



ON THE FUTURE OF SERVICES OF PUBLIC INTEREST

THE LIBERALISATION OF SERVICES OF PUBLIC INTEREST IN THE EU AND IN AUSTRIA

Effects on Employment, Working Conditions and Industrial Relations

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FOREWORD

Water, public transport, health and education are services of general interest that concern all working Austrians. Providing comprehensive, efficient and affordable services for the entire population was and is a key political task. The Chamber of Labour is clearly committed to this goal.

However, past years have been characterised by a gradual abandoning of the time-tried public provision of these public goods and services. “More private enterprises – less state control” seems to have become the unquestioned motto of politics. Blind trust in the self-regulatory powers of the market has brought about the gradual liberalisation and privatisation of services of public interest. This has happened in telecommunications, in the electricity and gas sector, in postal services and railway transport. In the meantime, the EU is even planning to liberalise public transport (buses, trams, underground lines) as well as water supply. Similar developments can be found in the fields of health and social services.

Contrary to often-repeated assurances by the champions of liberalisation, who extol lower prices and higher service quality as the consequences of liberalisation and privatisation, first experiences have shown that these promises, as a rule, do not hold up to deeper analysis.

For this reason, the Chamber of Labour has decided to conduct a comprehensive evaluation of the economic and social effects of liberalisation and privatisation of services of public interest in the context of a series of studies. The present study on an issue of paramount importance for workers – the effects of liberalisation on employment, working conditions and industrial relations – constitutes the first step in this direction.

The Chamber of Labour will systematically continue its coverage of this problem affecting all workers and consumers. We remain committed to the affordable, high-quality, comprehensive supply of the population with services of public interest rendered efficiently and under fair conditions for the workers of the respective enterprises.



Herbert Tumpel

President, Chamber of Labour

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ABBREVIATIONS – AUSTRIA

AUVA	Allgemeine Unfallversicherungsanstalt (General Accident Insurance Corporation)
BZW	Briefzentrum Wien (Vienna Letter Centre)
EIWOG	Elektrizitätswirtschafts- und -organisationsgesetz (Electricity Management and Organisation Law)
ESG	Linzer Elektrizitäts-, Fernwärme- und Verkehrsbetriebe (municipal utility and infrastructure provider of Linz, Upper Austria)
EVN	Energieversorgung Niederösterreich (energy provider, Federal Province of Lower Austria)
GATS	General Agreement on Trade in Services
GdE	Gewerkschaft der Eisenbahner (Trade Union of Austrian Railway Employees)
GdG	Gewerkschaft der Gemeindebediensteten (Trade Union of Municipal Employees)
GMT	Gewerkschaft Metall-Textil (Trade Union of Metal and Textile Workers)
GPA	Gewerkschaft der Privatangestellten (Trade Union of Salaried Private-sector Employees)
HRP	Human Resources Personalbereitstellung GmbH (subsidiary of STEWEAG-STEAG)
HTV	Gewerkschaft Handel, Transport, Verkehr (Trade Union of Commerce, Transport and Traffic Workers)
IKB	Innsbrucker Kommunalbetriebe (municipal utility and infrastructure provider)
IVB	Innsbrucker Verkehrsbetriebe (municipal public-transport provider)
LWU	Landeswasserversorgungsunternehmen AG (water supplier, Federal Province of Upper Austria)
NÖSIWAG	Niederösterreichische Siedlungswasserbau GmbH (water supplier, Federal Province of Lower Austria)
ÖBB	Österreichische Bundesbahnen (Austrian Federal Railways)
ÖGPP	Österreichische Gesellschaft für Politikberatung und Politikentwicklung (Austrian society for policy consultation and policy development)
PBVG	Postbetriebsverfassungsgesetz (Federal Law on Employment Representation of the Austrian Post)
PT	Public transport
PTA	Post und Telekom Austria AG
SBL	Stadtbetriebe Linz (municipal utility provider)
SCHIG	Schieneninfrastrukturfinanzierungs-GmbH (railway-infrastructure finance company)
STEAG	Steiermärkische Elektrizität Aktiengesellschaft (electricity provider, Federal Province of Styria)
STEWEAG	Steirische Wasserkraft- und Elektrizität AG (hydropower and electricity provider, Federal Province of Styria)
WDL	Wasserdienstleistungs-GmbH (water utility company)
WTO	World Trade Organization

ABBREVIATIONS – INTERNATIONAL CASE STUDIES

BCE	Gewerkschaft Bergbau, Chemie (Trade Union of Mining and Chemical Workers, Germany)
DB	Deutsche Bahn (West German Railways)
DR	Deutsche Reichsbahn (East German Railways)
EIRO	European Industrial Relations Observatory
GB	Great Britain
GdED	Gewerkschaft der Eisenbahner Deutschlands (Trade Union of German Railway Workers)
GdL	Gewerkschaft der Lokführer (Trade Union of German Engine Drivers)
GdBA	Gewerkschaft der deutschen Bundesbahnbeamten und Anwärter (Trade Union of German Railway Career Public Servants)
HRM	Human resource management
ILO	International Labour Organization
IT	Information technology
LO	Landsorganisationen i Sverige (Swedish Trade Union Confederation)
LRT	London Regional Transport
LTE	London Transport Executive
LT	London Transport
NBC	National Bus Company (GB)
NCOI	National Council for the Omnibus Industry (GB)
NJIC	National Joint Industrial Council (GB)
PUDLV	Post-Universaldienstleistungsverordnung (Post Universal Service Ordinance, Germany)
PSIRU	Services of public interest International Research Unit
PTA	Public Transport Authority (Sweden)
PTE	Passenger Transport Executive (GB)
REC	Regional Electricity Company (GB)
RPI	Retail price index (rate of inflation)
SACO	Sveriges akademikers centralorganisation (Swedish Federation of Professional Associations)
SEKO	Facket för Service och Kommunikation (Trade Union of Service and Communication Employees, Sweden)
SJ	Statens Järnvägar (State Railways, Sweden)
ST	Statstjänstemannaförbundet (Trade Union of Civil Servants, Sweden)
STEM	Statens Energimyndighet (National Energy Administration, Sweden)
SIF	Svenska Industritjänstemannaförbundet (Swedish Trade Union of Technical Employees in Industry)
SLFF	Svenska Lokförarförening (Swedish Trade Union of Engine Drivers)
TGWU	Transport and General Workers Union (GB)
TUC	Trade Union Congress
VAV	Swedish Water and Wastewater Association
ver.di	Vereinigte Dienstleistungsgewerkschaft (German multi-service trade union)
WERS	Workplace Employee Relations Survey

EXECUTIVE SUMMARY

General information on the project

The present study addresses the effects of the liberalisation and privatisation of services of public interest on employer/employee relations and working conditions. Its purpose is to identify common trends regarding changes in the employment volume and types of employment as well as effects on income, working hours, working conditions and workers' representation. To deal with these issues, Austrian and international case studies covering specific sectors were developed:

Railways:	Austria, Germany, Sweden
Postal services:	Austria, Germany, Sweden
Water:	Austria, Germany, Sweden
Electricity:	Austria, Great Britain, Sweden
Public transport (PT):	Austria, Great Britain, Sweden

Austria

The Austrian case studies are based on statistics as well as on annual reports, relevant literature and interviews with works council members and personnel representatives of the enterprises concerned. Due both to a lack of previous studies and the limited scope of the project, the Austrian part of the study is of a largely explorative character.

International case studies

The international case studies derive from a comprehensive evaluation of the available literature and an analysis of the existing data stock. However, the issues addressed in the present project have not been covered in depth for most industries or countries so far. This imposed restrictions on the analyses of the international part, which due to the project scope had to be of an almost exclusively secondary nature. In most cases, scattered material and studies – often compatible to a limited extent only – had to be compiled and edited for this purpose. In addition to an overview of the relevant literature and the secondary analysis of statistics and studies, it was therefore necessary to get in touch with experts and organisations in the various countries to obtain additional information, grey literature and situation assessments.

Common trends regarding the effects of liberalisation and privatisation on public service employees

Despite the different forms taken by the liberalisation and privatisation of services of public interest in various countries and sectors, a number of common trends are discernible. These mainly concern the employment volume, incomes, working hours,

working conditions and employment relationships as well as the representation of workers' interests.

Extensive staff retrenchment in all sectors

- In most sectors reviewed, staff retrenchment amounted to up to 50 percent in the first ten years after liberalisation/privatisation.
- Staff retrenchment may be effected in a “socially acceptable” manner; i.e. employees are encouraged to leave the company by specific measures such as early retirement or severance payments going beyond legal requirements (“golden handshakes”). Whether or not redundancy dismissals are avoided within a company depends on the power of the trade unions, the frame conditions applying in the country as well as the pressure created by public opinion. Many workers feel forced by the changes to leave the company of their own accord.
- Yet staff retrenchment may also be carried out by means of redundancy dismissals; however, with the exception of Great Britain, this seems but rarely to be the case. Yet the threat of dismissing part of a company’s staff as redundant is used quite frequently to obtain concessions from trade unions and employees. In Austria, redundancy dismissals were so far only effected in the Österreichische Post.
- In many sectors, the number of training places for apprentices was likewise substantially reduced (Germany: Deutsche Bahn, Deutsche Post; Austria: Verbundgesellschaft, ÖBB).
- Outsourcing parts of a company’s activities is another form of staff retrenchment (Germany: Deutsche Bahn; GB: electricity sector; Austria: Verbundgesellschaft, STEWEAG-STEG, ÖBB).
- In countries with a strong tradition of social partnership, “supernumerary” workers are put “in intermediate storage”, as it were, in the companies’ own job exchange and training facilities designed to reorganise the internal labour market (Germany: Deutsche Bahn; Sweden: electricity sector, railways). In combination with training measures, workers are also coached to venture onto the external labour market.
- As a rule, the workplaces newly created by new providers do not offset the staff retrenchment by the former monopolists. Moreover, the permanence and quality of the jobs offered by the new providers are doubtful.

Reduction of labour cost through income cuts and changes in pay structures

- The reduction of labour cost is a key objective of the liberalisation/privatisation process.
- Base-pay cuts are rare but happen occasionally (e.g. Wiener Stadtwerke, British bus companies). Similar measures include dismissals for variation of contract, changes in pay scales (seniority) and pay categories.
- Bonuses and extra payments as well as company benefits (sickness benefits) and company pensions are cut (GB: electricity sector, bus sector; Austria: Verbundgesellschaft, INNBUS).

- Working hours and pay are decoupled by means of longer working-time assessment periods and the introduction of working-time accounts. As a result, overtime bonuses and bonuses for working on weekends and during unsocial hours may be eliminated (Germany: Deutsche Bahn; Sweden: railways).
- Performance-related pay components are introduced, and pay structures are individualised. In some (work-intensive) sectors, such types of remuneration as piecework pay (mail delivery) or customer frequency-dependent pay proliferate (GB: electricity sector, bus companies, Germany: postal sector; Austria: Verbundgesellschaft, STEWEAG-STEAG, private post and courier services; planned for gas supply and Post AG).
- In many sectors, newly recruited workers are forced to accept inferior collective agreements (Germany: Deutsche Bahn, Deutsche Post; Austria: Wiener Stadtwerke).
- New providers are often exempt from collective bargaining or may offer inferior collective agreements. International corporations providing services of public interest in deregulated markets frequently pay their staff only according to their own internal pay scales (Germany: postal sector, water sector/company pay scale e.g. at Vivendi; Austria: private railway operators).
- Wage dumping occurs in several sectors (e.g. new providers, postal services and railways) (Germany: chiefly in the postal sector, railways; Austria: advertising material and newspaper delivery).

