

New forms of employment

Employee sharing, Germany

Case study 1: AGZ Südbrandenburg

Employee sharing began in Germany 10 years ago, but its practice is not widespread due to the current laws on temporary agency work which have hindered its development. This study documents the case of AGZ Südbrandenburg, the oldest example of employee sharing in Germany, which epitomises the challenges faced by employers in introducing this innovative employment form.

Introduction

Employee-sharing was introduced in Germany in the early 2000s, by adapting the model of the French employer groups (groupements d'employeurs). While there is no legal definition or framework for employee-sharing in Germany, an Arbeitgeberzusammenschluss (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 arrangement. The aim is to:

- provide the 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 the region through better flexibility, anticipation, strategy and innovation skills, expansion and diversification potential (AGZ Infozentrum, 2013; Osthoff et al, 2011).

The participating companies are jointly responsible for the employees hired by the AGZ, who work exclusively for them on a rotating basis. Based on standards drafted by the Federal Association of German Employers' Alliances (*Bundesverband der Arbeitgeberzusammenschlüsse Deutschland e.V.*), German employers' alliances, as well as the participating firms, voluntarily commit themselves to guarantee that the shared workers' pay and conditions are equal to those of their core staff (see Case study 2: Policy analysis).

Although employee-sharing has been going on in Germany for about 10 years, it is still not very widespread. By the end of 2013 there were seven AGZ in Germany, with about 110 participating companies and about 100 shared workers (Case study 2). This case study documents the AGZ Südbrandenburg as it is the oldest and has experienced some challenges in its development. Information was gathered through desk research and interviews with the AGZ management and other relevant stakeholders.

General characteristics of the AGZ Südbrandenburg

The AGZ Südbrandenburg is the oldest employer group in Germany. It is in the Spreewald region, about 60–100 km southeast of Berlin and about 60 km from the border with Poland ([Spreewald website](#), 2013). The area is known for its agricultural and mining activities and as a tourist destination.

The AGZ was established in 2003–2005 as AGZ SpreewaldForum; a pilot project in the framework of a transfer study with legal expertise and a feasibility study to test the possibility of establishing German employee-sharing on the basis of the French model (Kratz and Böcker, 2009).

Being the first AGZ in Germany, it experienced several problems but also found solutions for them (Hartmann and Wölfling, 2012). Nevertheless, in March 2012, the AGZ SpreewaldForum had to file for insolvency. It was merged with another regional group, the AGZ Elbe-Elster, forming the AGZ Südbrandenburg later in 2012, which meant that it maintained its main elements while operating on a new, more economically sustainable basis (Hartmann and Wölfling, 2012).

By the end of 2013, the AGZ Südbrandenburg had about 40 regional member companies and employed about 60 workers. Participating companies are mainly in the field of agriculture, food processing, office services, catering, tourism and related services. The majority of shared workers are agricultural workers or unskilled workers, but there also are some skilled workers such as accountants or specialists in the fields of IT, marketing, quality management and occupational safety (see AGZ website under Information sources below).

The workers are placed only in the participating companies and, on average, work in two to four different workplaces per year, with varying rotations (for example seasonally or weekly). The workers have a work contract with the AGZ and are treated equally, in terms of wages and working conditions, to the core staff of the member companies where they work (AGZ website, 2013).

The AGZ is run as a non-profit organisation. The participating companies face the following costs:

- wages;
- social insurance contributions and ancillary wage costs;
- membership and management fee (about 15% of the wage costs). (AGZ website, 2013)

Design and implementation process

Osthoff et al (2011) mention that AGZ are often initiated by an external party which wants to strengthen regional cooperation and structures, and keep qualified workers in the region by offering them attractive jobs (income and employment security). This was certainly true of the AGZ SpreewaldForum, which was established because companies, especially smaller ones without proper long-term proactive HR management, were experiencing increased difficulty in getting qualified specialist workers on a part-time basis (Tamen, 2009). Policymakers realised that AGZ could contribute to firms' sustainability by giving them access to the required competences while, at the same time, creating secure, interesting and attractive jobs for the workers. Accordingly, between 2001 and 2005 the Brandenburg regional government conducted feasibility and transfer studies on employer groups, based on the French model (Case study 2).

