitly mention AGZ in their strategy plan and about further 15 implicitly refer to sharing of staff.

partners to further develop AGZ in Austria, a starting point would be the provision of information about the characteristics, working method and potential effects of AGZ to companies and their advisors (for example, lawyers, business consultants) but also works council representatives and labour market institutions (such as the social insurance bodies or the public employment service). This task could be realised by employers' organisations, the regional public employment service (*'Service für Unternehmen'*) or the regional development agencies of the federal states (*'Wirtschaftsagenturen'*) as these actors well know the regional companies and their HR needs. In general, it is experienced that these actors are open towards the employment model, but still hesitant to 'promote' it to a larger extent due to some unfamiliarity with the concept and related insecurity. For this purpose, examples/role models are considered to be of advantage as they help to arrive at a better understanding of the employment model, along with regular media reporting and sharing of 'good practices'. A second pillar of intervention for institutional actors refers to the provision of public support. The following requirements for financial support have been identified during the interviews:

- For conducting feasibility studies to explore whether an AGZ is a meaningful employment model for the region and potentially involved employers
- For starting-up a few pilot AGZ to establish some examples/role models which are necessary as a 'communication tool' for further spread of the employment model (see above); the workload (and hence budget) required for this task must not be underestimated as it requires directly approaching a large number of employers and exploring with them the feasibility of an AGZ and their willingness to participate as well as direct involvement in setting up the AGZ and make it running before withdrawing and leaving the operational tasks exclusively to the AGZ management
- For establishing a resource centre to develop standards and supportive material (like draft contracts or cooperation agreements), share information, assist the start-up of and provide advice to AGZ

For running a resource centre; parts of the costs could be covered through membership fees paid by AGZ or their participating companies, but full coverage of the arising costs would be a too high financial burden for AGZ/companies, making the employment model less attractive

## **Outcomes**

The agricultural AGZ in Styria resulted in 23 companies jointly creating three new jobs. However, they had some difficulty finding suitable workers, and when the public support stopped the companies were no longer able to continue the project for cost reasons as the collective agreement to which the AGZ was subject prescribed higher wages than is common in agriculture.

The first AGZ in Lower Austria involves nine companies of which by June 2016 four are actively sharing four workers. The participating employers are all tourism companies with between five and 40 core staff. The four shared workers are an assistant cook, a sous-chef, a qualified restaurant expert and a facility manager, showing the diversity of skills and occupations for which strategic employee sharing could be applied, even if limited to a single industry.

As of summer 2016, an agreement to establish an AGZ in Styria and one in Burgenland has been signed, and there are ongoing discussions with stakeholders in other federal states (Tyrol, Upper Austria, Carinthia, Vienna) regarding the feasibility of starting-up further AGZ.

From a more academic perspective, a university is conducting a quantitative potential analysis on AGZ which is planned to be finalised at the end of 2016.

While the interviewed stakeholders acknowledge that in theory the employment model AGZ is less favourable than permanent, full-time employment with a single employer due to the fact that workers have to operationally work in different companies, they highlight that in practice it can be difficult for workers to get standard employment for the type of HR needs covered by AGZ as individual employers simply cannot offer full workload on their own. In such a situation, the respondents assess that AGZ is more favourable for workers than other employment models such as temporary agency work (due to the uncertainty about assignments) or having to combine different part-time jobs on their own (as then the individual employers do not have to take into account the worker's other commitments) or (forced) self-employment. Accordingly, none of the interview partners is concerned about AGZ replacing standard employment as it covers a different type of HR needs. Rather, it could replace other forms of short-term or part-time employment, to the advantage of the affected workers.

Employee sharing has the potential to reduce precarious employment because:

- it gives job and income security to the worker(s) involved by providing access to regular income and social protection in situations when such would not be available to them from a single employer; As it is up to the AGZ management and the participating companies to arrange for the work assignments, the organisation of the combination of different assignments does not cause any burden or stress to the workers (as would be case if they had to combine different part-time or self-employed jobs themselves). Furthermore, the worker formally has a standard employment contract with a single employer (the AGZ), hence is well protected by labour law as regards employment rights and working conditions (including wages, working time and social protection);
- payment is guaranteed also for idle times should they occur, so that limited HR demand by the participating companies on short notice would not negatively affect the workers' income. In the pilot AGZ the participating companies agreed upon paying the shared workers the collectively agreed wage in their respective industry (plus a small premium to reward them for their flexibility), so equal treatment compared to core staff is given. In theory, such an agreement could result in some income fluctuation depending on the time spent in individual companies every month if they are subject to different collective agreements. As in the pilot AGZ all belong to the same sector, this was not an issue yet;
- full integration of the shared workers in the work organisation of the companies in which they are active, even if they are not permanently present (however, none of the workers was interviewed to confirm this). This not only refers to formal and work related aspects, but also to social events like celebrations or excursions to which also the shared workers have full access;
- it maintains the individual competitiveness of the worker on the labour market by maintaining their employability and capability to work; AGZ could be a particular interesting employment model for workers who are looking for diversity of tasks and teams. Regularly working in more than one company offers more possibilities to gather experience and learn and hence is seen beneficial for their professional further development. It is observed that employers often value the experiences workers

