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ABSTRACT

These three articles come from the series "Course 2010--A Decade in View" published in the Handelsblatt (Duesseldorf and Frankfurt/Main), an influential German business newspaper. "The Labor Market: With Flexibility into the Service Society" (Elga Lehari) states that the key to more employment in future is a service society with an industrial base. It foresees constant development in the size of the labor force up to 2010, followed by a shortage of labor across the labor market from 2010-2020, and a drop in the labor force almost to the present level by 2040. It recommends more flexible work instruments, globally oriented flexibility, and provision of services for working women. "Organization of Work: Supreme Authority Rests with the Team" (Christoph Stehr) focuses on the "Oticon system," named for a Danish hearing aid manufacturer. It discusses the manufacturer's innovative management style that proves business objectives can be achieved by "soft" changes, e.g. in the way work is organized. It describes the open-plan office that provides for no fixed workplace (no desk) and self-organized work. "Working Hours: Change Begins in the Mind" (Ruth Lemmer) addresses flexibility in the workplace. It discusses the Augel model of a construction firm where all workers receive a fixed monthly salary: they stipulate the number of hours they wish to be paid for each month, with extra hours booked into an account. Common models of flexible working hours are described: flexitime, part-time work, job sharing, and time accounts to save time for a sabbatical or early retirement. (YLB)

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Course 2010

The future of work in Europe

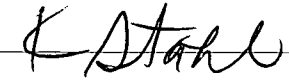
by

Elga Lehari,

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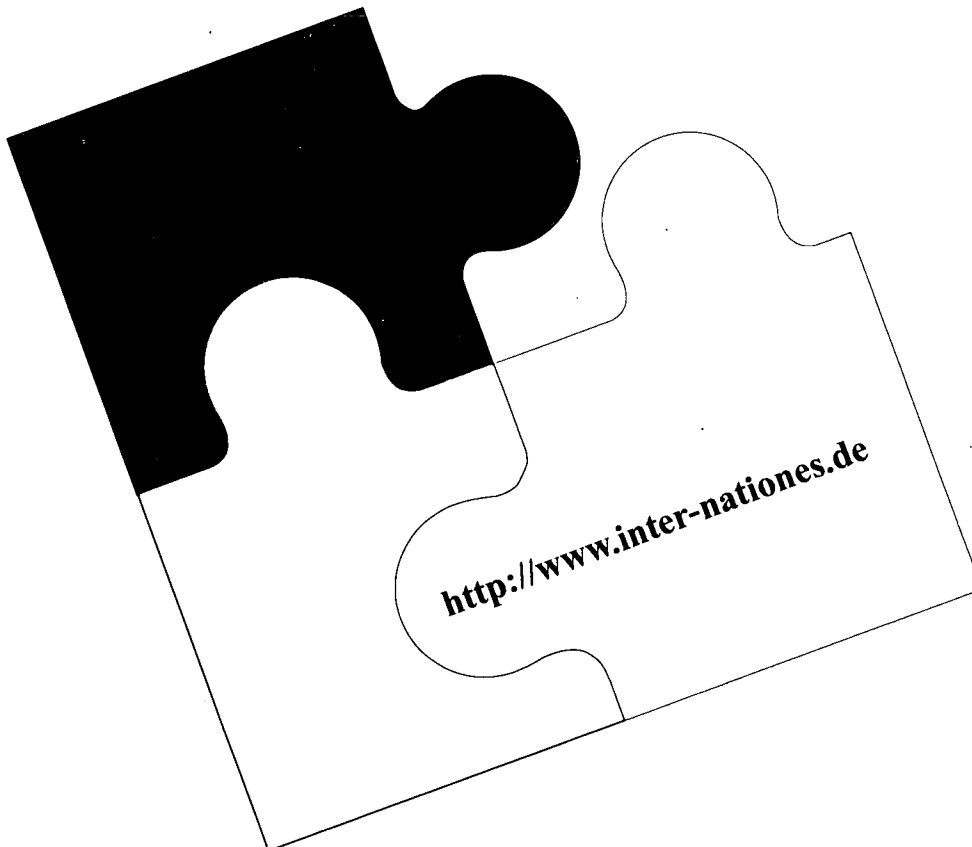
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Note:

The articles come from the series "Course 2010 – A decade in view" published in the Handelsblatt (Düsseldorf and Frankfurt/Main). The influential business newspaper believes that many shifts in existing trends and the emergence of new trends in the coming decade can already be predicted, on the basis not of visions or utopias, but of realistic projections of developments in fields like work, trade, manufacturing, leisure or research. The series appears every other Thursday. More information at <http://www.handelsblatt.de>, under "Weitere Highlights", "Zukunftsperspektiven".

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The labour market:

With flexibility into the service society

by Elga Lehari

Both Germany and Europe are in the midst of difficult structural change as they enter the year 2000. Its external manifestation is high unemployment which is primarily structural in nature. The key to more employment in future lies in a service society with an industrial base. Knowledge and flexibility on the part of workers, companies and government will smooth the way.

Up to 2010, experts are expecting a relatively constant development in the size of the labour force, including moderate immigration. In contrast to the 1990s, this creates an opportunity to use job-oriented and investment-friendly fiscal, economic, tax and wage policies to cut unemployment. This is the view taken, for example, by Ulrich Walwei of the Institute for Labour Market and Vocational Research (IAB) of the Federal Labour Office in Nuremberg (<http://www.iab.de>).

One must however expect some of the new jobs to be filled by people currently not participating on the job market – an estimated 2.5 million in Germany. If there is to be a substantial reduction in the number of unemployed, it will be vital to tackle skill deficiencies and to create work for those who are scarcely able to obtain any skills. It is already the case today that roughly half of the unemployed have not completed any vocational training.

From 2010 to 2020, the labour market problems will begin to reverse. The decline in the size of the labour force due to demographic reasons, which will not be stopped, but at the most alleviated, by a clearly higher participation rate by women in western Germany, should mean that there will be a shortage of labour not only in isolated sectors, but increasingly right across the labour market. Without immigration, the labour force in 2040 would number roughly 14 million less than today, according to a model calculation by the IAB.

This process could be slowed down by a substantially higher rate of immigration. However, even if there is a net influx of half a million people a year, the population would still decline in the long term due to too low a birth rate. Such a high rate of immigration would mean that

the labour force was roughly four million larger than today by 2017, but by 2040 the figure would drop back down almost to the present level.

This scenario – given average immigration rates, the labour force would be seven million smaller in number by 2040 – creates problems not only in view of the predictable lack of labour and new recruits, but also for the funding of the social security systems, which are still based on wage-related contributions from the workforce. The declining labour force would – assuming that the pay-as-you-go system of pension, health and long-term care insurance is retained – have to finance not only itself but also, due to increased life expectancy, a larger number of older people. For this reason, and given the lack of skilled workers, a longer working life, rather than early retirement, will play a more important role in future.

Since old-age pension systems in particular cannot cope with short-term changes, and since the demand in industry for high-quality workers cannot be met quickly, employment policy in the next decade must not focus solely on the high unemployment in that decade. It must also take a forward-looking approach to the policy fields affecting the market and the labour market. In view of the longer-term effects, the policies for the decades after 2010 must be put in place now.

This will require a response not only from government, but also from the companies as they train the next generation and keep training their existing workforce, and from unions and management as they negotiate differentiated wages. The government will need to work on education, welfare systems, taxes, migration, child-care and other factors such as removing bureaucratic barriers, environmental policy, the privatisation of work done by the state, or labour law to create the conditions which will allow the major changes on the labour market to occur without excessively serious new problems arising.

The activities of German companies, which have long crossed EU borders, are crying out for more flexible instruments – such as work permits for foreign workers. Due to the globally integrated capital markets, capital has become mobile. There will be a risk of job losses, particularly in highly productive areas of skills, if it proves impossible to keep capital in the country and to attract additional capital from abroad. A medium-term loss of prosperity for the entire economy would be inevitable.