The AGZ SpreewaldForum was established as a pilot project in Brandenburg. In late 2003, Tamen, a private organisation supporting development programmes in rural areas responsible for the above-mentioned studies, commissioned by the regional agricultural ministry (Ministerium für Infrastruktur und Landwirtschaft, Land Brandenburg) approached an expert on the economic

and labour market characteristics of the region, asking him to set up and manage the AGZ. At the time this man was working on regional labour market promotion/integration measures (also with a strong focus on young people) and economic activities (such as the development of a regional discount scheme) that were strongly based on regional networking (including with companies). These experiences meant he knew the best methods to approach and engage companies in specific activities in a sustainable way. Furthermore, he had succeeded in building up (social) networks with regional firms characterised by mutual trust. He welcomed the idea of establishing an AGZ in the area and agreed to contribute to the project. He wanted to be able to offer job opportunities to workers who wished to remain in the region or start work there, and to achieve this by using his existing company networks. He assumed that an AGZ could achieve these objectives by creating an independent, self-sustainable structure rather than depending on external public support.

The project team first discussed the proposal for an AGZ with regional policymakers, including trade unionists, and companies that were interested in the idea. At the same time, a very rough assessment was made of the possibility of combining HR demand from companies. This was because the team wanted to avoid creating precarious work. In the first half of 2004 the manager talked to about 50–60 regional companies (mainly agricultural firms) to see if they would be interested in participating in an AGZ, and if so, what their needs would be. About 10 firms agreed to join an AGZ if it were established and suggested how such an AGZ could be organised. The combined needs of these 10 firms amounted to about 10 workers.

This was a satisfying result for the project team as they had wanted to create a AGZ with enough member companies and workers to justify a designated AGZ management (in contrast to many French employer groups, where there are so few shared workers that they are managed by one of the participating firms).

The manager thinks that his existing good relationship with these companies facilitated this pre-start-up phase. Some companies were sceptical about the concept of an AGZ due to their unfamiliarity with the model; they couldn't see the difference between an AGZ and a temporary work agency. Also, there was neither a German 'role model' nor any laws providing the framework conditions. Furthermore, the concept of AGZ requires some medium to long-term strategic HR planning, not carried out by the region's small companies. They also had difficulty in seeing the benefits of an AGZ (and were therefore not very willing to spend time discussing it). Nevertheless, even those companies were willing to give it a try as they trusted the manager and knew that he would not exploit them. However, the manager was also faced with the problem that he had no personal experience of how AGZ worked, and only limited information, and therefore was unable to answer some of the companies' more specific questions.

On the basis of the first assessment, the second half of 2004 was devoted to a more in-depth analysis of the situation. This included, for example, a comparison between the amount of money companies currently spent on the jobs flagged for the AGZ and the anticipated costs of AGZ. This, again, turned out to be a challenge for two reasons:

- Many companies did not know what the HR costs for a specific job would be, as they lacked detailed documentation. This was therefore estimated in discussions between the company boss and the AGZ manager.
- Since no other AGZ existed, there were no templates for estimating the costs of AGZ workers for the companies or the rates to be applied by the management.

On the basis of this, an hourly gross wage of €6 was calculated for the workers, resulting in hourly costs of €10 for the employers (this included the AGZ management/administration fee). The employers were initially against this, until the manager explained that, in practice, this meant cost savings which they had not been aware of (such as costs for staff administration, recruitment and induction, and those arising from staff fluctuation).

Legal issues, such as contractual arrangements, also had to be considered. Many things here had to be ‘invented’; simply copying the French model was not possible due to differing legal frameworks. This was done by the manager in cooperation with Tamen, and then cross-checked by the companies. Also, and again in contrast to France, various options for its form were considered as there was no law providing for this in Germany. The final decision was for a private limited company with one shareholder (the manager of the AGZ) as companies were not willing to participate in the organisational structure of a new entity (for example, a cooperative or a foundation). It was planned that this private limited company would engage with the companies through cooperation contracts. Accordingly, the private limited liability company was established in December 2004. The manager says that if he had not agreed to start up the AGZ in this form it would not have been established at all, in spite of the general interest, as no one would have taken the initiative, and consequently no other AGZ in Germany would have been set up either, as they benefited from the experiences of the pilot project and the continued interest from policymakers.

