

Flexibility and job security as a result of labour pools

An initiative for joint cooperation in Mechanical Engineering [Kooperationsinitiative Maschinenbau], Braunschweig, Germany

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Executive summary

This case study “Flexibility and job security as a result of labour pools” analyses an initiative for joint cooperation within Mechanical engineering in Braunschweig, Germany (Kooperationsinitiative Maschinenbau, KIM). This initiative was conceived within the territorial employment pact [“Alliance for Jobs”, Bündnis für Arbeit] which pursues the aim of tackling a crisis in the regional mechanical engineering sector. KIM is about organising and establishing a collective agreement which provides for the transfer of staff between eleven small and medium sized companies in Braunschweig, Germany. With this labour pool the companies are able to increase their flexibility and tackle structural fluctuations concerning order volumes, demonstrating how to avoid redundancies and short-time working.

The initiative, which was launched in 2001, has progressed from being just a labour pool and is, after an initial period of public funding, financed solely through contributions from the companies themselves. The initiative has been so successful that two further projects of this type have been set up within the same region and there is evidence that other regions with similar structures are interested in emulating the project.

This study attempts to trace the reasons which led to the establishment of such an initiative. Besides this, it describes how the labour pool works and what impact it has had on employment in the region.

Monitoring Innovative Restructuring in Europe

MIRE est soutenu par le Fonds social européen, Art. 6 – Actions innovatrices
Les informations contenues dans cette publication n’engagent pas la Commission européenne

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June 2006

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Pictures: Lanico GmbH

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1 Abstract

This case study “Flexibility and job security as a result of labour pools” analyses an initiative for joint cooperation within Mechanical engineering in Braunschweig, Germany [Kooperationsinitiative Maschinenbau - (KIM)]. This initiative was conceived within the territorial employment pact [“Alliance for Jobs” - Bündnis für Arbeit] that pursues the aim of tackling a crisis in the regional mechanical engineering sector. KIM is about organising and establishing a collective agreement that provides for the transfer of staff between eleven small and medium sized companies in Braunschweig, Germany. With this labour pool the companies are able to increase their flexibility and tackle structural fluctuations concerning order volumes. The case study demonstrates that the initiative KIM makes it possible to avoid redundancies and short-time working.

The initiative, which was launched in 2001, has progressed from being just a labour pool and is, after an initial period of public funding, financed solely through contributions from the companies themselves. The initiative has been so successful that two further projects of this type have been set up within the same region and there is evidence that other regions with similar structures are interested in emulating the project.

This study attempts to trace the reasons that led to the establishment of such an initiative. Besides this, it describes how the labour pool works and what impact it has had on employment in the region.

This case study has come about within the framework of the project “Monitoring Innovative Restructuring in Europe – MIRE”. The project is being conducted in a collaborative venture involving the IPG – the Institute for Psychology of Work, Unemployment and Health at the University of Bremen and the IAT – the Institute for Work and Technology in Gelsenkirchen. Its aim is to identify innovative approaches to restructuring from a European perspective and, in addition, to organise an international exchange and transfer of knowledge and know-how. MIRE is being promoted as an innovative measure under article 6 of the ESF. The project began in January 2005 and is coming to an end in November 2006.

In order to achieve this goal

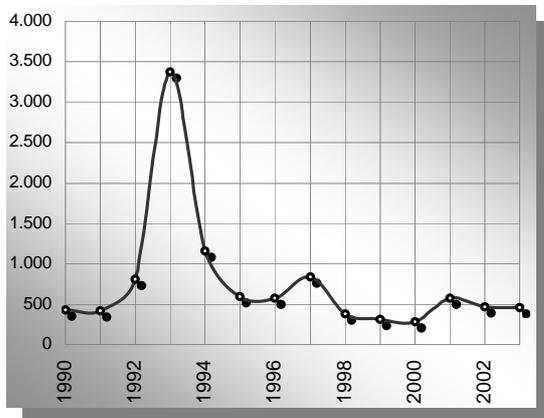
- National networks of experts are being set up in the participating countries (France, Belgium, Great Britain, Sweden and Germany). These networks are to be linked up with each other in the course of the project;
- To this end, case studies are being carried out in each country in order to document respective “good practice” in restructuring processes.

2 An initiative for joint cooperation in Mechanical Engineering [Kooperationsinitiative Maschinenbau – KIM]

2.1 The establishment of KIM

The idea of launching a project for the mechanical engineering sector was conceived in 2000 within the territorial employment pact for the region of Braunschweig. The reason for the project was a structural crisis in the mechanical engineering sector which started in the early to mid Nineties and became evident through numerous cases of redundancies and short-time working within the engineering firms in Braunschweig (see figure 1).

Figure 1: Short-time workers in Braunschweig, all sectors, 1990 to 2003



Source: Municipality of Braunschweig

KIM was established for various reasons. The central starting point was without doubt the territorial employment pact, which created excellent conditions for the project due to its positive attitude to cooperation and the composition of its members. Besides this, an important stakeholder and promoter of the initiative supported the territorial employment pact: the Chairman of the Regional Employers' Federation [Arbeitgeberverband Region Braunschweig (AGV)]. AGV is a cross-sector, regional interest group that does not require its members to apply the collective bargaining agreement. The fact that the chairman of AGV was at the same time a partner and managing director of a local engineering firm (Lanico

GmbH, see section 4) was crucial for the establishment and the development of KIM.