Effects on working time: flexibilisation, condensation and lengthening of working hours

- The flexibilisation of working hours is to increase competitiveness and productivity.
- Flexibilisation of working hours is e.g. achieved through part-time work, longer working-time assessment periods and the introduction of working-time accounts.
- Different working-time regulations are introduced for different groups of employees (Austria: Wiener Stadtwerke).
- Breaks and rest periods are shortened; “productive periods”, for which customers pay directly, are lengthened (Austria: INNBUS, Post AG; GB: bus companies; Germany: Deutsche Bahn).
- Additional working hours and overtime increase (to balance staff retrenchment and income losses) (GB: bus companies; Austria: ÖBB).
- Company-specific/collective agreement regulations for additional off-duty time are reduced (Sweden: public transport).
- Company- or sector-specific pension regulations are gradually eliminated (Sweden: railways; GB: electricity sector).
- Operating hours are lengthened (to improve the service range) (Austria: Post AG).
- Flexibilisation of working hours often aims at lengthening the daily working time by extending the length of the (maximum) workday. However, in some cases, the

workload-related, capacity-oriented shortening of daily working hours may occur (to minimise hours for which customers do not pay).

- Staff scheduling is increasingly computer-supported to exploit optimisation potentials.

Flexibilisation and individualisation of employment relationships

- Uniform working and contractual relationships are increasingly called into question. Collective agreements are decentralised and fragmented and in some cases (Great Britain) replaced by performance-based, individualised work contracts.
- Precarious and atypical forms of work are increasingly made use of (Sweden: public transport; Germany: postal sector; Austria: Post AG, private post and courier services, STEWEAG-STEAG).
- Outsourcing and hiving-off result in enterprises not subject to collective agreement regulations (Germany: subcontractors of Deutsche Post).
- The segmenting of employees into different groups is exacerbated by provisions that protect the acquired rights of tenured public servants, while both white- and blue-collar workers and in particular newly recruited workers are subject to new, inferior collective agreements.

Changes in working conditions

- Work intensity and performance requirements are considerably increased.
- Rationalisation and technicisation (letter-mail sorting) render the work more and more monotonous.
- Traditional job profiles and internal labour-division systems are undergoing massive changes, e.g. due to the growing importance of customer orientation and the service concept as well as of operational, managerial and marketing-oriented activities. This may increase the employment opportunities of certain groups (e.g. of women in customer-oriented sectors) (Germany: Deutsche Bahn; GB: electricity sector). In some areas, the result is a deskilling of activities (GB: bus sector, electricity sector).
- In some sectors, stress, accident hazards as well as frequent sickness leave are on the rise (chiefly in public transport).
- Stress phenomena often result from enforced internal mobility caused by the concentration and shifting of locations and other organisational changes.
- Feelings of uncertainty triggered by fears of losing one's job or unclear responsibility structures in the wake of liberalisation/privatisation are also frequent.

Effects on personnel policy

- HRM (human resource management) practices are being introduced in many public-service enterprises in the wake of liberalisation/privatisation.
- Basic and advanced training possibilities deteriorate, skill building options are limited to the core staff.

- Measures aimed at promoting women are apparently implemented only to an inadequate degree (Germany: Deutsche Bahn).

Deteriorating conditions for collective workers' representation

- In the countries and sectors examined, trade unions felt forced, after lengthy political and company-internal conflicts, to acknowledge the liberalisation and privatisation of services of public interest and to co-operate with management in order to have a say in the transformation process.
- Trade unions make concessions in order to render the transition more socially acceptable.
- Industrial relations and collective bargaining systems are fragmented and decentralised (GB: electricity sector, bus companies; Austria: Linz AG).
- Enterprises try to terminate collective bargaining processes or collective agreements in force or even refuse to recognise the unionised representation of workers' interests (e.g. GB: electricity sector).
- The collective representation of workers is curtailed (fewer works council members or personnel committee members may be elected).
- The big trade unions emphasise their success in avoiding layoffs and preserving collective agreements; growing conflicts within and between trade unions abound. Companies try to play trade unions off against each other.
- Trade unions have to reorient their strategies and transform themselves from company unions into sector unions. Unionist orientations have noticeably shifted. The pursuit of general political and social goals to ensure the delivery of specific services to the population is abandoned in favour of a strong focus on the interests of members.
- In order to expand to new providers, trade unions must develop adequate forms of member canvassing and counselling, but also of activist training.

Case studies – Austria

Employment trends

The existing data stock shows quite clearly that the liberalisation of services of public interest in Austria has entailed a marked reduction in the number of jobs since 1996. In all, both the data of the *Leistungs- und Strukturhebung* (Performance and Structural Survey) of Statistics Austria and those of the Central Association of Austrian Insurance Authorities prove that from 1997 to 2001 and from 2000 to 2003, the employment rate decreased by five percent in the sectors covered by the present report, while total employment increased slightly in the same timeframe.

Among the sectors reviewed in the present report, the most heavily hit are post and courier services (-14% between 1998 and 2001), electricity supply (-13% between 1997 and 2001) and railways (ÖBB: -20% between 1997 and 2002). Gas supply, too, was

partly affected by marked staff cuts, while water supply and public transport have been (comparatively speaking) spared this development so far. This might be due to the fact that liberalisation in these sectors has progressed less quickly (but the example of Innsbrucker Verkehrsbetriebe shows that dramatic changes are looming, above all with respect to PT).

Until recently, staff cuts were carried out in a “socially acceptable“ manner – i.e. without redundancy layoffs – and often linked to the outsourcing of certain business areas (e.g. cleaning services). Conversely, staff cuts were partly offset by the increased use of temps. In some cases, part-time work was likewise stepped up (for both cases, see e.g. Österreichische Post).

Incomes and pay

No statistical data relating to incomes are available for the sectors examined in the present report. However, the case studies indicate clearly that at least partial income losses of employees have occurred. These income losses e.g. result if newly recruited workers are paid less than “veterans“ (-13% in the case of Wiener Stadtwerke) or if additional benefits, guaranteed in the context of internal company agreements, are discontinued (-8% in the case of Verbundgesellschaft). This is compounded by income losses due to outsourcing, e.g. if cleaning personnel formerly employed by ÖBB is now paid according to wage scales of private cleaning services. In a number of cases, pay is moreover, at least to a certain degree, linked to performance (e.g. in the energy sector). In the case studies examined in the present report, the performance-based share sometimes accounted for up to 25 percent of a worker’s pay.

Working conditions

In many cases, staff cuts entail greater work intensity and growing stress as well as, in several areas, a marked increase of overtime per worker (e.g. at ÖBB). Other factors that should be mentioned in this context include growing insecurity and competition between workers because it is often unclear, especially during the restructuring phase, who will keep his or her job for how long. This is exacerbated by increasing frustration caused by constantly rising pressures resulting from the sometimes unrealistic demands made by the regulator or management consultants, who confront workers with international benchmarks whose correctness often cannot be verified. Moreover, workers frequently feel stuck in a permanent restructuring phase, where what applies today may easily be obsolete tomorrow.

Workers’ representation (by trade unions)

Furthermore, liberalisation and the related outsourcing and transfer of services of public interest to independent companies under private law have far-reaching consequences for industrial relations as well. Not only that the Labour Constitution Law applies all of a sudden (instead of the traditional Federal Staff Representation Law); workers’

representation and co-determination rights are sometimes restricted as well (e.g. Österreichische Post). In connection with outsourcing and mergers, it is moreover not unprecedented for employees of a newly established holding company to find themselves represented by up to four different trade unions (e.g. at Linz AG).

Case studies – Germany

Postal services

- Since the early 1990s, Deutsche Post has cut 42 percent of its staff (a minus of 150,000 to 160,000 workplaces). Since 1998, the employment volume of the group is again on the rise due to a globally oriented expansion strategy. The share of career public servants was reduced from approx. 50 percent in the early 1990s to roughly 33 percent in 2002. The staff cuts were carried out without redundancy layoffs.
- Private postal-services license holders have created approx. 19,500 workplaces. More than half of these are minimally employed workers.
- Productivity is increased by means of intensification and greater rationalisation of production processes (sorting centres). With respect to subcontractors, there are indications that a low-wage sector is beginning to emerge, as some tasks (parcel delivery, etc.) are paid on a piecework basis. The conditions of employment at private license holders are very bad; wage dumping and high staff turnover characterise many employment relationships.
- Working hours are flexibilised by means of annualised-hours schemes (introduction of working-time accounts, overtime compensated as time-in-lieu).
- Skill requirements and training possibilities are reduced.
- While the trade union has concluded agreements to protect acquired workers' rights and prevent redundancy layoffs, it has accepted a pay reduction of close to 20 percent for newly recruited staff.

Water

- The liberalisation and privatisation measures carried out in the water sector are accompanied by ongoing staff cuts (-25%).
- Customer orientation is growing in importance.
- So far, few attempts were made to flexibilise workforce deployment; staff cuts lead to work intensification.
- Workers are traditionally unionised; as a result, trade unions boast high membership rates. Workers are paid according to collective agreements for public service employees, while private enterprises pay company wages five to ten percent below public-service collective agreements. Attempts have already been made in company agreements to annul provisions for above-collective agreement pay; this mostly concerns younger, recently recruited workers. Beside ver.di, another trade union is trying to establish itself in the water industry (Gewerkschaft Bergbau Chemie) by

offering enterprises inferior collective agreements, which engenders inter-union conflicts.

Railways

- Two key processes have left their mark on the German railway sector: the merger of the East German DR (Deutsche Reichsbahn) and the West German DB (Deutsche Bahn) and the market-oriented restructuring of the German railway sector (preparation for stock-exchange listing).
- Both processes have entailed massive staff reductions of more than 52 percent since 1991, resulting in a DB AG staff of 214,371 at the end of 2001. The overwhelming majority of jobs were cut in East Germany, above all in the first half of the 1990s, largely by means of natural turnover and socially acceptable measures.
- The trade union was able to protect the acquired rights of career public servants under the Constitution. Their share was reduced from almost 50 percent in the mid-1990s to approx. one third of all railway workers.
- Men were hit more heavily by staff cuts than women, since women are regarded as more suitable for complying with the currently favoured service focus.
- Dienstleistungszentrum Arbeit, later DB Vermittlung, JobService and DB Zeitarbeit were established to cope with “institutionalised overmanning“. These subsidiaries organise the group’s internal labour market and act as commercial job exchanges and agencies for temporary employment that also offer their services on the external labour market. Vocational reorientation is promoted by means of skill building and retraining measures.
- An annual working-time model was introduced (one-year assessment period, overtime compensated as off-duty time).
- Employees complain about a massive deterioration of working conditions (stress, higher work intensity, enforced mobility and insecurity). Many of them leave the enterprise “of their own accord”.
- In 1992, the Trade Union of German Railway Workers (GdED, since 2000 called TRANSNET) decided to co-operate, emphasising that no worker has lost his or her workplace since the privatisation of the German railways (protection of acquired rights of career public servants, new collective agreements). This willingness to co-operate has entailed conflicts both within the trade union and with other unions, e.g. the Trade Union of German Engine Drivers (GdL). Collective agreements are threatened by wage dumping, the erosion of employment contracts, extremely flexibilised working hours, etc.

Case studies – Great Britain

Electricity industry

- The British electricity sector was split up into several sub-sectors (production, grid, transmission, etc.) and privatised in the early 1990s, which resulted in a massive loss of workplaces (-60% until 2001).
- The liberalisation and privatisation of the electricity sector was fundamentally inimical to trade unions and led to the decentralisation and fragmenting of industrial relations in public utilities. Overall, the trade unions were able to defend their position in the companies; however, membership rates decreased by nearly 30 percent to slightly under 60 percent. Only the promotion of the “social partnership” ideology by the new Labour government made it possible to develop new forms of co-operation with trade unions in several of the companies.
- The individualisation of employment contracts is gaining in importance (simplification of pay systems, introduction of performance-tied pay components) and is paralleled by flexibilised work processes and working-time regulations.
- Traditional workplace descriptions, job profiles and vocational identities are uprooted; activities are deskilled. Job requirements are toughened, entailing stress phenomena and unease. Ongoing staff retrenchment entails a loss of skills, which endangers the quality of service delivery.