In parallel to the start-up, the manager applied for authorisation of a temporary work agency (MLUV, 2005). While this was granted without problems, approaching banks for finance was more difficult. They were unwilling to lend money because of the unknown business model, which meant they could not assess how realistic the business plan was; they insisted on seeing results before granting finance.

As mentioned above, regional companies were equally sceptical regarding the usefulness and operational implications of an AGZ. Nevertheless, due to the trust they had in the manager, seven companies finally agreed to participate in the AGZ, and the first contracts with them were drawn up early 2005. This resulted in a combined demand for nine workers, and in April 2005 two women and seven men with occupations such as forestry worker, gardener, blacksmith, locksmith, carpenter, miller, plumber, and aged from younger than 25 to older than 55 years, were hired with definite contracts for 35 hours per week until January 2006 (MLUV, 2005). These jobs were quite different from the ones the previous year’s analysis had come up with, as the companies had now – with their written agreements in place – considered their HR needs much more thoroughly than they had done previously.

Encouraged by this success, in 2007 the AGZ also decided to train apprentices. It reasoned that sharing skilled labour is possible only if skilled workers are available, and if they are not, one has to produce them. The manager’s experience was that smaller enterprises had difficulty in getting skilled workers due to their limited size. Hence, shared education and training was deemed to be a good solution as it offers small firms the possibility to engage in apprenticeships while ensuring that the apprentices receive comprehensive training, even if the individual firms are quite specialised. From a regional perspective, joint apprenticeship opens up training possibilities for local people and makes the area more attractive for them to stay. A cooperative, rather than a private limited company, was thought the most feasible legal form for doing this, and consequently one was set up in 2008 with the regional companies as its members. It was planned, in the long run, as the members became increasingly familiar with the characteristics of a cooperative, to transfer all AGZ activities to this cooperative and use the private limited company only as an administrative facilitator or close it down completely. However, after the cooperative’s successful start and stable development in 2009 and 2010, the farmers’ association also decided to become active in apprenticeship training and to apply for public support. The large regional farms found this new programme more attractive than the one offered by the cooperative because the public financial support made it cheaper. The number of participating companies in the cooperative fell. Nevertheless, they continued with the apprenticeship training as they did not want to abandon the young people during their training, even though it became very costly for the cooperative due to its limited scope.

Based on the good experiences with the cooperative in the framework of the apprenticeship training, in 2010 the AGZ management succeeded in convincing the first companies to transfer

their more general AGZ activities to the cooperative, too. Then, however, the national government introduced a minimum wage for temporary work agencies which was higher than most of the wages which the regional companies paid their core staff. This forced the AGZ to contravene its own principle of 'equal pay, equal treatment' as the AGZ workers, by law, now had to be paid higher rates too. This not only increased the companies' costs of belonging to the AGZ, this negatively affected the firms' attitude towards the AGZ model due to inconsistency in behaviour. Furthermore, the companies' core staff could not understand why the AGZ workers should be paid higher rates than them (in Germany, temporary agency workers are normally paid lower rates than core staff) and hence the working atmosphere deteriorated rapidly. Employers began to leave the AGZ in order to maintain their core workers' motivation. One of the companies was a food processing firm which had employed about 50% of the AGZ workers. The AGZ managers then asked the remaining companies, on the basis of their previously established commitment, to take on additional AGZ workers, even though there was no legal obligation for them to do so. Some of the smaller companies were willing to support the AGZ by taking on additional workers while some of the medium-sized ones did not. This left the AGZ management (that is, the private limited company) with outstanding HR costs and not enough member companies to absorb them.

This drop in member companies, as well as the costs of the apprenticeship training, resulted in the AGZ filing for insolvency in the first quarter of 2012. In more detail, this is mainly attributed to five particular aspects (Hartmann and Wölfing, 2012).