gathered during their previous jobs. With being involved with different companies in parallel, AGZ workers 'save time' to gather such different experiences as they have access to them in parallel rather than in sequence;

- it increases the attractiveness of the region for employers because of its stable employment and development potential.

From the perspective of the core staff of the participating firms, interviewees assess the AGZ model to be beneficial. Being confronted with continuously changing colleagues to cover the fragmented HR needs might be unpleasant for them, so the repeated assignments of the same shared workers is preferred as they have a better opportunity to get to know each other and know better what to expect from each other and how to arrange smooth workflows.

Furthermore, without the AGZ the additional HR needs might be covered by requesting overtime from the core staff. Consequently, the AGZ might contribute to better work-life balance and lower work intensity and stress levels for them.

The main advantage of an AGZ for the participating companies is that it provides them with access to specific HR which they would not have otherwise as the type of job they could offer individually would not attract the labour force they need. In this context, while the interviewed stakeholders agree that AGZ is an interesting employment model for both large and small companies, they assess it to be more beneficial for SMEs as they in general have fewer possibilities to cover their HR needs. This even more so as the AGZ management not only organises the HR assignments but also conducts the recruitment and is responsible for the HR administration (for example, registration, payroll accounting, social insurance contributions etc.), thereby limiting the administrative burden for the participating companies. It is also observed that having the same workers repeatedly working in the firm is beneficial for the company as induction/training time can be saved and supervision/control can be reduced (hence efficiency gains realised) and workers feel better integrated, motivated and engaged. Similarly, the companies may benefit from the expertise and experience the shared workers gathered in their other assignments (see above). Also the risk that part-time staff leaves the company because they are attracted by a full-time job offering is limited as the AGZ already provides them with a full-time employment. While participating companies have to commit to providing a certain workload to the shared workers, an AGZ offers some flexibility to adapt this to the real workload emerging in practice. In both situations – when a worker is needed less or more than initially thought – this can be flagged to the AGZ management who will try to find a solution by negotiating with other participating companies. The larger the AGZ, the greater the possibility that it will result in solutions that are satisfactory for all.

Next to these benefits, also some challenges have been identified for the shared workers. Firstly, adapting to the different companies, tasks and teams might be difficult and stressful. This even more so if they are used to cover peak periods in all the participating firms, that is if they are continuously confronted with high intensity work environments. Secondly, it is acknowledged that shared workers probably have less flexibility as regards working time arrangements than in standard employment as the assignments are arranged between the AGZ management and the individual companies based on their HR needs. However, it is assumed that this is compensated by the experienced higher job stability. As mentioned above, workers could also be confronted with fluctuations in income levels, depending on the companies they are assigned to at certain periods of time. However, compared to other employment models the workers are informed at least six months in advance in which company they will be



working, hence they can well anticipate such fluctuations (which, furthermore, have not occurred at all in the pilot AGZ and in general are assumed not to be huge).

As regards representation of the shared workers, this has not (yet) been an issue, either. The main reason for this is that, generally in Austria, there is a low level of works councils or trade union involvement in those types of enterprises that are currently involved in the AGZ (that is, craft SMEs). The interview partners see no reason why shared workers should not be represented by the works council of the participating firms (if such exists) and also highlight that at the level of the AGZ itself a works council could be established. So far, no need for such has been flagged due to the small scale of the pilot AGZ.

## **Strengths and weaknesses**

As the operational experiences with AGZ in Austria are very limited, detailed assessment of the strengths and weaknesses of the concept and its implementation in Austria is not possible. In general, it can be highlighted that AGZ are widely perceived as a good employment model, having the potential to benefit employers, workers and regions. They could contribute to solving current labour market challenges, such as the lack of, and competition for, skilled labour on the part of companies, and workers' increasing need to combine various part-time, often even marginal, employment relationships.