Public transport

- The liberalisation and privatisation of British PT accelerated the staff cuts begun in this sector already in the 1970s. Technical and administrative workers are most heavily hit by this trend.
- Due to deteriorating working and pay conditions in PT, many workers leave the sector “of their own accord”.
- The pay level in PT was reduced by an average of 20 percent. Pay systems were modified, various bonuses and benefits (for overtime, weekend work, socially taxing working times, plus sickness and holiday benefits as well as paid lunch breaks) were abolished. In some enterprises, bus drivers are paid a percentage of the daily fare takings of their buses. The introduction of new vehicle types requiring lower-level driving licenses is used to cut wages.
- Productivity was considerably increased; to what extent, however, depends on the methods of calculation used. For example, the number of passengers per service kilometre in metropolitan areas has markedly decreased; fewer passengers now travel longer distances. The general decline of the bus sector (dwindling passenger volume) was not halted, however.
- Working hours in the bus sector were flexibilised. Net driving times of drivers were increased to 80 percent due to cuts in breaks, idle and turnaround times. The daily minimum working time (7 hrs 49 min) was replaced by a minimum weekly working

time (39 hrs). Unionists criticise workdays of up to 16 hrs and inadequate regulations for breaks (first break after 5 hrs 30 min of driving) and demand compliance with the European Working Time Directive.

- Work intensity was dramatically stepped up (increase of driving speed), entailing growing stress, health and accident hazards.
- Industrial relations were decentralised and fragmented.

Case studies – Sweden

General assessment

Preparing the case studies proved very difficult, since the effects of liberalisation and privatisation of services of public interest on Swedish workers have been largely ignored so far, as our contacts and the trade unions approached frequently remarked.

Electricity industry

- The liberalisation of the Swedish electricity market entailed massive staff cuts (by the late 1990s, one third of the jobs had been cut).
- The Swedish trade union SEKO Energi accepted staff cuts, leading to conflicts with other trade unions.
- Staff was mainly cut back in core areas (technical workers, maintenance staff, middle management, administration). New employment profiles emerged in the fields of marketing, customer services and sales; moreover, specific tasks are outsourced.
- Staff was reduced in a socially acceptable manner; enterprises like Vattenfall or Sydkraft have established internal training and job exchange facilities.
- Working conditions in the energy sector have deteriorated.
- The trade unions were forced to reorganise and negotiate agreements that reflect the changed frame conditions. Former company unions must become sector unions.

Railways

- Due to the liberalisation, regionalisation and privatisation of the railway sector (by tendering individual transport areas and lines), the state railways SJ had to cut more than half of its staff between 1994 and 2000. For this purpose, SJ established an internal training and job exchange facility.
- Although, as a rule, successful bidders in tenders take on the SJ staff, they are not obligated to do so, which leads to conflicts with the trade union.
- Working conditions have deteriorated (regarding retirement pensions, job security, influence on production processes and the work environment). Private enterprises in particular tend to recruit new workers at inferior terms.
- SJ AB has introduced a flexible working-time model with working-time accounts and an annualised-hours scheme.

- After protracted conflicts, the Swedish trade unions decided to co-operate. The trade unions are forced to change from company unions to sector unions.

Public transport

- Since 1989, local PT in Sweden has been liberalised and largely privatised on the basis of tender procedures.
- Collective agreement provisions regarding working hours and pay have remained untouched; however, tender procedures have engendered a high degree of insecurity in the sector, since workers can no longer expect that their enterprise will still exist five years into the future.
- Staff cuts involved administrative, maintenance and repair personnel. Many workers (mainly women and young workers) left the sector due to deteriorating working conditions, which created a personnel shortage.
- Due to the personnel shortage, many drivers today have to work for several enterprises as “self-employed day-workers”.
- Work was intensified, which is reflected in a reduction of breaks and turnaround times. This problem duly became the issue of strikes. Moreover, capacity-oriented, variable working times have emerged, since enterprises want to use drivers above all during peak hours.
- The health status of workers has deteriorated, stress phenomena and accident hazards have increased.
- The trade union was able to protect its position within the sector, although there are problems relating to the canvassing of new members amongst migrants and self-employed day-workers. In 2003, it was possible to get a collective agreement accepted which no longer ties the classification of workers into wage brackets to their affiliation to a company, but rather to the duration of their employment in the sector.

Postal services

- Liberalisation and privatisation have entailed massive staff cuts by this former state monopolist (-20 to -30%, depending on the source). Posten AB has established an internal job exchange and training facility.
- Working conditions have deteriorated (higher work intensity, fewer possibilities to influence organisational processes and tighter control by the head office, increasing stress phenomena due to job insecurity).
- The trade union tries to (once more) improve working conditions and to preserve the guarantees embodied in the collective agreements.

INTRODUCTION

Services hitherto delivered by public institutions, such as postal services, railways, public transport, electricity or water supply, are currently being reorganised as a result of liberalisation trends (Whitfield 1991). While the effects of liberalisation on the quality and price level of services of public interest are, in some cases, under vehement discussion and relevant research on these aspects has been done as well, the consequences for the people whose daily work public service delivery is have so far been entirely or largely ignored. As a result, correspondingly few scientific studies of this issue have been attempted.

Thus it is the objective of the present study on the one hand to compile and evaluate the existing international research input concerning the effects of public service liberalisation on the employment situation; on the other hand, the first studies of these issues in Austria are being conducted as well (however, due to the limited scope of the project, these have to remain explorative in character). Thematically, the present study targets employment volume, types of employment, working hours, working conditions and representation of workers' interests. To cover these problems, Austrian and international case studies of a number of sectors were drawn upon, including railways, postal services, electricity supply, gas supply, water supply and public transport. The report comprises four countries: Austria, Germany, Sweden and Great Britain.¹

While liberalisation and deregulation (of services of public interest) on the one hand and privatisation on the other hand are closely interlinked in most sectors and countries examined, a distinction must yet be made.

Liberalisation and deregulation – terms often used synonymously – chiefly refer to the opening of activities of the state to competition by private companies. The former state monopoly for the delivery of services of public interest is abolished and new providers are admitted to the market. This is frequently done by means of tenders and license procedures, with contracts awarded to the best bidder. However, liberalisation and deregulation also stand for a policy that tries to stimulate growth by eliminating legal requirements and restrictions for companies (Davies/Fairbrother 2003:4).

Conversely, the concept of privatisation as a rule means the sale of parts of state-owned companies to private owners (*ibid.*). It can therefore not be excluded that enterprises that remain state-owned or in which the state holds strategic shares will be forced to compete with other providers in liberalised/deregulated markets for services of public interest.

The fact that in most countries a number of services is delivered almost exclusively by the state or by state-owned companies has both historical and practical reasons: in some cases, no private company was interested in delivering certain services, as this entailed massive costs for infrastructure development and limited profit opportunities. However,

¹ The countries were selected in co-operation with the respective experts of the Chamber of Labour, whom we would like to thank for their suggestions and help.

in other cases, the services concerned public goods fulfilling key social functions; universal and equal access to such public goods is considered essential. For this reason, they cannot be left to the interaction of supply and demand, since markets – as Colin Leys emphasises (2001:220f) – can provide public goods such as education, healthcare, public transport, etc. only very unequally, if at all. This is called market failure. In order to ensure universal access, these services are put under control by the state² and financed through public subsidies or a combination of subsidies and charges.

In addition to universal and equal access, the safeguarding of the quality of public goods has traditionally played a key role as well. In order to ensure quality, services of public interest were thus not only provided by the state or by state-owned enterprises, but at the same time subjected to a strict canon of regulations and standards as well. These mostly evolved in the course of a long historical process, have often proved useful and also influence the conditions under which the services in question are delivered (cf. e.g. the detailed body of rules and regulations ÖBB has imposed upon itself to safeguard railway operation in Austria). In many areas, these requirements were developed with the active participation of executives and workers in the respective sectors.

Under the competitive conditions of market economy, the success or failure of an activity depends solely and exclusively on the profit to be realised. Yet the delivery of services of public interest guaranteed by the state may choose to define universal access to these services, their quality and availability (also in case of crises) as criteria of success as important as efficiency and cost.

Concretely, this analysis of the effects of liberalisation and privatisation on employees was motivated by the opening of national service markets, which is one objective of the currently conducted GATS³ negotiations, and the liberalisation and privatisation push this is expected to trigger in the field of services of public interest. Thomas Fritz and Christoph Scherrer (2002:52f) note that the situation of public service employees has not been taken aboard in the GATS negotiations so far, although a massive impact on the rights of employees is feared by many (Tüchler 2002). For example, a DGB (German Trade Union Federation) statement on world trade and social justice (DGB 2001) emphasises that, from the viewpoint of workers, a number of prerequisites still need to be created for the opening of the market for cross-border services, e.g. observance of fundamental workers' rights also in the case of workers being deployed to countries with lower social standards, compliance with national pay and working conditions by foreign service providers, improved remedies to combat illegal and exploitative forms of employment as well as safeguarding of the smooth functioning of social systems.

² The undoubtedly contradictory experience made with labour and employment relationships in services of public interest and formerly nationalised industries as well as the lack and failure of comprehensive democratisation of service production and delivery show that no communisation (as compared to nationalisation) of formerly nationalised industries – but also of services of public interest – has actually taken place.

³ General Agreement on Trade in Services.

The trade in goods and commodities and the access of international enterprises to national markets are regulated by WTO⁴. Conversely, service markets are as a rule protected by national regulations, norms and standards. In case of services of public interest, undertakings are often directly state-owned or state-controlled. The strict canon of regulations and the state monopoly for specific (public) services are to ensure and safeguard quality standards, their universal accessibility, but also the conditions for the production and distribution of these services, i.e. working conditions and employment relationships.

Against this background, the GATS negotiations strive for the dismantling, or at least the curtailing, of existing regulatory systems in the field of (public) services. In the future, national and international providers are no longer to be “discriminated against” or hindered to enter the market – so-called “unjustified obstacles to trade” are to be eliminated. This aims at the opening or creation of service markets in various public sectors, which will expose monopolistic service providers to private competition and – because of existing budget restrictions – will transform these into profit-oriented service providers that in due course will also be privatised.

However, the GATS negotiations constitute merely another round in the liberalisation and deregulation efforts that have been dominating the economic policy strategies of many highly developed countries for the past two decades. Since the 1980s, a number of countries have been strongly encouraging the liberalisation and privatisation of services of public interest. The most notable example in Europe is Great Britain after the election of Prime Minister Margaret Thatcher. Evaluating the experience made with such measures – which vary from country to country – from the workers’ angle can therefore produce critical pointers regarding the probable effects of GATS.

The European Commission and the project of a Common Market that is also to comprise services of public interest play a crucial role in the European liberalisation and deregulation processes. Since the early 1990s, several directives have opened key areas of services of public interest to competition within the EU (Hall 2002; Fremuth/Parak 2002).⁵ This is compounded by judgments handed down by the European Court of Justice, which enable private or foreign providers to challenge national rules and standards and occasionally even to invalidate them. The EU Directives moreover force those Member States that want to preserve their services of public interest to take corresponding measures (an issue recently discussed with great intensity in connection with public transport).

In the context of the present study and its analyses, the sector-specific directives of the European Union, which further promote the already far-reaching measures to liberalise services of public interest and to make competition in the internal market reality, are of vital importance (cf. Fremuth/Parak 2002).

⁴ World Trade Organization.

⁵ For the railway sector, cf. e.g. Directive 91/440/EEC of 29 July 1991; for the electricity sector, Directive 96/92/EC of 19 December 1996; for the postal sector, Directive 97/67/EC of 15 December 1997; and for the gas sector, Directive 98/30/EC of 22 June 1998.

Due to this development, some countries and sectors have accumulated extensive experience with the effects of liberalisation, sometimes dating back two decades. The present study summarises this experience with a particular focus on the consequences for employment. This body of experience definitely permits conclusions regarding the effects the further liberalisation and deregulation of services of public interest in the wake of the GATS negotiations is likely to have on workers.

Effects on employment relationships and working conditions

The liberalisation and deregulation of various markets, the privatisation of formerly nationalised or state-controlled sectors and activities may be viewed as key social conflict areas that possibly present highly diverse structures in different countries. In a study on privatisation in Europe, David Parker (1999) shows that the implementation of liberalisation and privatisation measures in different countries may take equally different courses and shapes. This is contingent on the respective countries' institutional frame conditions, their economic situation and the balance of power between trade unions, state and employers' organisations.