- The concept of AGZ was so new that setting it up entailed a lot of effort in persuading companies and authorities of its benefits; there was limited access to public support and little appreciation by regional companies.
- The legal form of a one-person private limited liability company resulted in a situation in which all member companies had relationships with the AGZ manager, but not with each other. Little shared responsibility to secure employment could be established.
- Many member companies followed an unfavourable payment practice. They benefited from the high efforts and favourable terms the AGZ offered, but did not provide reliability and accountability.
- Member companies did not have participation rights in the AGZ, making them unwilling to take on responsibility for the AGZ.
- The AGZ aimed at achieving stability by signing up a large number of companies and workers. However, this meant involving companies that did not fit perfectly in terms of work and qualification structure and some that rejected the idea of shared responsibility and loyalty.

In spite of this economic blow, the AGZ management still received messages of support from regional companies which wanted it to carry on. Furthermore, the AGZ had already caught the attention of policymakers as a 'role model of AGZ in Germany'. It was approached as a centre of expertise and experience by other interested parties, including other German regions, which wanted to establish an AGZ. The AGZ management felt that if it stopped, there would never be any AGZ in Germany at all and, being enthusiastic about the concept, started thinking of how to carry on.

The AGZ manager approached the management of the AGZ Elbe-Elster, another regional AGZ in its start-up phase, which had tried, since about 2002/2003, to establish an AGZ, but had had no success in persuading local agricultural companies and stakeholders of its benefits. Nevertheless, still convinced about the concept, they continued working on it, mainly focusing on small companies which had more difficulty in solving their economic and labour market challenges and which were open to new solutions, even if untested. The AGZ Elbe-Elster management, looking at the experience of the AGZ SpreewaldForum, also broadened their approach and tried to involve non-agricultural companies that could use HR resources outside the agricultural high

season. By 2008 they felt informed and confident enough to start operations. At the beginning of 2012 they had secured the first participating companies and a solidly working AGZ, even if limited in scope. Then they were approached by the AGZ SpreewaldForum and learned what had happened. Like the AGZ SpreewaldForum management, they too felt that if the German pilot AGZ was discontinued, it would never be used in Germany as it would be thought of as bad practice. In order to avoid this, they agreed to support the AGZ SpreewaldForum.

They decided to merge the two AGZ into the AGZ Südbrandenburg. They wanted to establish the new AGZ as a cooperative, because of the difficulties experienced with the legal form of the one-person private limited liability company. However, this was rejected by the insolvency administrator. The management then decided that, in order to achieve stronger integration by the participating companies (while limiting their risk and administrative burden), the legal form should be that of a limited partnership with a limited liability company as general partner and the participating employers as other partners. This meant that participating firms were now obliged to use the level of HR services they had initially committed to. It turned out that smaller firms willingly agreed to this provision, as they had fewer alternatives to satisfy their HR needs, while longer negotiations were needed to persuade larger firms who are better able to cover their HR needs through other employment forms, including more expensive ones if they are associated with less legal liability.

After the merger of the remaining companies and workers of both AGZ, the national government increased the minimum wage of the temporary agency sector at the end of 2012, which was a big blow for the struggling AGZ. The participating companies announced that they could not finance this increased minimum wage level for the type of work conducted by the AGZ workers, and AGZ managers again had to engage in intensive discussions to convince companies about the advantages of the AGZ. At the same time, they were also dealing with the internal reorganisation after the merger, redrafting working methods, processes and procedures. Nevertheless, by the end of 2013 the AGZ Südbrandenburg was stable, with sufficient participating companies and workers to safeguard its efficient working. However, the AGZ management feels that for long-term sustainability further growth is crucial, as is a more favourable external environment, particularly regarding legislation.

Working method, processes and procedures

The management of the original AGZ SpreewaldForum consisted of three staff members. One acted as a contact person in the AGZ office, continuously accessible for companies and workers and responsible for coordination within the AGZ. Another was responsible for administrative tasks such as payroll accounting, financial management and annual balance sheets. The third was responsible for networking with the companies and the workers and spent a lot of time on site visits in the region. The AGZ management also employed two apprentices in the administrative field and a consultant who helped coordinate the apprenticeship training.

The management of the merged AGZ Südbrandenburg comprises four people (as of October 2013). None of them is working full-time in the AGZ management, resulting in a management of about two full-time equivalents. From their experience, this is well in line with the current extent of the AGZ and the characteristics of the shared workers (which influence the management fee charged to the participating companies, as these are based on the paid wages) and is sufficient to cover the administrative costs of the AGZ. As before, one person permanently covers the AGZ office as an access point for companies and workers and another one is mainly involved in active regional networking with the companies and workers. These two also have the main responsibility for the job interviews and for matching workers and employers in terms of timing, skills and personality and working methods. The other two managers deal with issues such as accounting, payments/invoicing, calculations or legal questions.