In other words, global thinking must be followed by globally-oriented action. This requires a high degree of flexibility. The forms of paid labour are likely to change even in the next ten years. A combination of self-employment and dependent employment is feasible, as is an increased number of new business start-ups in order to be able to react rapidly to the market with niche products and services in smaller units. Teleworking is coming, thereby severing a link not only between the place where the work is done and the place where the company is based, but also between the time at which the work is done and the time at which the company is operational. Closer links with other continents, along with the growing demand for further training, necessitates greater flexibility in terms of working hours even for part-time jobs. This will create enormous challenges for systems like the social insurance funds, which are still dominated by the old model of life-long employment in a full-time job without any career interruptions.

The structural change caused by the rapid development of information and communication technologies and by the liberalisation of the markets will continue in the next ten years. In particular, it is likely that tertiarisation will spread further, partly due to computer networking, but also to rationalisation in the manufacture of goods. Experts believe that Germany is lagging behind here, in terms of both corporate and personal services. It is true that their share of gross value-added is already increasing, but other countries, particularly those enjoying success on the labour markets, are farther along the road. It is a road which creates potential employment for both low-skilled and highly-skilled workers. The second group in particular is characterised by a high level of mobility: i.e. it is also prepared to emigrate if the prospects for development at home are restricted.

Fears that there would be no space for a manufacturing sector in such a model are misplaced. Skilled services like software, consulting, marketing, logistics, multimedia, customer service, research, development and financing tend to cluster around industrial centres. This results in higher employment and corresponding income levels. These in turn provide the basis for personal services such as education and leisure, health and nursing care, or domestic help and child-care. The rising participation rate of women is likely to boost demand for these services and make them affordable. The decline in the size of the labour force after 2010 and the changing patterns of responsibility within the family will probably force both the state and the companies to provide appropriate services. These include all-day child-care and more flexible shop-opening hours.

In industry itself, the demand for labour is declining in general terms, not least due to the outsourcing of services, but a refocusing on high-grade goods and modern technologies can be expected; these will offer opportunities in international competition despite the high wage level. But they will also require workers with permanently updated skills.

Back in 1990, a forecast by IAB and Prognos for 2010 suggested that the proportion of workers in the manufacturing sector in Germany would decline from 39 % (1990) to 32 % and that the proportion of those in services would rise from 57 % to 66.%. It now looks as though there will be a particular increase in secondary services. According to Walwei, the proportion of workers in primary services like trade, office work, storage or transport will remain stable.

This will impact on the skills structure. Businesses will increasingly recruit university and college graduates; the number of unskilled jobs will decline further and substantially. According to Walwei, the demand for skilled workers who have completed vocational training in the dual system will remain at the present level. So the risk of unemployment will increase for those who have failed to complete vocational training – even after 2010.

Organisation of work:

Supreme authority rests with the team

by Christoph Stehr

Every morning, it rains strips of paper at Oticon A/S in Hellerup, a suburb of Copenhagen. Each staff member checks his mail in the post room and scans in the important parts. The rest is chewed up by the shredder. The strips of paper fall down a glass tube not far from the staircase. Everyone sees them, can't avoid it, because it is the only way upstairs – the lift is locked up. "No memos! Speak to one another!" was the instruction from Lars Kolind, who was President of the Danish hearing aid manufacturer from 1988 to 1998.

Kolind came to rescue the firm and left as a model manager. Within five years, he doubled turnover to over 1 billion krone and boosted profits many times over to 100 million krone. The share price rose from 10 to 400 krone, the number of workers from 1000 to 1450. In 1991, Oticon launched the world's first fully automatic hearing aid, and the first fully digital one in 1995 made it into the Guinness Book of Records as the world's smallest computer. The product development period was halved – paper consumption was cut by 80 %.