Public authorities and social partners seem to have a good understanding of the concept and see its differences from other employment forms, for example temporary agency work. Nevertheless, support tends to be provided on an individual basis and not in an institutionalised form. Actors are waiting for the results of the pilot AGZ and the further development of the concept in Austria. Only if it can be assumed that AGZ will reach a critical mass of companies and workers will policymakers consider further engagement in the topic. Nevertheless, this lack of public support is not seen as much of a problem, as the pilot project is sufficiently funded and has received good support in terms of advice and consultancy. However, for the concept to spread, more structural support might be needed.

From a more operational perspective, the current experience with AGZ in Austria shows that public employers would generally also be interested in using this new employment form. In this regard, the requirement for them to pay value-added tax in addition to wage costs constitutes an important weakness of the concept.

Another weakness is the more limited access to some labour market instruments. For example, in Austria there is the option of a one-month probation period funded by the public employment service to assess whether a specific worker fits the requirements of the employer. However, as AGZ have to be formally established as temporary work agencies, they are not eligible for this support. Nevertheless, such a subsidy would be useful as it would give all involved employers the opportunity to get to know the worker and assess whether he or she fits the employee sharing model.

Another weakness related to the necessity of establishing AGZ as temporary work agencies is that it does not allow the AGZ to conduct apprenticeship training (that is, the AGZ being the employer of the apprentice), in spite of the existence of cooperative apprenticeship training models in Austria. It is assumed that employers not themselves engaging in apprenticeship training would be willing and interested in doing so through the AGZ, and that this could also be beneficial for the apprentices due to the larger variety of work organisations and tasks they become familiar with.

Trade unions, in contrast, are generally satisfied that AGZ are subject to the regulations for temporary work agencies as this provides a good safety net for the affected workers. While there are some potential dangers for workers inherent in the concept (for example, variations in wages and other aspects of working conditions due to the combination of different employers), the legal framework protects the employees well and hence should not be changed. At the same time, trade unions are aware that this specific situation might make the implementation of some AGZ difficult, particularly if the collective agreement for temporary agency work requires a higher wage level than common in the sector in which the AGZ is active (as experienced in the case of the agricultural AGZ in Styria).

## Future plans

The vision of the ÖAR regarding AGZ in Austria is as follows (Baumfeld and Fischer, undated):

- AGZ will be a recognised employment model in Austria;
- employers will be aware they can use AGZ to contribute to the retention of skilled labour at regional level;
- AGZ will contribute to job creation and the increased competitiveness of smaller companies in rural areas;
- precarious employment is transposed into permanent full-time jobs.
- To achieve these goals, several areas could be improved. The idea of whether a separate legal framework for employee sharing would be useful needs to be discussed, as well as how this could benefit the establishment and the running of the AGZ (that is, avoiding the current limitations) while at the same time ensuring that workers are well protected. A working group on this topic has been established, including the ÖAR, progressNETZ, social partners and public authorities.
- Public support for AGZ should be more institutionalised and structured, rather than relying on personal contacts. It is assumed that this would take place as soon as the first AGZ shows positive results as the current supporters of the concept in the various public bodies and social partners are in comparatively powerful positions at national level, and so have the ability to initiate programmes if justifiable.
- The AGZ *Mehrwert-Check*, which proved useful, could be further improved, with a technical solution for its easier implementation.

## Commentary

AGZ in Austria are in their very early phase of development. Nevertheless, they are deemed to have the potential to benefit not only the labour market in terms of reducing precarious jobs by creating permanent full-time employment, but also the regional economy through retention of skilled labour. However, due to their novelty it is not yet clear whether there is a broader willingness of companies to engage in this new employment form on a larger scale.

Furthermore, the ÖAR identifies the following challenges related to the establishment of employee sharing in Austria (Baumfeld and Fischer, undated):

- challenges relating to trade law;

- familiarising labour market institutions with the concept of employee sharing and gaining recognition of the concept as a new, alternative employment form;
- familiarising companies with the concept of employee sharing and informing them whether the model could be a sound pillar of their HR management;
- finding suitable companies whose HR demands could be readily combined into permanent, full-time jobs;
- stabilisation of networks and empowering them to coordinate the cross-company HR management themselves.

Time will show whether the experience from the first pilot AGZ is positive, and if so, is sufficient to convince economic actors, as well as public authorities and social partners, to engage in AGZ and support their establishment and operation. At the same time, the success and growth of the employee sharing concept could result in resistance from other parties, notably the temporary agency work sector, which might perceive AGZ as competition. Information sources

## Websites

Arbeitgeberzusammenschlüsse in Österreich, available at

<http://www.arbeitgeberzusammenschluesse.at/>

ÖAR Regionalberatung GmbH, available at <http://www.oear.at/>

progressNetz Netzwerk für regional Entwicklung, available at <http://agz.progressnetz.at/>

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