The managers of the AGZ Südbrandenburg, based on their expertise and experience, feel that each AGZ management should consist of at least two people (even if each has a part-time job). Since managing an AGZ involves a lot of networking with companies and workers, it should be possible for a client who does not get on with one manager to be able to talk to another. Furthermore, the ability of a management team to exchange ideas and discuss issues is seen as beneficial for the quality of managerial decisions.

Due to the development history of the AGZ Südbrandenburg, the management of the AGZ is currently (status October 2013) geographically located in two different offices (the previous offices of the AGZ SpreewaldForum and Elbe-Elster), about 60 km apart. There is continuous exchange by phone among the two teams and personal meetings at least once a week. The management feels it is vital to keep each other informed and to ensure a smooth and effective working of the AGZ.

Osthoff et al (2011) explain, in their general description of working procedures of all AGZ, that there are one or two annual meetings between the AGZ management and the member companies to discuss how organisation has developed, its development plans and the alignment of HR needs. On the basis of this, the management develops an annual plan and the participating companies guarantee to provide a workload and payment for the workers for the defined periods of time. This was done by the initial AGZ SpreewaldForum, with employer companies and regional policymakers participating in the annual meetings and discussing not only specific AGZ issues but also, for example, regional training perspectives and plans. The AGZ Südbrandenburg has not yet held an annual meeting, but participating companies have been sent newsletters about its general developments.

The AGZ takes care of the recruitment and induction of employees, the drafting of work contracts, the management of work placements (that is, aligning supply and demand regarding skills and timing) and payroll services (administration and payment of wages and social insurance contributions). The management encourages workers that they recruit to draft a 'wish list' of jobs/tasks, which the management try to take into account during the matching process, because they feel the quality of work will be better if the workers like what they do.

Other tasks of the AGZ include regularly listing skill needs and providing education and training for their workers (participating companies share the costs of this). Such training is not always provided by formal education providers but sometimes by the participating firms themselves (including learning on the job). In practice, the latter is more appreciated by the AGZ workers as well as the companies and hence 'easier to sell'. The training is limited to the AGZ workers. Only formal education/training courses (which are not offered frequently as both workers and employer prefer learning on the job) are also available to member firms' core staff. (It is against the law for core staff to be sent to work in other firms.)

Furthermore, the AGZ management offers individual services if needed, such as legal advice, HR management or mediation if difficulties arise between an employer and worker. This is done either by phone counselling or through personal meetings, either individually or in a group meeting. However, this is rare.

The AGZ management is also engaged in networking and lobbying (including awareness-raising activities), particularly at local level, as well as in networking with the local public employment service. This is done by inviting service staff to visit AGZ companies to show them AGZ working methods in practice.

In the AGZ Südbrandenburg, participating companies are not obliged to commit themselves to specific HR needs over a longer period of time (for example, an annual plan). The AGZ and the companies agree on specific 'call-outs' (*Abrufvereinbarung*) indicating the time, location, extent and content of work as well as the qualifications and other requirements of the worker. In some cases, such orders result in the more or less permanent commitment of a company to provide

work for a certain number of workers, but this is not the general rule. With some companies, call-outs are arranged for about six months, while for others they are organised on a weekly basis. This mainly depends on the sector or type of activity of the companies, taking into account, for example, the seasonality of production, dependence on external factors such as the weather and the fluctuation of order levels, and the ability to anticipate specific HR needs.

For the workers, the AGZ aims at establishing long-term plans of one to two years of work assignments so that the employees know well in advance about their next employers, workplaces and tasks. However, for new recruits it takes at least one to two years until a recurring workplace rotation (on average, workers work in about two to four companies per year) can be established. This is because a recruit is assigned to a company several times to see whether they are matched satisfactorily. This means that in the beginning AGZ employees can be given very short notice of their assignments. Due to the comparatively low wage level (most of the jobs are unskilled), the AGZ has an unwritten rule that workers should not commute more than 50 km for their assignments.