The following were the members of the territorial employment pact:

- The collective bargaining partners of the metalworking industry: on the one hand the local Braunschweig committee of the metal industry federation of lower Saxony [Landesgruppe Braunschweig des Verbands der Metallindustriellen Niedersachsens] and on the other hand the district section of IG Metal in Hanover [IG Metall-Bezirksleitung Hannover]. In the period of the establishment of KIM, the German trade union IG Metal played an important part, not only in providing very useful points in order to convince the local staff representatives, but also by supplying ideas as to how to organise KIM in an integrated way.
- Other members of the territorial employment pact and central actors for the establishment of KIM were the Ministry of Economic Affairs of the Land of Lower Saxony [Wirtschaftsministerium Niedersachsens] and
- The registered association reson e.V., which was asked to coordinate and assist the territorial employment pact. reson stands for regional development agency for the Southeastern part of Lower Saxony [“regionale Entwicklungsagentur für Südostniedersachsen”] and was set up in 1994 with the aim of promoting regional economic integration.

Initial objectives defined for the project

Even back in 2000 the objectives for KIM were defined within the territorial employment pact: the main task was to safeguard jobs and to stabilize employment by establishing cooperation between the local enterprises. As a result, KIM was intended to be a labour pool right from the beginning, in order to achieve a balance between companies with temporary staff shortages and those with temporary excess of employees by swapping employees.

There were also other objectives such as joining forces in purchasing, in acquiring or settling production orders. All the KIM activities were also geared to the local economy: KIM was meant to improve the overall conditions for the regional mechanical engineering sector and therefore to anchor the industry even more strongly within the area of Braunschweig.

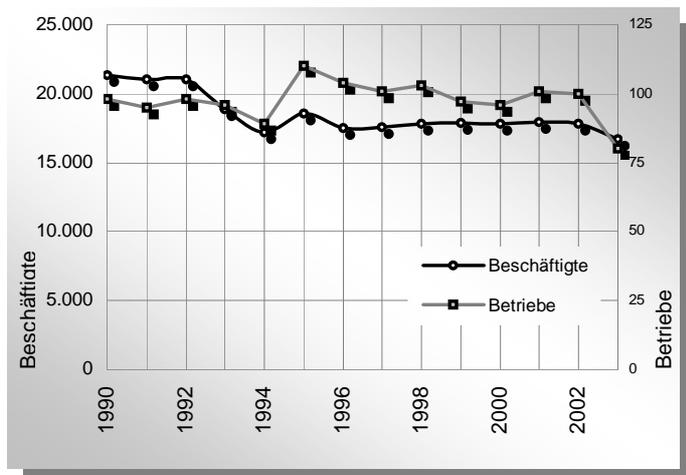
Even at this early stage, towards the end of 2000, important steps were made to implement KIM. It was possible to ask an outside provider to manage the initiative, thanks to funds made available by the Land and by AGV. Besides this, a KIM collective agreement was signed which paved the way for a legal basis for the labour pool. This pilot collective agreement was signed in November 2000 between the local employers' federation [Verband der Metallindustriellen] and IG Metal and regulated the exchange of staff between KIM engineering enterprises. For this reason its scope was limited to the firms associated to KIM. Its existence was established to be "at least two years". In reality, the agreement was revised in 2004 and signed again in order to update the list of associated companies covered by the agreement.

Coordination within KIM and funding

The players within the territorial employment pact agreed that it would not be possible to initiate or coordinate the project with existing personnel from the associated enterprises. For this reason the initial coordination of KIM was to be provided by an external agency. At first this task was assigned to reson e.V. as a member and coordinator of the territorial employment pact, but a few months later it was transferred to the Hanover branch of the German Centre for Productivity and Innovation eV [Rationalisierungs- und Innovationszentrum der Deutschen Wirtschaft e.V. - RKW]. It was possible to ask the German Centre for Productivity and Innovation to coordinate the project because of funding obtained for KIM from the Ministry of economic affairs of the Land of Lower Saxony within the context of the territorial employment pact, which covered the staff costs for its conception and its assistance in the years 2001 and 2002. In total, the Ministry granted 200,000 Euros, an additional amount of 50,000 Euros was made available by AGV.

After the first two promising years the associated enterprises agreed to pay membership fees of 426 Euros per firm each month. Since 2003 KIM has been funded exclusively with those funds coming from the associated enterprises themselves.