Parker (Parker 1999) shows that with respect to state-owned undertakings as well as labour markets and social security systems (cf. Huws 1998 as a case in point), ideologically motivated privatisation⁶ and liberalisation strategies, such as those conducted in Great Britain since 1979 or in France in the second half of the 1980s, are clearly prevalent. These strategies aim at the "liberation of the markets", a weakening of the trade unions, the implementation of an entrepreneurial society and the reversal of the classic social-democratic nationalisation and regulation policies. However, several other countries have opted for more pragmatic approaches by tying liberalisation and privatisation strategies e.g. to economic frame conditions, making sure that privatised enterprises would remain in national ownership, regulating the standards of public tasks and the production of public goods or preserving a core shareholder status of the state.

Moreover, comparative analyses have demonstrated that liberalisation and privatisation trends and their concrete implementation have taken place at different moments in different states, as is clearly borne out by labour-market and social policies. With a view to those sectors that until the 1980s were state-owned or state-controlled, it may also be stated that, in most countries, the companies privatised in the 1990s were chiefly industrial enterprises, while the delivery of services of public interest relating to public goods or collective consumption remained largely untouched throughout that period. However, some countries have engaged in extensive attempts to introduce private-sector standards, processes and management strategies into public institutions. This has already entailed dramatic changes in employment relationships, which may be regarded as an overture to the opening-up of the service markets.

⁶ Especially with respect to Thatcherism, however, this did not necessarily exclude pragmatic or cautiously tactical measures.

For this reason, it is important to understand that the liberalisation and privatisation of services of public interest cannot be merely viewed as a liberation of the markets and containment of the power of the state, which might lead one to expect a convergence of the different European societies. Rather, the delivery of services of public interest in politically shaped and designed markets is reorganised, which also exposes working conditions and employment relationships in these sectors to profound changes. According to the neo-liberal justification behind these strategies, liberalisation and privatisation are to boost the efficiency and effectiveness of the delivery and distribution of services of public interest while containing or even reducing the cost of service delivery (Parker 1999:18). Efficiency and effectiveness boosts in the delivery of services of public interest and cost containment or cost reduction are impossible to attain without a reorganisation of employment relationships, working conditions and industrial relations in these sectors, as the purely market-oriented doctrines fuelling the liberalisation strategies in fact contends. Measures aimed at the flexibilisation of labour deployment and at the containment and reduction of labour cost may therefore be identified as closely interrelated, central effects of liberalisation and privatisation.⁷

With a view to the containment and reduction of the cost of public service delivery, the champions of neo-liberalism argue that this cost is out of control and, together with an “excessive welfare state”, causes economic problems in the different states. Only comprehensive liberalisation and privatisation, i.e. the recognition of profit orientation as the universal and solely relevant objective, will be able to contain cost or bring it down to an acceptable level, it is claimed (Leys 2001:221).

Cost can be reduced by means of higher efficiency or productivity, which according to neo-liberal reasoning will benefit all parties concerned (Parker 1999:18). However, cost can also be minimised, as this study shows quite clearly, by cutting personnel expenses. In the latter case, profit maximisation occurs chiefly at the detriment of workers. As described in greater length below, cutting personnel expenses can take different forms: staff retrenchment, outsourcing, low-cost and atypical forms of employment, flexibilisation of working hours, higher work intensity and pay cuts.

Measures conducted to flexibilise labour deployment in the context of liberalisation and privatisation aim at creating all-round availability of workers with respect to both time and space as well as at subjecting public service delivery to alleged market constraints. Thus flexibility is no one-dimensional concept but – like the cost issue – comprises different facets. In this context, Jamie Peck (1996:123) draws attention to strategies aimed at individualising employment relationships and moving away from, or even abolishing, collective systems and institutions for negotiating and regulating employment relationships (e.g. in wage-setting). Moreover, enterprises may try to increase the internal and/or functional flexibility of their production and work sequences by modifying work processes, broadening workplace or job descriptions and

⁷ Obviously, these ideologies also claim that the dynamism and innovatory power of the respective sectors are to be boosted in order to enhance service quality. However, the link between liberalisation and privatisation measures on the one hand and the development of national stock markets and reduction of public debt through privatisation on the other hand seems of greater significance here.

deploying the same workers in several workplaces. Strategies to boost “external” or “numerical” flexibility are to facilitate the modification of labour deployment, e.g. by using atypical and precarious employment relationships, in keeping with market requirements.

As a result, five dimensions of change in working conditions and employment relationships due to liberalisation and privatisation may be distinguished. At the same time, these dimensions provide an analytical grid for the comparative country studies of five sectors: water, public transport, railways, postal services and electricity.

1. Effects on the employment volume: what will be the effects of liberalisation on the number of workplaces in the sectors under review?
2. Development of pay and labour cost: what development of wages and salaries can be identified?
3. Accompanying labour-law and social-law measures: what changes are implemented in the wake of liberalisation trends in order to modify labour and employment relationships within companies? In addition to changes in working-time regulations, transfer regulations, etc., this also concerns the increase in atypical employment relationships (temporary work, part-time work, fixed-term employment and similar). Already in the preparation for liberalisation measures – as obviously during their later implementation –, this permits a significant glimpse into the reorganisation of industrial relations (within companies) and at the same time highlights the different institutional paths liberalisation strategies take in different countries.
4. Working conditions: how do everyday working conditions, management strategies and the working atmosphere change due to the liberalisation process?
5. Industrial relations: what changes do the representation of workers’ interests and labour/management negotiations undergo? If trade unions and other forms of workers’ representation are not suppressed in the context of the liberalisation process, they can play a central role in the reorganisation of enterprises. The changes in economic and legal frame conditions also raise the question of whether the basis and structure of workers’ representation bodies must be transformed, and what this might mean for the ability of such bodies to take action.

Services of public interest in Austria

In the first phase of the analysis, the authors searched for general data on the selected four-digit NACE codes. Talks with experts of the Chamber of Labour, Statistics Austria and the Central Association of Austrian Insurance Authorities showed that the data situation in general is rather scarce and that a lot of the data required to document the selected economic sectors simply do not exist. In their presentation of the general employment trends, the authors ultimately decided to rely on data provided by the Central Association of Austrian Insurance Authorities as well as on data culled from the Performance and Structural Survey by Statistics Austria.

In the second phase, we collected company-specific data and information from annual reports and other publications. In some cases, the authors also contacted PR and personnel departments of individual enterprises in order to obtain data. At the same time, we used the publications as self-presentations reflecting the position of the various company boards (due to the limited research funds, it proved impossible to conduct interviews with company representatives).

After having agreed on a suitable time and place, we conducted a total of 13 interviews with staff representatives and works council members from the selected economic sectors as a third phase. In addition to Vienna, the interviews took place in Graz, Linz and Innsbruck. The last phase was composed of an evaluation and summary of the interviews for the present report. In this context, it should be borne in mind that the Austrian part of the study, due to the novelty of the topic and the limited timeframe, is of a largely explorative character.

International case studies

The international project part was to offer a description of the effects of liberalisation and privatisation of such services of public interest as water supply, electricity, railways, public transport and postal services in Europe, with each service covered by two countries. This presentation was to derive from a comprehensive evaluation of the existing literature and an analysis of the available data stock. The countries Germany, Great Britain and Sweden were selected for this part of the project. The sectors of postal services, water and railways were singled out for Germany, while electricity and public transport were chosen for Great Britain, and water, electricity, railways, public transport and postal services were selected for Sweden.

As far as the literature and data stock would permit this, the report was to cover the following thematic focuses:

- effects on employment volume and staff development,
- development of labour cost, wages and salaries,
- changes in working conditions, work processes and work organisation,
- accompanying measures in the fields of labour and social law,
- effects on industrial relations,
- presentation of different phases of the liberalisation and privatisation process.

So far, the effects of liberalisation and privatisation of services of public interest on European workers have been analysed only to a very limited degree for many sectors and most countries. This imposed restrictions on the analyses of the international part, which due to the project scope had to be of an almost exclusively secondary nature. Inter alia, this is evidenced by the fact that scattered material and studies – often compatible only to a limited extent – had to be compiled and edited for this purpose to permit a reasonable first impression of the changes in services of public interest. Regarding some sectors such as public transport or water supply as well as of the Swedish situation in general, there exists very little material and no systematic studies

relating to the questions raised in our project. In addition to an overview of the relevant literature and the secondary analysis of statistics and studies, it was therefore necessary to get in touch with experts and organisations in the various countries to obtain additional information, grey literature and situation assessments.

All research of existing literature, relevant studies and other material was done via the Internet, libraries and targeted reviews of publication lists of university or research institutions of relevance for the project issues or the sector in question, but also of publications by ministries, the EU Commission and regulators. Annual reports of monopolists – i.e. former monopolists or monopolists still dominating the market in some sectors and/or countries – likewise proved very important. Moreover, the authors directly contacted trade unions, personnel departments of various enterprises as well as grassroots initiatives in the sectors covered in order to obtain information and relevant material. This strategy proved highly successful e.g. with respect to the analysis of public transport in Great Britain. Since British bus transport was privatised already in the mid-1980s, thus fragmenting the sector, the available literature on privatisation in Great Britain yielded texts on the effects of the changes on workers but, unfortunately, no studies commissioned by trade unions or associations of local authorities. Upon our request, however, the Transport and General Workers Union (TGWU) provided us with comprehensive material relating to the effects of liberalisation and privatisation on workers in the British bus sector.⁸

In all, our investigations proved very time-consuming, as we were rarely able to fall back on results of research projects directly addressing the topic of the present study, such as e.g. a study by Humboldt Universität zu Berlin on the effects of the privatisation of Deutsche Bahn on railway workers (Frey et al. 2001). It was therefore assumed that information about the changed working conditions in the sectors covered could be found, if at all, in more comprehensive studies whose intrinsic connection to our research project was not discernible at first glance. While material of this type sometimes revealed interesting details, e.g. on the British electricity sector, our review of general studies on the changes in employment, working conditions and employment relationships proved fruitless in many other cases.

The research findings compiled in the present report offer a first comprehensive overview of the effects of changes in services of public interest on the workers concerned. Although the quantity of the material collated and evaluated was substantial, the scarcity of available data obviously proved a notable shortcoming in several instances. The enormous need for research on this issue was also borne out by the fact that the experts and practitioners contacted by us expressed great interest in our research project and its likely results. They likewise complained about the lack of such studies for several sectors, in particular relating to Sweden. For this reason, it seems imperative to intensify the research input and extend it to an international scope.

⁸ The authors would in particular like to thank Mr. Roger Sealey, TGWU Research Officer.

CASE STUDIES – AUSTRIA

1. EMPLOYMENT TRENDS

The general data status regarding the project issues is not satisfactory. In the following, we present the available data provided by the Performance and Structural Survey of Statistics Austria and the Central Association of Austrian Social Insurance Authorities. In the first case, we can account for the years from 1997 to 2001; in the second case, for those from 2000 to 2003. With respect to the Performance and Structural Survey, drawbacks derive from several facts. Firstly, the data cover only the years up to 2001 (since it seems that the privatised Österreichische Post was classified among private post and courier services in 1998, some figures are even comparable for the period from 1998 to 2001 only). Secondly, no data are given for the railway sector because one enterprise (ÖBB) dominates this sector so markedly that the publication of data would violate the legal secrecy provisions. Thirdly, the small number of employees in the water sector for the survey years 1998 and 1999 (approx. 2,000 persons) might account for a significant sampling error.⁹ The Central Association of Social Insurance Authorities shows data for four-digit NACE codes only since 2000 (on a monthly basis), and these exclude self-employed persons as well as tenured employees (who, as our interviews prove, are particularly affected by the recent cutbacks). Conversely, the Central Association's data comprise young men on military or alternative national service and above all recipients of maternity/paternity and children's allowances, which might slightly distort the overall picture.¹⁰

Despite this, the two data sets allow for the identification of the following trends:

- Both the Performance and Structural Survey (1998-2001, excluding railways) and the employment data of the Central Association of Austrian Social Insurance Authorities (2000-2003) show a drop in employment of roughly five percent for all sectors considered by us (4010 – electricity supply; 4020 – gas supply; 4100 – water supply; 6010 – railways; 6021 – scheduled passenger land transport; 6411 – post services; and 6412 – private courier services), while the employment figures for all economic sectors (with respect to the Performance and Structural Survey, this refers to the ÖNACE activities C to K) increased by two to three percent in the review

⁹ With a confidence coefficient of 95%, the relative sampling error (all employees) for the water sector (4100) is as follows: 1997: 2.5%; 1998: 17.3%; 1999: 7.2%; 2000: 3.3%; 2001: 2.6%. For the gas sector (4020): 1997: 2.3%; 1998: 2.7%; 1999: 2%; 2000: 2.4%; 2001: 2.6% (according to Statistics Austria).