The coordination of supply and demand of human resources involves a large amount of bilateral communication between the AGZ management, the companies and the workers. Sometimes plans have to be changed at short notice as specific workers are urgently needed in a company at a time when they are assigned to another. This can be because of unforeseen developments such as the weather or additional orders. In these cases, the AGZ management negotiates a satisfactory solution with the affected companies and workers, which depends on a lot of mutual understanding, commitment and support. In practice, this is generally no problem given the networking character of an AGZ. In contrast, in a traditional temporary work agency, the client company would be more inclined to insist on the contractual arrangements being met, regardless of the HR needs of other employers.

Member companies finance the AGZ management by contributing 15% of the gross wage costs of the shared employees (AGZ Südbrandenburg, 2013). The AGZ invoices the participating companies for the workers called out. Workers receive a fixed minimum wage irrespective of their placements in an employer company, plus an additional wage for actual work assignments. The latter depends on the specific employer company (this is equal to the pay for company's core staff, but it has to be at least the legal minimum wage set for temporary work agencies). Consequently, overall wage levels of the workers differ during the year, depending on their individual work assignments. If the worker cannot be offered a specific work assignment for a certain period of time, the management discusses the worker's willingness to use working time accounts or part-time contracts, agrees to provide the standard payment without work provision, or considers laying off the worker if there is no prospect of work.

Companies join the AGZ in one of two ways. The most common is that they approach the AGZ management because they need somebody to engage in less than a full-time job. Less common, is that the employer can no longer employ a worker full-time but, nevertheless, wants to help that person get permanent full-time employment.

External support

In the start-up phase of the AGZ, the regional government granted access to financial support for seasonal workers for costs caused by the necessity to commute. This was vital for recruiting skilled workers who got this kind of support while working for other companies. The regional public employment service offices accepted the argument that AGZ employees did the same work as other seasonal workers in the region who were supported, and therefore were willing to support the new AGZ (Wölfling et al, 2007). In 2008, however, a political decision was made to withdraw this support from the AGZ workers.

The preparation and start-up phase of the AGZ SpreewaldForum was supported by Tamen, whose representatives have considerable expertise on AGZ due to their involvement in the German feasibility and transfer studies and their contacts with employer groups in France.

Nevertheless, in hindsight, the AGZ managers think it would have been beneficial to have had the involvement of business consultants, as they are more familiar with the drafting and implementation of business plans. The reason for this is that an AGZ needs to be considered as an enterprise, as launching it involves all the issues (economic and administrative) that need to be taken into account when starting up a company. Expert advice is vital for this.

In the beginning, the AGZ worked with a tax consultant, but management felt this was costly and unsatisfactory, and so insourced these tasks in 2010.

After the merger which formed AGZ Südbrandenburg, the management wanted advice on the best way of designing and implementing the AGZ activities and applied for public support. This was rejected, however; the AGZ was seen as ineligible because it is not itself economically oriented but aims at supporting the economic interest of its members.

Outcomes

The AGZ Südbrandenburg is considered as a pioneer and example of good practice, demonstrating that AGZ are possible in Germany (Hartmann and Wölfling, 2012). During the first year of the AGZ SpreewaldForum, in 2005, the number of shared workers increased from nine to 12, of whom six could also be retained during the winter period (traditionally the difficult season for a labour market in an agricultural area). Even though not all the workers were retained, this was an important improvement for those who were.

In April 2011, before the downturn experienced by the AGZ, it had about 80 shared workers and about 30 participating companies (with some fluctuations during the year, depending on seasonality of the production processes). This indicates the labour market potential of the AGZ in terms of job creation. While, from a macroeconomic perspective, in absolute terms the numbers are not very high, from a regional perspective the creation of 80 new jobs, characterised by satisfactory wage levels and working conditions should be considered as a success. In late 2013, the AGZ Südbrandenburg comprised about 15–20 companies and about 40 workers (mainly low-waged agricultural staff and assistants).

The downturn of the AGZ SpreewaldForum in 2012 caused the lay-off of about 40 workers. Participating companies had to partly finance the insolvency but do not seem to be much affected by these additional payments and also do not seem to have a particularly negative attitude towards the AGZ. Only two companies actively withdrew because of the downturn, while the others left because internal/structural reasons reduced their HR needs.