Figure 2: Number of companies and employees in the capital goods industry in Braunschweig



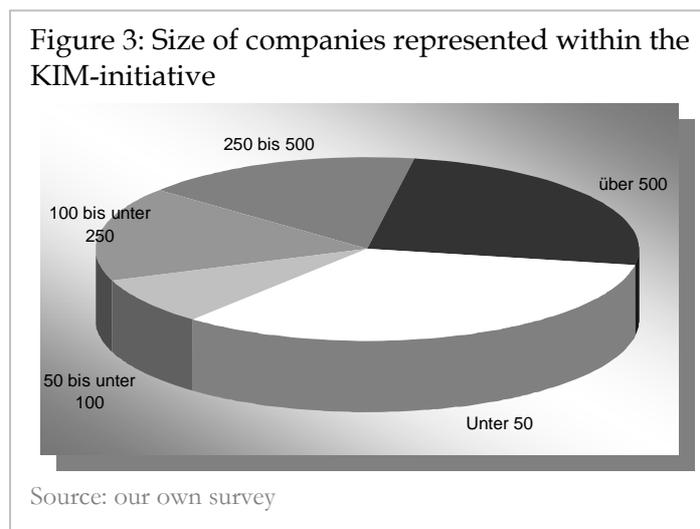
Source: Municipality of Braunschweig

2.2 The preparation for KIM

The operational groundwork for KIM was started in the spring of 2001: 20 mechanical engineering firms in Braunschweig were contacted in order to offer them the idea of KIM and in order to win them over to the project. The chairmen of AGV and IG Metal selected the 20 enterprises from the list of the 80 mechanical engineering firms affiliated to AGV. The selection was done mainly on the basis of the experience of the two chairmen of “their” companies. An objective criterion applied was related to the number of employees, which had to be approximately in the range of 30 to 500.

The 20 selected firms were advised about KIM by way of individual presentations. The AGV chairman held talks with management. The local chairman of IG Metal talked to the staff representatives and shared with them important arguments in favour of the labour pool concept, mainly with a view to discussing their concerns about the similarity between this approach and agency work.

During this first meeting the project was presented and its opportunities and potential risks discussed; besides this, the key company data were collated by means of a questionnaire developed by RKW. The meeting usually ended with a tour of the factory. During the first stage of KIM, the AGV, Braunschweig, represented by its chairman, played a prominent role. The chairman was at this same time the owner of a medium sized company in Braunschweig and as such managed



to offer convincing arguments to the other businesses represented.

Following the completion of this first round of talks a workshop was held for all potential companies in order to discuss about KIM.

After this meeting, which took place in April 2001, 13 companies joined the project. In the course of the year – when two companies left – this number dropped to 11. The same 11 firms are still working within KIM today (2006). The main reason why compa-

nies did not join the KIM project was that they were afraid that the disadvantages deriving from cooperation with competitors could exceed the benefits.

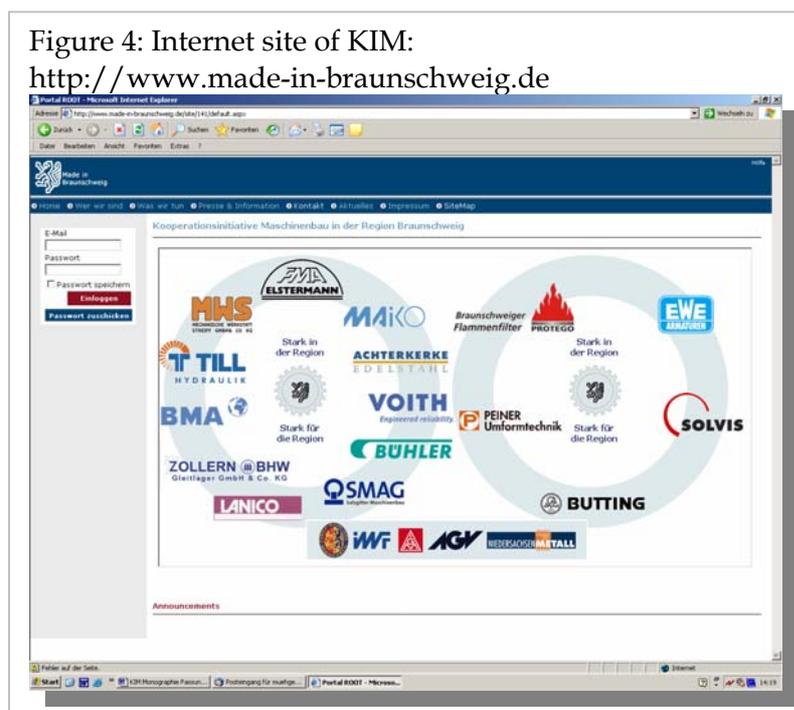
2.3 The initial phase

The initial phase of KIM was characterised by the development of various parallel activities. In the beginning KIM was intended mainly as a labour pool that was to be extended to joint purchasing activities. An important result of the preliminary talks, however, was that there were plausible ideas in favour of a cooperation arrangement and the willingness to additionally extend it to other fields of business. In the end, cooperation within KIM began in the following areas:

- The personnel working group was set up to establish the labour pool.