In 1998, Oticon was honoured in New York with the "Employee Empowerment Pioneer Award" by the Council of Economic Priorities. The highest international award for innovation in management – the Washington Post even calls it the "business Oscar" – is proof that business objectives can be achieved not only by hard cost cutting, but also by "soft" changes, e.g. in the way the work is organised.

Communication, transparency, flexibility, responsibility – these are the words to describe the "Oticon system". At central office and in some of the 26 subsidiaries in Europe, North America, Asia and Australia, the open-plan office is standard. No-one in management and or clerical staff has a fixed workplace in the sense of having one's own desk; instead people have containers on wheels with their personal documents. The location of the container depends on where a PC happens to be free. Everyone has access at every computer to their own and to other people's data. Knowledge is shared, not hoarded. That is Kolind's concept of the "knowledge company" which networks its personnel like a brain.

The top management consists of the three presidents of the holding; beneath them, there is one engineer responsible for each of the "high-end production lines", i.e. the top products for a small market, and for the "high-volume production lines", i.e. products for the mass market. Below that, there are only the project levels. Audiologists – the "hearing researchers", engineers, designers, marketing experts and field staff work in project teams on an equal basis; the teams find their own leader, who is not a superior, but a sort of spokesperson.

Stefan Schmidt, director of marketing for Oticon GmbH in Hamburg (<http://www.oticon.de>) is currently involved in a central office project aiming to develop a new hearing aid with new software. Together with a Danish colleague, he stipulates the key product features, and the result of this "screening" is then presented to the whole team. After that, the chip can be commissioned. All the deadlines are set by the group itself; it decides when and how a section of the project is to be realised.

"Self-organisation means that there is no superior authority which keeps an eye on you," says Schmidt. The team members are subject only to the pressure of the group; the best ones set the pace. Conflicts virtually resolve themselves: "If I'm unhappy about something, I raise it in the group and can soon tell if my position will get a majority," says Schmidt. "The more important the matter is to me, the more I will argue for it. But if my arguments still fail to convince, I accept that and go along with the group's decision."

You might think that the work-shy would like that sort of anti-authoritarian approach to organising work, as there is no-one cracking the whip. But Schmidt's experience is different: "Anyone who fails to pull his weight will find he has a problem at the latest when the next project comes up." The colleagues, who form their own teams, know who is good and try to get only the best people on board. Weak candidates become obvious because they run out of work as no-one wants them. This creates a stock exchange of "staff assessments" which measure performance and social behaviour.

Self-organised work cannot function without a free flow of information – even without an official "pump" in the shape of the boss. That works when everyone talks to everyone. "Many of us are happy to be able to poke our nose into everything interesting," says Schmidt. "The company is happy that everyone injects all his creative abilities and not just the 50 % which is permitted elsewhere by the job description."

Change begins in the mind

by Ruth Lemmer

Whether bricklayer or secretary, carpenter or accountant, all 100 employees at the construction firm Johann Augel GmbH in Weibern are de facto white-collar workers. Even those who, according to the law, are contract workers, receive a fixed monthly salary. This harmonisation of conditions was a prerequisite for a flexible working-hours model covering 80 employees and giving the company leeway in terms not only of time, but also of capital.

The staff stipulate the number of hours they wish to be paid for each month – a number between 120 and 200 hours. If they work longer, the hours are booked into an account. The credit time even earns interest – at 2 %. Anyone who has a positive time account cannot be made redundant. The amount is only paid out if an employee resigns. The account is run down via extra days of leave around public holidays, via early-retirement arrangements, and during the winter.

If the company management calls on the staff to take extra time off because the order books do not permit full employment, the employees contribute 85 % of the amount of time off themselves; the company gives them an extra 15 % on top. Heinz Klöckner, head of personnel, explains the advantages: "Firstly, the staff help decide the amount of work. And, secondly, if we have hours worth DM 700,000 as a debt on the time account, we don't need to go to the bank to ask for a DM 700,000 loan until later."