The AGZ management says some workers highly appreciate working with them as the AGZ offers them the opportunity of diverse work environments, working methods and tasks. Sometimes AGZ workers move into 'normal employment' and then change their minds and ask to return. However, there are other workers who would prefer working for an individual employer due to better continuity of processes and requirements. Consequently, working in an AGZ is not the optimal solution for everybody but depends strongly on individual preferences and characteristics.

Strengths and weaknesses

For companies, particularly SMEs, participating in the AGZ offers the advantage of regular access to the same (skilled) workers when they have particular HR needs, while at the same time not being responsible for providing permanent full-time work for them. This reduces induction time and increases the quality of production/service provision due to less organisational

disruption and better familiarity of the worker with the specific characteristic of the company and its workflow, as well as increasing the firms' flexibility. The joint HR management also reduces the companies' administrative burden and costs, as well as time needed for worker training (AGZ Südbrandenburg, 2013).

The important strength of the AGZ, compared with other employment forms, is the idea of creating a regional labour market. The companies are jointly responsible, which not only results in the creation of permanent full-time jobs that an individual employer could not provide, but also in some feeling of cohesion among the individual employers. They take into account, as far as possible, the needs of the others when reverting to the jointly established HR pool, which contributes to the overall economic health of the participating firms and hence the region.

Consequently, AGZ can bring economic advantages and flexibility for the companies, while at the same time creating non-precarious jobs for the workers, even if it is limited in scope in macroeconomic terms. While temporary agency jobs are often discussed as a stepping stone to a worker's first job, the AGZ sees itself as the first labour market, aiming to provide permanent full-time jobs to the AGZ workers and ensure good working conditions (equal to the core staff of the participating firms). The intention is to create jobs in which workers are repeatedly working in the same companies for years, rather than continuously carrying out short-term chain assignments in a large variety of firms.

Another advantage for workers is the opportunity to increase or update their skills and expertise through learning on the job. Working for different employers means they are confronted with different tasks and infrastructures and hence have more learning opportunities than they would with just one employer. This is a good way to maintain and upgrade skills and expertise, and hence to foster employability, particularly for workers reluctant to get involved in formal education and training.

On top of that, the AGZ management offers a personal element to both employers and workers. When matching them, the managers try to consider individual preferences as far as possible, (also taking into account human nature, as not everybody is able to get along). For this purpose, the AGZ managers need to be well informed about the companies and the workers, and this level of information goes far beyond what is common in other employment relationships. The management has received feedback from workers about this, saying they feel well supported, and are recognised for their talents.

From the regional perspective, the strength of the AGZ is that it creates and provides sustainable, good quality employment. This makes the region attractive for workers and young people (as apprenticeship training is also offered) and, in turn, is also attractive for companies as it counteracts the problem of a shortage of workers.

A weakness of the initial AGZ was its basis as a one-person limited liability company; this resulted in a situation in which the participating companies did not have joint responsibility for the AGZ workers, but were only in a contractual relationship with the AGZ manager. This was also supported by the legal framework of the temporary agency legislation, specifying that the HR responsibility is with the lending company, as the client company which 'outsources' this responsibility to the lending company through the management fee. This, however, is not done in an AGZ – which is not oriented on profit generation but on HR coordination and hence does not charge as much as a temporary work agency.

The legal form also limited the financial basis of the AGZ to the equity of the private limited company, while in cooperation-based forms (such as cooperatives or foundations) the participating firms would also have to contribute to this, making the legal entity financially more sustainable.

Another weakness in the early phase of the AGZ was the managers' lack of business experience in running an AGZ, caused by the newness of the model in Germany; the limited amount of

expertise that could be culled from the French experience and the fact that they did not use business consultants. This resulted, for example, in the calculation of management fees charged to the participating firms that turned out economically unsound for the AGZ management. With increasing experience, this was adjusted over time.

The managers also blame themselves for some of the problems. For example, they decided to follow a strategy allowing one big food processing company to employ about 50% of the AGZ workers as this secured jobs during the agricultural low season. However, this caused too high a dependency on this single firm which contributed to the AGZ failing when the firm left.