- Within the areas of purchasing and procurement it was decided to place orders jointly in order to achieve higher margins and therefore cost advantages as a result of volume discounts; and similarly
- Cooperation in the field of waste disposal was agreed for the same reasons given above for purchasing;
- Another area of cooperation within the field of purchasing and procurement was the attempt by a number of companies to coordinate orders for various reasons. Firstly, in order to intensify the exchange within KIM by creating a kind of “internal market transparency” as a result of the labour pool and as a result of the information shared. Another reason was to achieve cost benefits within the group of companies by concentrating the orders of various companies under the KIM brand and by increasing their share of the market.
- Some companies established cooperation in the fields of research and development; as a result a new can processing machine was jointly developed and then produced and sold with success within the group of companies.

The first period of the project was characterised by a growing conviction as to the advantages the project would open up for all associated companies. Besides this, the key players were very creative,



serious and motivated when developing and implementing areas for cooperation, which became like pilot projects.

A central factor for success was that the organisation was well structured from the beginning. Dedicated working groups formally dealt with the individual areas of cooperation, where the individual company specialists met approximately every eight weeks. All the KIM activities were coordinated and monitored by the so-called management-working group, which was composed of all the

associated companies’ managing directors. Another working group focused on the presentation of KIM to the outside world, for example by means of a joint Internet platform (see figure 4).

The regular exchange of information within the working groups developed quickly. In addition to the official meetings a significant informal exchange developed and intensified over time, as people got to know each other better. Although the degree of success of the individual working groups varied in the beginning, a real atmosphere of trust was created thanks to the consistent and very committed behaviour of the participants, as well as a mutual feeling of trust, which became an important stabilising element within KIM.

2.4 *What sort of companies are involved in KIM?*

The eleven associated companies within KIM have a total number of 2,800 employees; with staff numbers between 30 and 800, therefore the entire range of company sizes is provided for: from a small and a medium sized enterprise to big companies. Figure 3 shows the heterogeneous nature of the sizes of the associated companies.

In most cases and as is typical for many SMEs, management lies in the hands of the owners. In only two cases the enterprises are led by dedicated management, both are enterprises belonging to a corporation and with a number of 350 and 600 employees respectively, they are among the companies with the biggest workforce within the KIM project.

All associated companies within KIM operate in the field of metal working, most of them in the areas of plant construction or mechanical engineering. The sectors covered within KIM range from the production of clutches, sliding bearings, to machinery for mining, packing machines, agricultural machinery and special purpose machines. Besides the mechanical engineering producers there are two companies from within the steel industry.

2.5 *Consolidation and growth in the years 2001 to 2005*

After the establishment phase for KIM the project matured in the years up to 2005, the most important trend being the constant and dynamic progress made in the selected areas for cooperation.

- In these years not all the initially planned projects were continued, there was a consolidation in the areas of labour pool, purchasing, waste disposal and joint development efforts.
- On the other hand some new possibilities of working together were discovered and in part promoted successfully, e.g. a cooperation concerning apprenticeships and vocational training or a joint purchase and usage of special machines.
- On the whole the cooperation project became very constant in nature and KIM as such achieved an ever-stronger profile.

A result of this process was that the need was perceived for centralised project coordination, because it became evident that the coordinators at reson e.V. were not always capable of following at the rate at which KIM was developing. Various people and responsibilities were changed, leading to some frictions and conflicts. After transferring the responsibility for the project from reson e.V. to RKW Hanover some conflicts arose with the member of staff in charge of KIM. As a result RKW changed the internal areas of responsibility. The cooperation with RKW was successful for many months until a new conflict arose as the KIM activities grew. It turned out that the rather theoretical approach followed by RKW made the KIM companies believe that RKW was not the right partner any more. The cooperation was finally terminated.

In the autumn of 2002 the coordination task for KIM was transferred to the Braunschweig based consultancy firm LCE Consulting, a spin-off from the university which was in close contact with the Institute for machine tools and production engineering [Institut für Werkzeugmaschinen und Fertigungstechnik] of the technical university Braunschweig. As a result LCE had the advantage of knowing various KIM companies on a personal basis through the Institute for machine tools and had a reputation for being particularly practice oriented. Besides, the ties with the university were a good starting point for cooperation in the fields of research, development and production.

In the following years until 2005 the joint work proceeded very well in the various areas – by now KIM was getting a stronger profile as an association: in 2004, for example, KIM had their own exhibition stand on the regional trade show b2d – “business-to-dialog” in Braunschweig. KIM also started to act in the way of a virtual company, by trying to obtain orders from corporations as a network. The project was also successful in the field of purchasing: all the associated companies were classified by various joint suppliers as “A-clients” and as such put on a similar level to big corporations.

Additional areas of successful cooperation were in the field of training, where a joint training scheme was developed as well as in the field of waste disposal. Last but not least there was a progressive development of production orders placed between the individual KIM companies, which grew from year to year – in the period from January 2004 to June 2005 the order volume within KIM reached 2.3 million Euros.

In the end the continuous growth of activities and requirements within KIM overstrained LCE Consulting, so that the cooperation was terminated in November 2005. Since January 2006 the joint cooperation initiative has been managed in the legal form of a registered association, with the management and therefore the coordination of all KIM activities assigned to AGV Braunschweig.