¹⁰ Approx. 100,000 persons are recipients of maternity/paternity and children's allowances.

period.¹¹ This is a clear indicator that retrenchment in the sectors examined was above-average in recent years.

- Staff retrenchment varied sometimes markedly from sector to sector: private post and courier services were particularly affected, as the Performance and Structural Survey contends that employment dropped by 14 percent between 1998 and 2001 (3.5% p.a.). According to the data of the Central Association of Austrian Social Insurance Authorities, cutbacks in this sector were significantly lower (slightly under 2% p.a.), but this is probably due to the fact that the four-digit NACE codes of the Central Association do not comprise tenured employees, as the Central Association provides data on tenured employees exclusively for super-ordinate (three-digit) NACE codes. For the telecommunications sector, which covers both Post and Telekom, the corresponding data from March 2000 to March 2003 indicate a reduction in the number of tenured employees by approx. 30 percent. The same is true of the railway sector, for which no Performance and Structural Survey data are available. The electricity sector, too, was strongly hit by cutbacks; according to both data sets, annual cutbacks amount to 2.6 and 2.8 percent, respectively (Performance and Structural Survey 1997-2001: -13%; Central Association 2000-2003: -11%). This assessment is also confirmed by the company data collected by us and by the information obtained in the interviews.
- The two data sets give a different picture regarding developments in the gas and water sectors: while the data of the Central Association of Austrian Social Insurance Authorities indicate that the number of white-collar and blue-collar workers in the gas industry decreased by 13 percent (3.3% p.a.) in the period from 2000 to 2003, the Performance and Structural Survey claims that the number of employees increased by six percent (1.2% p.a.) in the period from 1997 to 2001. However, the greater precision of the Central Association data as well as of the company data collected by us and the information derived from the interviews seem to indicate that cutbacks have indeed taken place. The case of water supply is quite different, as the Central Association data show an annual employment increase by 1.2 percent, while the Performance and Structural Survey contends that the number of employees in this sector has decreased by approx. one percent annually. Finally, both data sets show an employment growth of three and 3.4 percent per year, respectively, for the sector of scheduled passenger land transport (public transport).
- Men are markedly more affected by cutbacks than women; however, this is also due to the fact that the share of women working in the sectors analysed by us, with the exception of private post and courier services, is extraordinarily small. According to the Performance and Structural Survey, the totality of the sectors analysed by us even produced a female employment growth of three percent between 1998 and

¹¹ The economic activities C-K comprise the following: C (mining), D (manufacturing), E (energy, gas and water supply), F (construction), G (trade, maintenance and repair), I (transport, storage and communication), J (financial intermediation), K (real estate, renting and business activities). This excludes sectors A (agriculture, hunting and forestry), B (fishing), L (public administration), M (education), N (health and social work), O (public and personal service activities), P (private households), Q (extra-territorial organizations and bodies).

2001. However, the share of female employment increased more markedly if we look at the economy in general, e.g. attaining seven percent for sectors C to K. According to the data of the Performance and Structural Survey, the share of female employees increased particularly strongly in the field of scheduled passenger land transport (public transport), while the number of male employees decreased especially in the areas of private post and courier services.

- Conversely, the number of self-employed persons rose in the sectors analysed by us: according to the Performance and Structural Survey, the number of self-employed persons in sectors 4010, 4020, 4100, 6021 and 641 grew by almost one third between 1998 and 2001 (from 768 to 1,024), while the number of self-employed persons in sectors C to K increased by approx. six percent in the same period. However, this should be qualified by stating that the number of self-employed persons is subject to notable annual fluctuation and that their share in the total employment volume of the sectors analysed by us is extraordinarily small. This is compounded by possible sampling errors. Looking at all sectors analysed by us, it becomes clear that the share of self-employed persons increased from 0.9 to 1.1 percent between 1998 and 2001 while stagnating at approx. 8.4 percent for the same period in sectors C to K. A particularly marked increase in the number of self-employed persons was recorded for private post and courier services, where their number has in fact grown by approx. 60 percent between 1997 and 2001. Compared to the overall employment situation in the sector, the share of self-employed persons increased from 0.7 percent in 1998 to one percent in 2001.
- While staff retrenchment involved both full-time and part-time work in all sectors analysed by us and the number of part-time workers decreased between 1998 and 2001 according to the Performance and Structural Survey (although their number rose markedly for sectors C to K in the same period), specific sectors still record a marked increase in part-time workers. In the field of gas supply, the number of part-time workers e.g. increased by 50 percent between 1997 and 2001 (from 51 to 129), while the corresponding figures are 55 percent (from 715 to 1,112) for scheduled passenger land transport and 35 percent (from 127 to 171) for water supply. In these cases, part-time workers also include minimally employed persons, for whom no separate data are available. Here, too, it should be added, by way of qualification, that figures are subject to marked annual fluctuation and that the share of part-time work in the overall employment volume of the sectors analysed by us is relatively low compared to the economy as whole. Moreover, possible sampling errors must likewise be taken into account.
- As already mentioned, tenured employees were heavily hit by retrenchment measures. Unfortunately, the Central Association of Austrian Social Insurance Authorities provides employment data on tenured employees only for super-ordinate sectors (three-digit NACE codes). In the sector of telecommunications, which in addition to Österreichische Post also includes Österreichische Telekom, both of which are part of the former Post- und Telegraphenverwaltung and thus have a high share of tenured employees, this volume decreased by 30 percent between March 2000 and March 2003.

Table 1-1: Employment trends according to the Performance and Structural Survey

	1997			1998			1999			2000			2001			Veränderung Beschäftigung insgesamt in % (1997/98-2001)
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total	
Electricity supply (4010)	4,043	26,656	30,699	3,947	25,938	29,885	3,803	24,711	28,514	3,691	23,263	26,954	3,848	22,812	26,660	- 13.2
Gas supply (4020)	532	2,655	3,187	571	2,677	3,248	595	2,846	3,441	576	2,724	3,300	593	2,774	3,367	+ 5.6
Water supply (4100)	210	1,789	1,999	283	1,921	2,204	239	1,814	2,053	281	1,790	2,071	245	1,607	1,852	- 7.4
Scheduled passenger land transport (6021)	3,222	20,598	23,820	3,151	20,050	23,201	3,240	19,871	23,111	3,971	20,256	24,227	4,232	23,593	27,825	+ 16.8
Private post and courier services (641)	334	833	1,167	11,582	28,546	40,128	11,595	28,124	39,719	10,750	27,884	38,634	11,174	23,153	34,327	- 14.5*
4010, 4020, 4100, 6021, 641	8,341	52,531	60,872	19,534	79,132	98,666	19,472	77,366	96,838	19,269	75,917	95,186	20,092	73,939	94,031	- 4.7*
Sectors C-K	783,675	1.419,485	2.203,160	818,402	1.444,761	2.263,163	823,086	1.430,912	2.253,998	859,611	1.454,652	2.314,263	879,365	1.452,751	2.332,116	+ 3.0*

* The change refers to the period from 1998 to 2001 because Österreichische Post was only included into the statistics in 1998 as a result of its being hived off and transformed into a private-law company.

Source: Statistics Austria, Performance and Structural Survey 1997-2001. Special evaluation. Data relating to railways (6010) and post services (6411) are kept secret due to the small number of companies active in these sectors.

Table 1-2: Self-employment and part-time employment according to the Performance and Structural Survey

	1997			1998			1999			2000			2001		
	Employed	Self-employed	Part-time	Employed	Self-employed	Part-time	Employed	Self-employed	Part-time	Employed	Self-employed	Part-time	Employed	Self-employed	Part-time
Electricity supply (4010)	30,607	92	1,187	29,763	121	1,357	28,308	206	1,388	26,839	116	1,337	26,542	119	1,316
Gas supply (4020)	3,187	0	51	3,248	0	53	3,435	7	52	3,300	0	107	3,367	0	129
Water supply (4100)	2,000	0	127	2,205	0	217	2,045	8	142	2,072	0	173	1,852	0	171
Scheduled passenger land transport (6021)	23,336	485	715	22,690	511	922	22,624	488	1,035	23,717	510	1,215	27,266	599	1,112
Private post and courier services (641)	976	191	333	39,860	268	5,689	39,391	327	6,269	38,357	277	5,858	34,021	306	5,039
4010, 4020, 4100, 6021, 641	60,106	768	2,413	97,766	900	8,238	95,803	1,036	8,886	94,285	903	8,691	93,048	984	7,763
Sectors C-K	2,018,530	184,628	216,150	2,072,399	190,764	253,711	2,068,852	185,318	257,712	2,125,611	1,888,865	294,055	2,137,049	195,312	320,943

Source: Statistics Austria, Performance and Structural Survey 1997-2001. Special evaluation. Data relating to railways (6010) and post services (6411) are kept secret due to the small number of companies active in these sectors.

Table 1-3: Employment trends according to the Central Association of Austrian Social Insurance Authorities: blue-collar and white-collar workers

	2000			2001			2002			2003			Change in % (2000-2003)
	Blue-collar	White-collar	Total	Blue-collar	White-collar	Total	Blue-collar	White-collar	Total	Blue-collar	White-collar	Total	
Electricity supply (4010)	4,813	18,748	23,561	4,554	17,758	22,312	4,495	17,978	22,473	4,384	16,702	21,086	- 10.5
Gas supply (4020)	989	1,377	2,366	939	1,431	2,370	771	1,249	2,020	767	1,303	2,070	- 12.5
Water supply (4100)	379	436	815	376	461	837	358	476	834	375	484	859	+ 5.4
Railways (6010)	1,984	5,716	7,700	1,784	5,437	7,221	5,561	1,739	7,300	5,597	1,651	7,248	- 5.8
Scheduled passenger land transport (6021)	16,340	4,063	20,403	16,204	4,168	20,372	16,177	4,292	20,469	16,591	4,498	21,089	+ 3.4
Post services (6411)	237	6,045	6,282	111	4,387	4,498	126	4,863	4,989	147	5,659	5,806	- 7.6
Private courier services (6412)	514	237	751	491	214	705	496	204	700	507	191	698	- 7.0
4010, 4020, 4100, 6010, 6021, 6411, 6412			61,878			58,315			58,785			58,856	- 4.9
All sectors			2.642,361			2.675,693			2.683,735			2.687,143	+ 1.7

Source: Central Association of Austrian Social Insurance Authorities. The annual survey date is 30 March.

Table 1-4: Employment trends according to the Central Association of Austrian Social Insurance Authorities: tenured employees

Sectors	2000	2001	2002	2003	Change in %, 2000- 2003
Energy supply	211	320	300	288	+ 36
Land transport	44,239	42,202	40,856	39,418	- 10.9
Telecommunications	40,769	38,078	34,090	28,558	- 30.0

Source: Central Association of Austrian Social Insurance Authorities. The annual survey date is 30 March.

1.1. *Development of incomes*

Our search for income-specific data for the economic sectors analysed was, unfortunately, unsuccessful. The Central Association has no data on four-digit NACE codes, and the income reports by the Austrian Court of Audit proved equally useless as they were compiled by different contractors and the published data do not allow for comparison. However, despite this lack of data, the information derived from the case studies presented below permits the conclusion that the liberalisation process has definitely caused income losses for employees.