Future plans

In spite of all the challenges faced by the AGZ management, they are still convinced of the benefits of such a concept and work to promote not only the growth of the AGZ Südbrandenburg, but the establishment in general of the AGZ model in Germany.

The main objective of the AGZ management is to increase the number of participating companies and workers (they hope to get at least 40–50 workers), as they feel that an AGZ can work effectively only on a large scale. The flexibility demanded by the participating companies can be achieved only if a big enough pool of workers is available, and they can be properly organised only if there is a big enough pool of employers sharing them; otherwise no permanent full-time employment can be achieved. The management is therefore approaching regional companies previously involved in the AGZ SpreewaldForum as well as other regional firms, to try to convince them about the benefits of belonging to an AGZ. As mentioned, only two members of the original AGZ withdrew because of its downturn. Most left for external reasons, such as the cessation of a distribution monopoly forcing the affected companies to restructure. The AGZ management is optimistic that they can once more secure sufficient level of interest among regional companies.

The AGZ management also has some ideas about diversifying its operations. Examples are enhanced offers of HR services, including long-term HR planning, health management, mediation of conflict or staff training. However, companies would have to pay for these additional services (to offset the cost of their development and implementation), and it is questionable whether they would be willing to do so.

Nevertheless, in spite of their ambitions and the efforts the AGZ management assume that the AGZ will not last more than two or three years because of the adverse framework conditions. Furthermore, while companies and workers can be attracted to a different way of working because of its exciting new features, both become more reluctant to participate if there is no further development, and their present conditions are badly affected by external developments. This can lead to the danger that employers and workers will lose interest and find alternative employment forms. The management of the AGZ Südbrandenburg has already observed that many employers who are initially willing to support them get tired of facing the challenges inherent to this employment form in Germany, and which have not been improved for a decade.

The regulations on temporary agency work (*Arbeitnehmerüberlassungsgesetz*, AÜG) are the biggest barrier to developing the AGZ Südbrandenburg (and by extension, the development of all the other AGZ) (Hartmann, 2012; Wölfling et al, 2007). While the management appreciates the intention of the legislation and the way it protects these employees, it does create considerable problems in running the AGZ (Case study 2).

The management is lobbying for a change in the law; however, although policymakers are interested in the concept and see the advantages of AGZ, they are not willing to offer support unless the AGZ gains economic and labour market importance – which is unlikely to happen under the current law.

Commentary

The management of the AGZ Südbrandenburg refers to AGZ as a ‘revolution in labour market promotion’. This is because they rely on regional employers cooperating to create a sustainable regional labour market benefiting both companies and workers, rather than being dependent on public support. AGZ appeal to the employers’ ‘community spirit’ by getting them to consider the needs of their fellow entrepreneurs and those of their workers. To do this, it is important that there is a good level of commitment and networking as well as mutual trust. The example of the AGZ SpreewaldForum shows that an AGZ can really benefit if such an atmosphere already exists before it is set up, and also if there is a strong anchor person driving its establishment and development.

It seems that the AGZ Südbrandenburg’s existence, as well as most other German AGZ, is due to the ambitions and efforts of a few individuals. While the regional government, employers’ and employees’ organisations are generally convinced about the model, little practical support is evident. In fact, existing laws which recognise AGZ as temporary work agencies hamper their operations, as well their image among policymakers and the economy. The management of the AGZ Südbrandenburg appreciates the need for laws safeguarding workers, but wants regulations specific to AGZ and consequently less of a barrier to their effectiveness. Such regulations should, for example, also take into account the ‘business objective’ of an AGZ, which is not profit maximisation, but the promotion of the economic interest of their members. Furthermore, any regulations should consider that AGZ are not a separate sector (as currently implied by the temporary agency legislation), but form part of the regional economic and labour market system and its sectoral characteristics.

It is important to alert policymakers, companies and workers to the features of AGZ and to clarify their potential strengths and weaknesses compared with other employment forms. A better developed system of support structures (including, for example, specialised business and tax consultants assisting the start-up and running of AGZ) would also be beneficial for the future development of German AGZ.

Information sources

Websites

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

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

Spreewald, available at <http://www.spreewald.de/>.

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All Eurofound publications are available at www.eurofound.europa.eu

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