2.6 The role of IG Metal

During the process of the joint cooperation initiative the role played by IG Metal varied. At the end of the Nineties, when discussions were started within the employment pact, IG Metal, represented by its then chairman, brought in many useful ideas and was an active negotiating party for the establishment of KIM. This active role played by the trade union led to a balanced system of on the one hand the possibility for employees to volunteer for staff transfers and on the other hand the right of co-determination for the works council. The collective agreement, which established these principles, played an invaluable part in winning over the local staff representatives; an equally important role was the personal encouragement that was undertaken by the IG Metal chairman at shop floor level to encourage the workforce to participate in the labour pool.

Once KIM was launched, IG Metal’s influence began to recede, in that the project’s centre of gravity shifted from the territorial employment pact to the employers’ federation. Strategic decisions were taken mainly in the working group of managing directors. The assessment given by the current chairman of IG Metal Braunschweig is that nowadays the project plays almost no role at all for the local trade union. Due to this loss in importance, IG Metal’s opinion on KIM is ambivalent. On the one hand IG Metal managed to (co)initiate and shape a network which has contributed to longer term regional job security, on the other hand the trade union has not managed to “sell” KIM as a trade union success story, especially by way of internal communication with trade union members and staff representatives.

3 The Labour pool

3.1 The rules of the game set out in the collective agreement...

The transfer of staff within the labour pool was the main task of the joint cooperation initiative from its inception and despite the progressive development of various other activities the labour

pool is still considered to be at the heart of the project. The legal basis for the exchange of staff is the collective agreement for the assignment of employees, which was the first one to be signed within Germany.

The collective agreement as a whole is based upon the revised German Law on Temporary Employment [Arbeitnehmer-Überlassungsgesetz (AÜG)] from 2002. In the context of the first Law on modern services in the labour market [Erstes Gesetz für moderne Dienstleistungen am Arbeitsmarkt (Hartz 1)] the regulations and restrictions that had applied until then were largely abolished and a new face of temporary employment was created. German Parliament decided in 2005 that temporary work should mainly be governed by collective agreements. Certain regulations from the Law on Temporary Employment [AÜG], such as the obligation of temporary help providers to obtain a licence from the Federal Labour Office [Bundesagentur für Arbeit] are not applicable to KIM companies:

Article 1,3 of AÜG states that the Law on Temporary Employment does not apply to the assignment of workers between companies within the same economic sector with the aim of avoiding short-time working or redundancies, provided there is a collective agreement applicable to the company assigning staff as well as to the company temporarily requiring workers.

The collective agreement was signed in November 2000 between the employers' federation [Verband der Metallindustriellen Niedersachsen] and IG Metal, District of Hanover [IG Metall Bezirk Hannover] and was revised in 2004. Its scope covered all the companies associated to KIM, which were listed in the agreement; the agreement was revised in order to update the names of the associated companies. The agreement defines the most important conditions for the exchange of staff with regard to the status of the assigned employees, their pay and issues surrounding codetermination. It contains the following rules:

- Employees who have been temporarily assigned to another company remain employed with their original company and receive their pay at all times from their permanent employer.
- During the period of assignment they receive the same pay and where applicable an allowance for expenses incurred by travel.
- Assignments to another company are voluntary, i.e. the employees' approval is required.
- Equally the approval of the works council of the company temporarily assigning staff to other companies is required.

There are also very clear regulations covering the settlement of accounts between the assigning and the hiring company: for the time where a company uses the services of employees from another KIM company, the hiring company pays all the labour costs¹, as well as a 10% fee— for example to cover holidays and sick days, which have to be accounted for by the permanent employer. In practical terms, the company assigning an employee charges the hiring company a daily fee for the days where the employee is directly productive and invoices the amount.

Another important rule is the ban on poaching employees, which means that the company where employees are working on a temporary basis, must not offer them an employment contract, in order to prevent employees from “getting stuck” at the new employer. This happens frequently when the temporary help industry assign workers to hiring companies. Notwithstanding this ban,

¹ The costs are mainly composed of the wage costs (as the gross amount to be paid by the employer) and the contributions to the employers' liability insurance association (Berufsgenossenschaft).

within KIM there has been one case of a person transferring over to the other employer – but this was done by mutual consent between the two companies concerned.

3.2 ...and the practical reality

The collective bargaining rules have been important for the following two key reasons: firstly they contain clear regulations on invoicing and cost issues, which –despite being agreed at a very early stage- are still accepted today by all companies concerned, no matter whether they rather tend to temporarily assign own staff to other companies or where they tend to require staff from other companies.

Secondly, the collective bargaining agreement has established significant trust within the network as well as within the companies concerned. Examples are the ban on poaching, the principle of voluntary consent and the works council's codetermination right.

The employees' attitude can be described as initially sceptical, but becoming increasingly positive towards KIM. The initial concerns of the employees concentrated upon the tasks they would have to perform when assigned to another company. They were afraid that they might not be up to the new job and that the new work environment might cause them stress. On the other hand the employees knew from the beginning that there were many arguments in favour of the labour pool. The main motivation for the employees to implement KIM was their permanent fear of losing their own job and with this regard KIM was particularly convincing. As one employee put it: "As an employee you notice when there is little work and then you are immediately afraid that you might lose your job at some time".