The Augel model is one of many attempts to make work more flexible. Experiments are underway both in companies bound by collective agreements and in firms which have abandoned the collective bargaining system. Only one thing is certain: the rigid standard working week – five days a week, seven hours a day, starting and finishing at set hours – is no longer regarded as the ideal.

The objective of and the opportunities offered by flexibilisation are highly valued. The intention is to enhance both productivity and the ability of employees to set their own hours, to shorten delivery times, to improve deadline reliability, and to enhance customer service. The more flexible the model, the greater the planning involved. On the cost side, consultants

believe that the potential increases in productivity due to rationalisation, greater staff motivation and the decoupling of operational times and working hours can be between 8 % and 25 %.

Common models already in use include flexitime, part-time work from under ten hours to frequently thirty or thirty-two hours, job sharing, with two or three employees sharing one job, and in particular short-term and, more rarely, long-term time accounts. There are statutory arrangements for part-time pre-retirement work, whereby full-time employees aged 55 can halve their working hours – with little impact on their pension entitlement. However, this model, which is backed by financial support from the Federal Labour Office when it results in new recruits being taken on, is actually working out differently: in practice, the employees keep working full-time and then retire two-and-a-half years early.

The greatest scope for both companies and employees is probably created by the model of time accounts. At Hewlett-Packard Deutschland in Böblingen, for example, the employees can save up time for a sabbatical year, which may not last a full year, but might give them several months off. In other companies, a substantial credit on the time account can be used for early retirement – without any loss of pension rights. But most companies find such long-term models too uncertain. They restrict the period in which time credits or debits can be used to a year, or even to just a few weeks.

The change in working hours always needs to go hand in hand with a more flexible organisation of the work. That generally creates some problems. "Potential for improvements is wasted because the planning and introduction did not occur systematically, the management and incentive systems were not compatible, and the organisational structure was not consistent with the aim of flexible working hours," says Professor Claudia Brumberg of the Economics Department at Hamburg Fachhochschule (<http://www.uni-hamburg.de>), who has collaborated on various flexible working hour arrangements. In software development, for example, a results-oriented form of work – often termed "hours on trust" – can be the most effective approach. Here, a team might be given two months to adapt a programme to the needs of a client. In manufacturing, by contrast, there can be expensive difficulties if the individualisation of hours of attendance gets out of hand in a working group. This at least was what Volkswagen found, and it returned to the rigid three-shift approach for Golf production at its main factory in Wolfsburg in February 1999.

The trial and error principle can turn out to be an expensive luxury when making working hours more flexible. Depending on politics, the managers or the works council, the employers' or unions' representatives are then blamed for failing to implement flexibilisation with sufficient vigour, and are accused of making the company less competitive both nationally and internationally.

One consolation: the Economic and Social Sciences Institute of the Hans Böckler Foundation in Düsseldorf (an organisation with close links to the trade unions – WSI, <http://www.wsi.de>) admitted in March in a paper that the rigid regional collective agreement was now nothing more than a myth, documenting the large number of exemptions which already exist for working hours in collective agreements in both manufacturing and services. WSI director Hartmut Seifert sees a double opportunity for jobs in the flexibility offered by time accounts: "If it were possible to entrench the principle of time off in lieu and thus to turn at least part of the overtime into a temporary time credit rather than into money, this might create scope for new jobs. And in times of falling demand, the time credits could be run down again, thereby avoiding redundancies and short-time work arrangements."

In real life, however, the success or failure of the introduction of more flexible models continues to depend on the most important assets of any company: the people. There are quite a few heads of department who believe it just won't work in their section if a staff member returns from having a child to work half the number of hours, whilst the superior in the similarly structured neighbouring department shows it can work quite happily. Loss of control seems to be a motive for the barriers set up by managers.

The motives of employees who believe their job cannot be split are different – surely not least the fear that they might be replaced – but the consequences are the same: the working time models introduced will not work until people's attitudes change.



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