- Income losses due to changes in collective agreements: an example is provided by Wiener Stadtwerke, where employees recruited after 1 July 2000 are forced to accept an income loss of 13 percent compared to “veterans”. Moreover, the former receive no credit for previous employment periods and are promoted to upper pay brackets only every four (formerly, every two) years. Last but not least, they may also suffer financial drawbacks from being allotted a certain maximum of overtime hours, while “veterans” are under no such restriction (cf. case studies for Wiengas and Wiener Linien).
- Income losses due to changes/termination of company agreements: this category is exemplified by Verbundgesellschaft, whose staff waived their right to voluntary social security benefits in 2001 because the company, in its turn, has undertaken to avoid redundancy dismissals. According to information furnished by the works council, these voluntary benefits (originally in the form of free electricity supply, later as monetary benefits) tallied at eight to ten percent of employees’ pay (cf. case study for Verbundgesellschaft).
- Innsbrucker Verkehrsbetriebe has unilaterally terminated all internal company agreements for workers recruited after 31 July 1999. The works council assesses that these bonuses account for roughly one third of the pay. Innsbrucker Verkehrsbetriebe expects a long-term annual cost-saving potential of ATS 43.6 million (cf. case study for Innsbrucker Verkehrsbetriebe).

- Income losses due to outsourcing: while an ÖBB cleaning worker earns gross monthly wages of Euro 1,486 on an average, the collective agreement for cleaning personnel for monuments, façades and buildings stipulates the gross monthly amount of Euro 1,076.06 (€6.22 per hour) for the same work. This obviously results in an income loss of over 25 percent (at this point, it should yet be emphasised that ÖBB so far has outsourced services but no workers). A similar situation applies for the recently recruited 90 train attendants who are employees of Wagons-Lits and work couchette and sleeping-car service. They, too, earn 15 to 20 percent less than ÖBB-employed sleeping-car attendants (cf. case study for ÖBB).
- Possible income losses caused by the introduction of performance-related pay: it was proposed in many areas of public service to transform workers' remuneration into more strongly performance-related pay – e.g. by the Österreichische Post (performance-related pay has for many years been a standard at private post and courier services) and in part even by ÖBB (for workshop staff). However, more concrete steps have been chiefly taken in the field of electricity and gas supply: in the electricity sector, Verbundgesellschaft introduced a performance-related pay model in 2001. On an average, the performance-related pay component amounts to 25 percent. 60 employees of STEWEAG-STEG are subject to a new, performance-related scheme; here, the performance-related share equals approx. 20 percent of pay (cf. case studies for Verbundgesellschaft and STEWEAG-STEG).
- Possible income losses due to the introduction of company pensions: Wiener Stadtwerke plans to transform hitherto voluntary benefits into company pension allowances. The enterprise will double the amount paid by each employee into the company pension fund. This not only exacerbates the income differences between employees; due to the fact that the funds are invested in the capital market, it is moreover unclear how much money employees will ultimately receive (cf. case study for Wiengas).

1.2. *Types of employment*

As mentioned above, the volume of self-employment increased in the sectors analysed by us. In the period from 1998 to 2001, the total number of self-employed persons in the sectors under review grew by almost one third. It should however be mentioned, by way of qualification, that the share of self-employment in these sectors is still markedly below average if compared to the economy as a whole (approx. 1% compared to over 8% for economic activities C to K). Moreover, the sectors examined by us were characterised by a notable decrease in the number of tenured employees. No official statistics on the use of temporary workers in these sectors could be found. The Performance and Structural Survey classifies minimally employed workers as part-time workers but does not list them separately.

1.3. Working hours

While part-time workers are generally affected by retrenchment measures as well, individual sectors in some cases showed a marked increase in their number; for example, the number of part-time workers in the sectors of gas supply, scheduled passenger land transport (PT) and water supply rose by up to 150 percent in the period from 1997 to 2001. Yet here, too, the share of part-time workers is still very low if compared to the general average.

1.4. Employment situation of women

In the sectors analysed by us, women were much less heavily hit by staff retrenchment than men. A particularly marked increase in female employment was recorded for the area of scheduled passenger land transport (PT). However, the share of women in all sectors is comparatively low, with the sole exception of private post and courier services.

1.5. Development of accidents at work

Table 1-5: Accidents at work recognised by AUVA

Economic activities	1998	1999	2000	2001	2002	Change in %, 1998- 2001/02
Electricity supply (401)*	1,004	973	933	809	749	- 25
Water supply (410)*	63	59	60	54	53	- 16
Railways (601)**	3,155	3,209	3,005	2,749	-	- 13
Post services and private courier services (641)*	712	817	759	664	651	- 9
Scheduled passenger land transport*	89	83	66	77	71	- 20
Total	5,023	5,141	4,823	4,353		- 13

Sources: *AUVA ** Insurance Institution of the Austrian Railways.

With respect to the absolute number of accidents at work, the economic activities selected were in no way conspicuous. In keeping with the overall economic trends, the number of accidents at work decreased by roughly 13 percent on an average for the period from 1998 to 2002. However, if we take the average number of accidents at work per worker as a basis, it may be assumed, in view of the employment decline in these sectors, that this decrease was comparatively slower.

2. CASE STUDY: AUSTRIA – POSTAL SERVICES

2.1. Post AG

2.1.1. Background

In 1996, the state-owned Post- und Telegraphenverwaltung (Post and Telegraph Administration) was transformed into Post und Telekom Austria AG (PTA), an enterprise under private law. The career public servants working for Post- und Telegraphenverwaltung were permanently transferred to PTA under the Postal Structure Law. Since then, all new employees were to be recruited as employees under private law. In 1999, Telekom was hived off from PTA and in due course partly privatised (plans to have the company listed at the stock exchange were repeatedly postponed). At the same time, Post AG was established, which in addition to the “yellow post“ also comprised post buses. This field of activity was sold to ÖBB (Austrian Federal Railways) in 2002. So far, Post AG is entirely state-owned, but rumours abound that it is to be sold to Deutsche Post or some other interested party.¹² Conversely, Post AG in 2002 acquired 75 percent minus one share of feibra AG, a private distributor of advertising material, and expanded to Slovenia and Slovakia by establishing the subsidiaries Yellogistics, In time and Slovak Parcel (Post AG Annual Report 2002).

Since the mid-1990s, Österreichische Post had been preparing for the gradual liberalisation of the European market for postal services. In 2002, the following postal services were opened to competition in Austria: parcels, unaddressed direct mail, newspapers and magazines, express deliveries and letter mail weighing over 350 g. Since 2003, the market for letters, addressed direct mail weighing over 100 g and all outbound letters (sent abroad from Austria) was also deregulated (ibid., p. 10). The EU’s target date for full liberalisation is 2009.

Yet liberalisation did not only entail the splitting of Post und Telekom AG but also far-reaching restructuring within the “yellow post“. Five business sectors of Post AG became operational in 2002: Letter Mail, Branch Network, Info Mail, Courier Express Parcel and Media Post. According to the annual report, this structure will enable the individual units to “offer their services at market prices“. In addition, each product of the new structure can thus “be more flexibly positioned in its immediate competitive environment” (ibid.).

In this connection, letter-mail logistics was reorganised as well: instead of 16 distribution centres, there will be only six central logistics centres (Vienna, Linz, Salzburg, Graz, Villach and Tyrol/Vorarlberg). In autumn 2002, the biggest logistics

¹² Der Standard, 3 December 2002.

centre, Briefzentrum Wien (BZW, Vienna Letter Centre), took up operation.¹³ This reorganisation is to ensure that the E+1 delivery standard stipulated by the EU, i.e. delivery on the workday following posting, will be complied with as required for 90 percent of all consignments. At the same time, the branch network was cut down in 2002 – “optimised”, as it is called in management parlance – from 2,300 to 1,669 outlets.

2.1.2. *Employment volume*

Since 1996, the number of workers was cut by 18 percent. In full-time equivalents, this corresponds to a reduction by 14 percent in total and an average reduction by slightly over two percent annually. In absolute figures, this equals 5,326 full-time workers in total or over 760 full-time workers per year. Due to the sale of the post bus segment, the cutback quota even rose to slightly over four percent between 2001 and 2002. For 2003, the management board has announced another staff retrenchment round by 1,445 full-time workplaces as well as an increase of the annual cutback quota to five percent. Between 2003 and 2006, the management board plans to eliminate a further 3,960 full-time workplaces.¹⁴

Men were more strongly affected by this retrenchment than women: the share of male workers decreased by 21 percent compared to merely 15 percent for women. However, the total share of female workers rose only negligibly, by slightly over one percent. In due course, the share of part-timers increased by 41 percent between 1996 and 2002 and now accounts for approx. ten percent of total employment (6% in 1996); the share of male part-timers has even increased by 141 percent.

¹³ All mail for the eastern region of Austria (Vienna, Lower Austria and Burgenland) is sorted and distributed at the BZW.

¹⁴ Der Standard, 8, 11 and 17 March 2003.

Table 2-1: Workforce development at Österreichische Post

	1996	1997	1998†	1999	2000	2001	2002	Change in %, 1996-2002
Number of workers	35,333	33,587	36,526	35,493	31,775	30,126	28,974	- 18.0 %
Workers, male	25,504	25,133	27,346	26,288	22,573	21,496	20,593	- 19.3 %
Workers, female	9,829	8,454	9,180	9,205	9,202	8,630	8,381	- 14.7 %
Part-timers*	2,028	3,634	3,833	3,803	3,270	2,532	2,863	+ 41.2 %
Part-timers, male*	171	740	813	777	501	178	412	+ 233.3 %**
Part-timers, female*	1,857	2,894	3,020	3,026	2,769	2,354	2,451	+ 32

* Full-time equivalents

** ... due to the marked annual fluctuation in the number of male part-timers, this calculation of percentage variations is based on the average value of the years from 1997 to 2002.

† ... marked the separation of Post and Telekom Austria

Source: Post AG Company Communication.

This staff retrenchment is clearly related to the liberalisation of the postal service market. For example, the Annual Report 1999 states as follows:

“In preparing for the upcoming liberalisation of postal services and the expected, intensified competition, adapting the personnel structure to the competitors is a necessary objective of Österreichische Post AG.“ (p. 63)

while the Annual Report 2001 contends that

“the continuing personnel cuts are part of a catalogue of measures designed to react to the upcoming liberalisation of postal services and the expected, intensified competition.“ (p. 59)

Moreover, the massive retrenchment of recent years will increase revenue in case of a possible stock-exchange listing or sale of Post AG, because a smaller number of workers equals greater productivity and hence improved profit prospects (Schreiber 2001:182).

So far, staff was reduced in a “socially acceptable“ manner – i.e. early retirement/opt-out models and voluntary turnover. Recently, however, the management board has intimated that dismissals can no longer be excluded in order to attain the planned targets. In fact, the first dismissals have become reality in the meantime (Der Standard, 17 May and 5 July 2003). The first staff retrenchment wave occurred in 1997 in the context of the first social plan, at the time negotiated for Post und Telekom Austria AG (PTA). Inter alia, the social plan provided for an early retirement scheme for employees aged over 55 (aged over 50 for white-collar female employees), according to which these workers were put on retainer with 80 percent of their last salary until attaining retirement age (with respect to career public servants, a special law had to be passed for this purpose). This was compounded by one-off payments (“golden handshakes”), which in the case of voluntary turnover equalled a sum between five and 15 monthly

salaries, depending on the number of years of service. In the course of the first social plan, 1,946 employees of the postal-services business segment of the company decided for the early retirement scheme, while another 307 employees opted for voluntary turnover with additional severance payments (Annual Report 1998:67). Between 2001 and 2002, a further 300 employees chose early retirement in the context of a special scheme designed for career public servants, yet not exclusively for Österreichische Post/Austrian Post (the so-called “teachers’ model“, which allows for early retirement at 55 years of age with hefty reductions of retirement pension payments).