As a result there was a positive change of mood, after the first employees returned from their temporary assignments and told their colleagues about their impressions. The concerns were not confirmed, probably also due to the fact that the same employees were repeatedly assigned to one and the same company.

Whenever more employees were shared, management trust also increased. As one of the managing directors of a SME put it, a "new culture of trust" started developing. This atmosphere of trust and the reduced scepticism of the shop floor led to the fact that the collective agreement had lost its practical relevance, mainly as far as questions of codetermination were concerned. As a result it is now possible that employees are temporarily assigned to another company at very short notice, although the collective agreement requires the works council's prior approval. One managing director explains: "It happens sometimes that on a Monday morning at 8 a.m. we receive a call from a plant manager telling us that one of his employees has rung in sick and that the company is very busy. Usually, he will then ask whether a specific employee is available immediately". Especially in those cases where the same employees are assigned repeatedly to the same external company, the works council is not consulted any more, which increases the reaction time and the flexibility. This is probably also possible because to date KIM has not caused any major conflicts between the works councils and the HR Managers.

3.3 Volume and structure of the staff transfer

The transfer of staff has increased slowly, mainly in those plants and those sectors that were the first to gain experience from the assignment of staff. The share of KIM companies using the labour pool is approximately two thirds.

- Trust and experience play an important role. For this reason the number of employees temporarily assigned somewhere else in terms of the headcount is quite small. The emerging pattern is that a limited number of employees are assigned frequently. According to estimates of the Braunschweig employers' federation the total volume amounted to approximately 2,700 to 3,000 assignment days (this was the total in 2004).
- The length of assignment can vary a lot: from one day to six months. There are only full day and not hourly assignments.
- In 2004, the turnover achieved with the assignments amounted to 258,000 Euros. In other words, one fifth of the total KIM sales volume of 1.3 million Euros (2004) was made with the labour pool.
- There has been a particularly high demand for skilled workers and technicians, in some cases engineers are requested, as well.
- Most companies have limited the assignments of staff to one or two other KIM companies, so that there are certain patterns of assignments. Frequently these can be repeat assignments of the same employees to cover seasonal production peaks. In other words, routine assignments have developed between the companies.
- A real exchange of staff, where two companies would swap labour, is the exception. Usually, companies tend to either temporarily assign staff to others or to hire staff from others in the main.

Almost all the assignments are triggered by a demand for a temporary worker as a result of production peaks (see section 4) or vacancies resulting from permanent workers being off sick that cannot be covered by the internal staff flexibility.

4 An example: the limited liability company Lanico GmbH

4.1 Short description of a classical medium sized enterprise

With approximately 150 employees and an annual turnover of 20 million Euros, the limited liability company Lanico Maschinenbau GmbH, based in Braunschweig, is a company of medium size within the KIM network. It produces machines for the can making and canning industry and was founded in 1919 and experienced a rapid growth when the canning industry developed. With its product range, Lanico belongs to that company cluster of packing machine producers for the metalworking industry, which is very important for the region and where Braunschweig is still

considered to be at the European forefront.

The company reached its biggest workforce in the mid Eighties with 178 employees. The high turnover that the company achieved in the Eighties was owing to the significant growth of successful exports to non-European mar-

Figure 5: Lanico Maschinenbau GmbH



Source: Lanico GmbH

kets. Today exports are still very important for Lanico accounting for approximately 85% of its turnover. Half of the export turnover is achieved outside of the European Union, mainly with overseas business partners.

Central products for Lanico are machines and systems for the production of aerosol cans (i.e. spray cans), where the company is the world leader.

The company is led by its proprietor and has played a key role in the joint cooperation initiative thanks to its managing director. He has been a board member of the employers' federation in Braunschweig for 10 years now and has been one of the key motivators behind the KIM project.

4.2 KIM matches the requirements in terms of personnel flexibility

In the last years the Lanico workforce has fluctuated considerably between on the one hand structural staff reductions and on the other the recruitment of new employees. The company's workforce has varied in the last three years by up to approximately 20% depending upon the volume of orders.

As well as the structural reasons for long-term changes in ordering, the production of Lanico products is exposed to strong seasonal variations corresponding to the typical cycle within the capital goods industry. The ups and downs in demand have commercial and tax reasons, so that according to Lanico's managing director "export based companies are exposed to this cyclical development more strongly". Lanico's biggest workload occurs from September to December.

The tool that has been used so far in order to achieve the necessary flexibility is that of the bank of hours that ensured required flexibility to a certain extent. Therefore, Lanico was interested in the labour pool, and in particular in companies with similar job profiles in manufacturing with different order cycles: "From our point of view agricultural machinery producers have ideal production cycles, because after the beetroot harvest they don't receive any more orders", says the managing director. The main clients in this industry are farms, which need harvesting machines. The machines must have been supplied by the beginning of the summer, with the main workload required in spring – a production that is completely anti-cyclical to that of the capital goods industry.