In the opinion of staff representatives, the staff retrenchment activities were primarily to illustrate the firm intention of Post AG to reorganise. In services of public interest, the success of an executive is chiefly measured by the number of employees laid off, it was contended. The situation and future of these workers were certainly not a key priority here. While nobody was actually forced out of the company, it was stated that

“it was indeed tried to make the 1997 social plan as palatable as possible. ... People were invited to three- and four-star hotels, where they were told how fantastic this social plan was. Now if you’re 55 and get this sort of offer and if you notice at the same time that there are big changes coming up in your company, your intention to stay with the firm is bound to deflate to zero. That’s exactly what happened. ... People lost their motivation. ... After all, the offer was not entirely unattractive.“ (Interview 7)

Individual staff representatives doubt that the early retirement decisions of many employees were indeed voluntary and claim that these were often enforced. One worker thus affected took legal action to protest (Flecker et al. 2002). According to media reports, employees were, against their will, certified unfit for work by Post AG’s own physicians.¹⁵ It seems obvious that the retrenchment plans caused a great deal of irritation and frustration amongst the staff (Schreiber 2001:181; cf. also the employee portraits in the same volume and our own findings from the SIREN project – Flecker et al. 2002).

2.1.3. Restructuring measures and employment

The changes described above not only entailed staff cutbacks but also led to the restructuring of the entire employment scheme: as a consequence of the closedown of 630 post offices, 800 employees affected had to be e.g. transferred to new locations. Although the persons concerned in some cases now have to put up with longer trips to and from work, the staff representatives take pride in the fact that a new workplace was indeed found for each employee.

Another example is the relocation of letter-mail logistics from Vienna’s Southern and Western Railway Stations to the new Vienna Letter Centre (BZW). A new screening procedure, too, was used for the first time in this context in order to select the 1,200 future BZW workers from the staff at the Southern and Western Railway Stations (Post

¹⁵ Der Standard, 4 July 2003.

AG Annual Report 2002:55). Inter alia, this procedure employed a special computer programme to test candidates' skills. As a result, chiefly PC-literate employees were selected, while staff with long-standing practical experience but lacking PC skills went unrecognised. A staff representative reports as follows:

“My secretary Heidi [name changed, C.H.] invited a few ladies over and showed them a couple of computer games to make them lose their fear of using a mouse. ... The whole selection process was totally unnecessary. These people had 20 years of experience working in the company and as a consequence had amassed a vast treasure of know-how. ... Afterwards it took us three to four months to get these people back to their former workplaces.” (Interview 8)

Another example:

“We had a workshop foreman ... who did not pass the group leader test and thus was put in the letter-sorting division. Before that, he used to organise the loading and unloading of lorries [at the Western Railway Station]. After six months, they were begging him on their knees to come back and organise the loading and unloading operations.” (Interview 8)

In the opinion of many staff representatives, the severe problems accompanying the BZW start-up did therefore not occur by chance. The management, convinced of being able to make do without many years of experience and operating know-how, had failed miserably in its attempt, it is argued. This viewpoint is diametrically opposed to the company's own version of events, which claims that the importance of human resources for the future of the company must not be overlooked.

“Ultimately, it is the daily endeavours of the workforce that determine the economic and social value of Österreichische Post AG.” (Post AG Annual Report 2002:9)

Workers who lose their job due to restructuring measures are put “in interim storage” at post.jobline GmbH, a sort of internal staff reserve of Post AG. Before a new worker is recruited, a request must first be sent to clarify whether someone at jobline might be interested in the respective workplace. Due to the company-wide transfer protection scheme, Post AG workers until recently could only be relocated on a voluntary basis (a modification of this transfer protection by the legislator has been repeatedly announced). jobline workers are obligated to perform regular service without really fulfilling a concrete task. This may be experienced as highly frustrating. Staff representatives add that this is compounded by partly considerable income losses due to the waiving of bonuses (Interview 8).

“Speed” action programme

In 1999, the new management introduced an efficiency-enhancing programme pithily called “Speed”. The Annual Report 2000 pitches the programme as follows:

“In the year under review, Österreichische Post AG launched a company-wide restructuring programme with the title ‘Speed’ to prepare for the liberalisation of the postal market.” (p. 64)

Concretely, “Speed” aims at the following:

- an economical cost structure,
- further automation and modernisation,
- lower personnel expenses through requirement-oriented manpower deployment based on pooling systems and part-time work models,
- a performance-oriented pay system.

In the opinion of staff representatives, “Speed“ is nothing but a “tough-as-nails rationalisation programme“ designed to meet accounting objectives instead of asking which operations could indeed be streamlined. For example, post-office hours were lengthened in the context of the “Speed“ programme: to facilitate cost accounting, post-office counter hours were calculated at 45 instead of 60 minutes. This made sure that sufficient staff would be available during peak hours without having to take recourse to extra manpower. “Speed” lengthened these 45 minutes to 54 minutes. Horst Schreiber (2001) summarises the consequences of “Speed” as follows:

“Staff cuts, increasing workloads as a result of assigning more and more tasks to fewer and fewer workers, inferior working conditions, organisational confusion and the failure to tap new business areas and develop new products.“ (p. 32)

The overall view taken by staff representatives, too, is anything but positive:

“‘Speed’ constituted an attempt on the part of management to reorient the operation of the company according to private-sector criteria like those applied in the production industry. But Post AG is a service company, and so the approach was unsuccessful. ... ‘Speed’ backfired, ‘Speed’ failed.“ (Interview 7)

A marked increase in work intensity at Post AG over recent years was likewise observed by our interview partners in the context of the SIREN project (Flecker et al. 2002).

After “Speed”, the quality enhancement programme “Bitte recht freundlich“ (Friendly Service) was launched in 2002. A first training course focused on approx. 2,000 branch managers and their deputies, who were to pass the insights gained on to their counter staff (Post AG Annual Report 2002:26). In the opinion of staff representatives, this programme was much more successful than “Speed”. But here, too, the intensified customer focus in some cases generates more stress for employees. In a SIREN interview, we were told about a post-office employee in a small village, who had followed the new guidelines for customer relations and formally answered the phone by giving the name of the post office, her own first name and surname and adding the phrase “How can I help you?”. Her fellow villagers were somewhat disconcerted and asked her, “Why d’you answer the phone in that daft manner?“ After she had therefore “switched back to normal”, as it were, the mystery shoppers of the internal quality-management division audited and promptly reprimanded her (Flecker et al. 2002).

Moreover, the switch of the staff administration system to SAP was begun in 2000 (Post AG Annual Report 2001:59).¹⁶

2.1.4. *Types of employment*

When the state-owned Post- und Telegraphenverwaltung was transformed into PTA and later into Post AG, new employees were only recruited as employees under private law. In due course, the share of career public servants working for Post AG has continuously decreased. Calculated as full-time equivalents, the company currently employs 16,700 public servants and 10,900 salaried employees. Thus the share of public servants equals roughly 60 percent of the entire staff. In 1996, the share of public servants working for PTA (Post und Telekom Austria AG) had been as high as 75 percent.

Conversely, the share of part-timers has increased: between 1996 and 2002, their share increased by 41 percent and now accounts for ten percent of all employees (1996: 6%). In the same period, the share of male part-timers even grew by an average of 233 percent; in this, male part-time work presents marked fluctuations. Part-time work has in particular increased in the distribution centres, where the switch to the E+1 delivery standard necessitated the introduction of around-the-clock service. For example, a new shift from 3 to 6 a.m. was instituted at BZW. This shift is exclusively handled by part-timers. The part-timer share at BZW already accounts for over 30 percent of the total employment volume (for Post AG in total, the respective figure is approx. 10%).

In addition to part-time work, temporary work has likewise increased markedly. As stated by staff representatives, the deployment of temps has “trickled” into the system over the past three or four years. Originally conceived merely as a stopgap at peak times such as the pre-Christmas period, temps are now employed by Post AG the year round. In 2002, staff representatives claim that an average of 821 temporary workers were employed – “and this at a time when we are discussing dismissals“. Yet, in the long run, temporary workers cost more than regular Post AG employees, it is contended. “A temporary worker costs Euro 49,000 per year, while a Post AG employee with the same skills costs only Euro 29,000.“ Temps are used with particularly frequency at the distribution centres. At BZW, the number of temps at peak times even attains 500 persons – almost half of the BZW staff. At the moment, as many as 250 temps are still working there (Der Standard, 2 April 2003).

Despite repeated requests, we were unable to obtain information about employment relations at feibra, a 75-percent subsidiary of Post AG. feibra is Austria’s biggest private advertising distributor. Distribution is organised by leaving unaddressed advertising material at the customer’s doorstep. Until Post AG came on board in 2002, feibra was notorious for offering extremely precarious employment conditions. The

¹⁶ This is an integrated EDP information system that compiles all types of data – ranging from order entry, production planning and production control to delivery, but also comprising all internal functional divisions of the company, such as accounting, costing, personnel administration and warehousing – and thus provides for much more effective cost management than traditional methods.

distributors, many of whom were migrants or refugees with unclear legal residence status, were employed as day-workers without contract. The workers met at a certain time of day – mostly very early in the morning – in a prearranged spot, where they were assigned a specific route and handed the material to be distributed on that day, receiving their pay after completion of the route. In the past, many feibra distributors enjoyed no social or health insurance. Legally, they were considered self-employed entrepreneurs. The Annual Report 2002 justifies the partial acquisition of feibra as follows:

“In the fiercely contested unaddressed direct-mail market, two distribution channels are now open to our customers. Depending on whether they want delivery to indoor mailboxes or direct to the door, customers can now choose between delivery by Post AG staff and distribution by our subsidiary feibra AG.” (p. 11)

2.1.5. Working hours

In addition to the advance of part-time work, staff representatives believe that the extent of overtime per worker is increasing as well:

“If you have, say, one hundred letter carriers working for one post office and your staff shortage is 20 percent, i.e. 20 delivery areas are not staffed, this obviously means that the remaining letter carriers have to cover these 20 delivery areas; after all, the mail has got to be delivered. Now such a twenty-percent shortage is no rarity at the big Viennese post offices. If staff is cut but you want to offer the same sort of service, ... this means more overtime. Some of our staff work up to 100 hours overtime per month.” (Interview 7)

Overtime largely arises where staff cannot be cut through technological rationalisation measures such as new sorting machines; the letter carriers mentioned above are a good example. This is an activity area where overtime continues to accumulate, it is stated, despite regular exhortations by management to reduce it.

2.1.6. Working conditions

Staff retrenchment has markedly increased the stress on the remaining personnel:

“If 4,000 workers accept the offer made by management and leave the company, this means a loss of 4,000 pairs of hands. Don’t forget that we transport millions of letters every day. After all, the workload has not decreased – only the number of workers.” (Interview 7; see also Schreiber 2001)

Yet effects vary strongly. For example, technological progress and the use of new machinery have resulted in substantial rationalisation benefits for distribution. While experienced workers can manually sort only close to 1,000 items per hour, the new machines at BZW sort up to 30,000 items per hour. Conversely, the margin for rationalisation is very restricted in other areas, e.g. with respect to letter carriers. In the opinion of staff representatives, the limits of what is possible have already been attained here, especially regarding the loads that must be physically carried:

“A letter carrier who must deliver mail to 500 or 600 addresses obviously carries quite a lot of mail. If you look at how many trolleys some of them use in their work

... and then they're assigned still another delivery area. Overtime is one thing, but these people need to carry the stuff. ... Some of them have to carry more than 100 kilograms. In the 23rd municipal district, there are areas where 250 kilograms of mail are delivered every day. That's not so easy to do and certainly takes people to the limits of what is physically possible, as was also shown by international comparisons.“ (Interview 7)

Despite this, the management board is planning further staff cuts in delivery: the number of letter carriers is to be reduced from approx. 11,000 to 10,000, which would force carriers to delivery a ten-percent plus of mail in the same timeframe.¹⁷ Conversely, the workload in the new distribution centres has in some cases been lessened due to new technical resources, e.g. automatic lifting devices.