As a result KIM enabled Lanico to adapt their staff requirements by cooperating with a harvest machine producer within KIM. A regular staff exchange done on a seasonal basis was established between Lanico and the agricultural machinery producer within KIM, which remained the most important labour pooling partner for the packaging machinery producer also later on.

Beyond this bilateral partnership Lanico have also assigned own staff to other companies within KIM, not due to seasonal changes in the order volume, but rather due to structural changes. In 2004 Lanico particularly benefited from this development: in this year the annual turnover dropped by approximately one third over the previous year. Thanks to KIM the company managed to assign a total of 22 employees to different KIM companies for a variety of months. The managing director explained that without the possibilities offered by KIM "due to the development of the turnover in 2004, approximately 15 employees would have had to be made redundant". KIM made it possible to reduce the excess staff by assigning them for some time to other companies, so that in the end the temporary drop in turnover could be overcome without any redundancies.

An important factor for Lanico has been staff retention, which has ensured that the know how of employees remains within the company. This was evident for Lanico in 2005, when orders went up and the turnover exceeded the normal level. It was possible to bring back all the staff into the head office and the additional staff it required was supplied from other companies within KIM. Following this, the number of employees assigned in 2005 from other companies to Lanico exceeded by far the number of employees that Lanico assigned to other companies.

5 Opportunities and risks for the employees

In an overall assessment from the employees' perspective it must be argued that the number of opportunities associated with KIM exceeds the risks. A strong argument in favour of KIM is that it has made it possible to save jobs by assigning permanent staff to other KIM companies for a prolonged period of time. The example of Lanico seems to suggest that these jobs or at least some of them would not have been saved without the labour pool. Also, short-time working was avoided which does not (yet) mean the loss of a person's job but some loss in income.

A second argument in favour of KIM is that it helps the employees to avoid stress within the associated companies as there is less chance of losing their job. Employees working in mechanical engineering companies notice immediately what the current order situation has been; as soon as the workload goes down and idle times occur, employees are concerned about the risk of redundancies.

These arguments – no job losses, no short-time working, no stress – are perceived as advantages that exceed the following disadvantages:

- The employees did not believe that they gained a lot from the assignments in terms of broadening their activities. It was rather the opposite: the jobs to be performed during the assignments were usually less demanding and varied than their own permanent job.
- Especially in the start up phase, the first assignment to a new job meant that the employee could be under some pressure because of the unknown conditions represented by the work in a new company. Once repeat assignments occurred (see section 3.3) this difficulty was not perceived to be as significant.

In summary it may be said that the implementation of KIM did not encounter a lot of enthusiasm on the side of the employees. The scepticism of the initial stage became less marked over the course of time and by now, following personal experiences during the assignments, the belief prevails that KIM can stabilise work in the companies.

6 Summarised assessment of the initiative

6.1 *The project has been successful*

When analysing the activities pursued within this joint cooperation initiative “Mechanical engineering” a variety of successes can be noted. The small and medium sized enterprises associated within KIM have managed to achieve a position in various fields of business that is usually reserved for corporations. Not only have the companies been able to achieve a higher flexibility through the labour pool, but they have also been able to increase their hold especially in the

fields of purchasing and waste disposal; in other fields, such as in qualifications and continuous training, valuable mutual interests have been identified and exploited.

The mainly positive experiences the associated companies have made with the project have given the project a lot of stability over the years. The degree of maturity that has been achieved as a result is expressed by the fact that the project has been transferred into a registered association with a management. The financial independence, which has been guaranteed by the exclusive financing with membership fees, also indicates the project's coherence.

6.2 The objectives of the labour pool have been achieved

This study focuses upon the exchange of employees between companies. This is the very reason for the establishment of the KIM: to set up a labour pool. In section 2.1 we stated that whilst the project was drafted as early as in the Nineties as an answer to the crisis within the regional mechanical engineering sector, it was only within the territorial employment pact at the beginning of the new millennium that KIM was actually put into practice, whereupon a sufficient number of associated companies had been acquired and the legal basis for the staff transfer had been created by way of the collective agreement.

The objective pursued with the KIM-labour pool was to stabilise employment in the region whilst increasing the personnel flexibility of the associated companies. Against this backdrop the introduction in the year 2001 occurred at a fortunate point in time. At the beginning of the new millennium the economic situation within KIM varied considerably: on the one hand there were companies with a weak order situation and the risk of redundancies and on the other hand there were companies which were experiencing growth. This mixture was a positive challenge for the labour pool – in absolute figures in 2004 there was a transfer volume of approximately 250,000 Euros, which corresponds to some 3,000 “man-days”.

The case study has shown that KIM has achieved its objectives of job security and flexibility particularly during the early years. The example of Lanico (section 4) shows how temporary assignments help to stabilise employment within the companies. Short-time working and reduction of staff can be prevented, the companies can keep valuable and experienced permanent employees even for prolonged periods of a weak order situation without having to make anyone redundant. Despite the fact that KIM cannot cover all the flexibility needs, it offers at least additional tools to balance off short-term cyclical swings in economic activity or seasonal fluctuations.

Recently, in 2005 and 2006, there has been a slight reduction in the number of employees transferred within KIM. The reason is the more homogeneous economic situation where all the KIM companies are experiencing a good economic growth. As a result, there is hardly any excess staff. Requests to cover production peaks with KIM internal staff cannot currently be met because the affiliated companies cannot make any of their staff available for assignments. The activities are currently stagnating or regressing slightly. This does not mean to say, however, that the labour pool must be declared null and void in the long run – but rather that activities are thriving in other areas of cooperation within KIM. They make sure that the labour pool will be available as a tool at any time in the future and can be reactivated. Should the economic situation change yet again the companies will be well prepared to keep their permanent staff at any time of crisis.

6.3 *Success factors for the establishment of KIM*

KIM shows that the successful establishment of a company network and of such a labour pool depends upon numerous factors (see also Weinkopf 1996: 318ff.). There were a number of favourable conditions that were essential for the implementation of KIM. Firstly, the strong commitment of many individuals and the attitude to cooperation between the stakeholders especially in the territorial employment pact. Secondly, the positive effect which derived from the continuous success achieved in core areas of cooperation as well as from the fact that the associated companies are stable business enterprises capable of acting without any existential crisis.

- In the start up phase, the territorial employment pact played a key role in many ways: its structure as well as the nature of the individual members created important conditions, the collective bargaining agreement for KIM being the most important result. After quite a long consideration within the employment pact, it was formulated as the best technical legal basis for labour pools and it later on proved to be extremely sound and undisputed. Equally, the composition of the employment pact was favourable in order to obtain public funds for the external coordination in the early stage.
- Another secret behind the success was that the social partners were able to identify with KIM; with a strong personal commitment they managed to convince their respective clientele of the plausibility of the concept. As a result, a sufficient number of companies volunteered to join the project and the views of staff representatives were refuted, where it was argued that the working conditions of a labour pool were similar to those of agency work.
- A non-intended side effect was the development of a business volume within KIM that has had a stabilising effect and has complemented development in other areas such as purchasing and waste disposal, which were amongst the initial core ideas for cooperation within KIM.

The high quality of the general set-up of KIM is evident when comparing KIM with a study on labour pools performed by Weinkopf (Weinkopf 1996²). Weinkopf identified general criteria for labour pools, with the “aim of formulating clear statements concerning the general set-up for a pool to function” (318). Without doubt the KIM initiative largely satisfies the criteria identified by Weinkopf.

Weinkopf sees an important stumbling block in competition between the work of the labour pool and that of agency work. Depending on the set-up of the labour pool, agency work can be an important alternative for the associated companies, which might threaten the utilisation rates and the continuation of the labour pool as a solution to personnel needs. Against this backdrop KIM distinguishes itself through the following aspects:

- KIM is funded through membership fees and is run on a not for profit basis. For this reason the personnel rates (see section 3.1) are unrivalled, when compared to agency workers. The quality of work is also superior to agency work, due to regular and consistent transfer of personnel. As a result, the only disadvantage to agency work might be the ban on poaching workers – in other words KIM does not offer the possibility of recruiting staff on a permanent basis (with some rare exceptions). As far as the aim of balancing out seasonal and cyclical fluctuations is concerned, there is no competition between KIM and agency work.

² Weinkopf based his research on labour pools in Germany (5) and the Netherlands (9) (Weinkopf 1996: 9)

- Weinkopf states that the success of a labour pool increases the more, “the larger is the ‘supporting wing’ of its activities” (1996: 319). Weinkopf refers the image of the “wing” to the cooperation and network relations within the pool, which in the case of KIM were initially present in the form of the territorial employment pact. Weinkopf also stresses the important role played by the social partners, ideally with a supporting organisation with equal representation. Although this is not the case for KIM, the territorial employment pact assigned an important role to the trade unions as allies of the staff representatives with a view to exerting a positive influence.
- Weinkopf describes the importance of collective agreements as a foundation for labour pools, but sees them mainly in their function of avoiding agency work. Collective agreements should state that the companies “cover their flexible personnel needs mainly or exclusively with employees from within the labour pool” (1996: 319) – in the case of KIM this function is not fulfilled so much by the collective agreement but mainly by the way funding is organised (see above).
- Other success criteria identified by Weinkopf, which apply to KIM, are the supporting organization by the companies themselves, which leads to a greater responsibility, the exclusion of profit distribution and the possibility of receiving state subsidies (319ff.).

The functioning of the concept will be tested soon, when two follow up projects will become fully operational in the wake of KIM. They are based on the same set-up with a high likelihood therefore that they will work equally well. KIM 2 was launched in 2004 and is already proving to be quite stable. Just as KIM 1, KIM 2 is a network of mechanical engineering firms, with the main difference being that they operate on a supra-regional level. The launch of KIM 3 is planned for 2006. Just how far the initiative can be transferred to other regions, remains to be seen. Some regions in the Eastern part of the Ruhr have shown an interest to emulate the initiative.

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