Accidents at work

While the absolute number of accidents at work decreased by close to 38 percent between 1996 and 2002, the number of accidents at work per worker is lower, due to the significant staff retrenchment. This number has decreased from an average of 0.05 accidents at work per worker in 1996 to roughly 0.04 in 2002, equalling a reduction by approx. 25 percent.

Table 2-2: Accidents at work – Post AG

	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
Absolute number	1,859	1,642	1,554	1,520	1,372	1,270	1,154	- 38
Average number of accidents at work per full-time worker	0.053	0.048	0.042	0.043	0.043	0.042	0.039	- 26

Source: Post AG Annual Report 2002.

2.1.7. Income

For years, plans have been put forward to tie pay to performance, at least to a certain degree. Contrary to its repeated announcements, however, the management board has so far not succeeded in introducing such a system. The Annual Report 2002 comments as follows:

“The new structure [of Post AG] has also necessitated amendment of the rules governing compensation. The goal is to develop salary and bonus systems that reflect the company’s unitary structure whilst responding to business sectors’ need for performance-related pay. Work began on drafting these rules in 2002 and will continue in 2003.“ (p. 55)

¹⁷ Der Standard, 8 and 17 March 2003.

Table 2-3: Development of personnel expenses at Post AG

	1998	1999	2000	2001	2002	Change in %, 1998-2002
Personnel expenses in € 1,000*	1.122,644	1.152,220	1.027,940	1.004,601	989,381	- 12
Personnel expenses per worker in €*	30,953	32,555	32,575	33,347	34,147	+ 10

* Excluding expenses for severance payments and pensions.

Source: Department for Business Management of the Chamber of Labour.

As a consequence of staff retrenchment, personnel expenses excluding severance payments and pensions decreased by twelve percent (or 3% p.a.) between 1998 and 2002. Conversely, personnel expenses per remaining worker increased by ten percent over the same period. However, the latter fact reflects general cost increases due to rises in real earnings and adjustments for inflation and hence is not a direct consequence of staff retrenchment.

2.1.8. Industrial relations

The hiving-off and transfer into a private-law enterprise also led to a reformulation of staff representation and co-determination rights in 1996. Until that time, these rights had been governed by the "Figl Decree" of 1945 (named after Federal Chancellor Leopold Figl). This decree was only three quarters of a page long and, by dint of its very general provisions, granted staff representatives co-determination rights for practically all important entrepreneurial decisions. As a result of the hiving-off, the Figl Decree was no longer applicable to the company and hence was replaced, after 51 years, by the Federal Law on Employment Representation in the Austrian Post (PBVG). This law is a halfway-house between the Federal Staff Representation Law and the Labour Constitution Law to accommodate the fact that Post AG workers are both federal employees and employees under private law. PBVG per se largely meets the standards of the two other laws but is clearly restrictive if compared to the extensive rights that could be derived from the Figl Decree.

2.2. Private post and courier services

While employment was massively retrenched by the state-owned Post AG, the data of the Performance and Structural Survey of Statistics Austria do not permit reliable conclusions regarding employment trends in the remaining fields of this sector. However, if employment figures at Post AG are subtracted from the total employment figures for the sector, an increase in employment by 16.2 percent or, in absolute figures, of 599 workers can be identified (with the employment figure for 2001 markedly lower than that for 2000). This accounts for only slightly above ten percent of workplaces lost in the same period at Post AG (5,801). If we assume that no self-employed workers are

active for Post AG, it becomes moreover evident that a considerable share, i.e. a little over seven percent, of non-Post AG workers in the sector are self-employed.

However, these figures are definitely not reliable. In the sector of post and courier services, it is particularly difficult to classify enterprises as belonging to the sector. Traditionally, part of the companies active in the sector since market opening originate in the transport industry. Since they maintain their core business in that field, the employment possibly created by them is not recorded for the sector of post and courier services.

Table 2-4: Employment trends for private post and courier services

	1998	1999	2000	2001	1998-2001 in %
Post and courier services according to Performance and Structural Survey*	40,128	39,719	38,634	34,327	- 14.5
Post AG company data**	36,526	35,493	31,775	30,126	- 17.5
Difference (non-Post AG employment in the sector)	3,602	4,226	6,859	4,201	+ 16.6
Self-employed workers in the field of post and courier services according to Performance and Structural Survey*	268	327	277	306	+ 14.2
Share of self-employed workers in non-Post AG employment in the sector	7.4	7.7	4.0	7.3	- 1.4

Source: * Statistics Austria, Performance and Structural Survey 1998-2001. Special evaluation. ** Company data of Post AG. Post AG Company Communication.

Another problem lies in the fact that most enterprises active in the field did not respond to our inquiries for employment data. Despite this, it is obvious that both types of employment and pay vary markedly depending on the quality of delivery: for example, in the high-quality field of express delivery, regular salaried employment contracts or employment contracts on the basis of the collective agreement for forwarders apply. Delivery and pick-up are mostly outsourced and thus handled by self-employed subcontractors, who in their turn partly employ their own drivers. In some enterprises, part (e.g. up to 30%) of all delivery and pick-up chores are tackled by subcontractors; in others, subcontractors handle this entire workload (however, they are constantly controlled and monitored by headquarters by way of a special data communications system). Typically, the number of employed workers at headquarters and that of self-employed drivers are roughly the same. Drivers in particular are under enormous time pressure in their work.

In the field of express delivery, the share of part-timers is relatively high – one of the companies investigated by us employs 35 percent of its staff on a part-time basis. Temps are used as well; however, as a rule, their share is less than five percent of all workers. Above all, performance-related pay systems seem to be the norm in this industry.

With respect to the lower-quality field of advertising material and newspaper delivery – a sector covered, in addition to Post AG subsidiary feibra, by enterprises like red mail, the outcome of a joint venture between the Dutch Post PTG and Styria Medien AG –, we were unable, despite repeated attempts, to obtain any information about conditions of employment and industrial relations. However, it seems that the same terms apply for both red mail and feibra: delivery workers are subject to extremely precarious employment conditions. As far as we know, this sector so far lacks both works councils and unionised representation.

3. CASE STUDY: AUSTRIA – RAILWAYS

3.1. Österreichische Bundesbahnen (ÖBB)

3.1.1. Background

The EU Directives of the first Railway Package opened the European railway network market to competition. The imposed obligation of admitting competing railway operators to this – formerly monopolistic – network as well as separate income and loss statements for infrastructure and sales created the preconditions for free market entry. Every railway operator is now obligated to pay compensation for infrastructure use. The last (11 November 2003) ÖBB re-organisation proposal moreover provides that the enterprise be split up into four joint-stock companies (Infrastruktur Bau AG; Infrastruktur Betrieb AG; ÖBB Personenverkehr AG; Rail Cargo Austria AG) and five limited-liability companies (Dienstleistungs GmbH; Brennerbahn GmbH; ÖBB Immobilien Management GmbH; Traktion GmbH; Technische Services GmbH), which in their turn are united under the ÖBB Holding AG umbrella.

In this context, Gregor Lahounik and Wolfgang Lauber (2000) state as follows:

“Although the EU Council of Ministers accepted the Austrian solution of a rail regulator in December, the coalition insists on the dismantling of ÖBB. ... For ÖBB, this means that the funds derived from synergy effects (currently ATS 1.5 billion) have to be raised additionally. ... If ÖBB is thus bisected, parts of the ÖBB Sales division or even the entire division could be more easily taken over by bigger external players.“ (p. 29)

At the same time, ÖBB faces growing competition within its own rail network. Two years after admitting the first alternative service providers, already seven private operators were active on the ÖBB rail network in 2002, attaining a collective total of approx. one million service kilometres (i.e. a market share of roughly 0.6%). The liberalisation of cross-border freight transport planned for spring 2003 will probably lead to a significant increase of this share.¹⁸

The range of available train connections has already been repeatedly slimmed down. At the same time, freight transport shunting was limited to large-scale marshalling yards.

3.1.2. Employment volume

Since 1993, the number of ÖBB workers has dwindled dramatically. While the workforce decreased by 7,542 persons or ten percent in the 23 years between 1970 and

¹⁸ Der Standard, 18 March 2003.

1993, it fell by 15,591 persons or almost 25 percent in the eight years since 1993.¹⁹ Between 1996 and 2002, the number of ÖBB workers thus dropped from 58,541 to 47,009, equalling a reduction by close to 20 percent or more than three percent annually. In absolute figures, a total of 11,532 jobs or nearly 2,000 jobs annually were cut.²⁰ In the same period, the income from sales in passenger and freight traffic rose steadily. No end to staff retrenchment is in sight: it is planned to cut another 7,000 jobs until 2006; a maximum staff ceiling of 35,000 workers by 2010 is the declared target of the ÖBB management board.

Table 3-1: Workforce development at ÖBB

1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
58,541	55,923	53,922	52,589	50,692	48,509	47,009	- 19.7

Sources: ÖBB Annual Reports 1997-2002.

Hitherto, the workforce was reduced exclusively by not restaffing posts vacated due to natural turnover, i.e. workers who retired or left the company of their own accord (the phrase “of their own accord” should, however, be put in quotation marks as some workers were simply unable to withstand the growing stress and pressure to perform). However, recently it was seriously considered to take recourse to early retirement schemes and the dismissal of workers to reduce the workforce.²¹ Moreover, “supernumerary” workers are to be transferred to an ÖBB-owned personnel management company and loaned out to other firms.²² Thus the personnel management company acts as a kind of “receptacle” for all those who are no longer needed in the new structure. As the German example (cf. case study for Deutsche Bahn) shows, this approach inter alia serves to generate pressure on workers to leave the company “of their own accord”.

3.1.3. Restructuring measures and employment

Staff retrenchment was partly accompanied by the outsourcing of various business activities. In this, the standard approach is to gradually reduce the staff and outsource the activities formerly handled by these workers. A good example is the cleaning sector, which formerly comprised roughly 1,000 workers with regular ÖBB employment contracts. Today, almost all cleaning work is outsourced to external cleaning firms, whose workers are subject to much inferior employment contracts than ÖBB staff. In addition to the problems resulting from the rapid turnover of the cleaning personnel,

¹⁹ Based on the number of insured persons as supplied by the Insurance Institution of the Austrian Railways.

²⁰ Based on employment data culled from ÖBB’s annual reports.

²¹ Der Standard, 6 August 2003.

²² Der Standard, 26 August 2003.

who need to be instructed about their tasks every time anew by the local traffic controller or another competent ÖBB worker, some staff representatives believe that cleaning cost has in reality increased instead of decreasing (Interview 10).

Another sector affected by outsourcing is tracks and track maintenance. According to press releases, the management board also considers outsourcing simple tasks hitherto performed in ÖBB workshops to Eastern Europe and limiting the work done in its own workshops to more sophisticated activities. The workshops (“Technische Services”) currently still employ 5,100 workers.²³

Recently, it has moreover been decided to use non-ÖBB staff in couchettes and sleeping cars. These workers are 90 attendants employed by Wagons-Lits. It is currently not intended to use this staff for daytime service.²⁴

As already mentioned, the current government intends to have a personnel management company established to which “supernumerary” ÖBB workers would be transferred and then loaned to other firms.²⁵

Staff retrenchment was accompanied by far-reaching rationalisation measures (the ÖBB staff has been halved since 1946, while business activities were massively expanded). The new information and communications technologies permit the remote control of smaller railway stations. In the past, one traffic controller had to be present at each station; today, entire line sections can be controlled centrally from just one specific point. Other activities, too, are being concentrated and centralised. For example, it is planned to maintain only a small number of central marshalling yards in the future to handle all shunting operations required in Austria with a skeleton staff. The use of new means of communication such as the Internet and ticket-vending machines in railway stations permits cutting down on counter staff. At the same time, information services formerly distributed across several railway stations are now handled by call centres at the national level. According to information furnished by staff representatives, these call centres are so far operated by ÖBB on its own; the staff is covered by regular ÖBB employment contracts (many of them are former counter clerks).

Technological innovation has resulted in significant productivity gains (measured by service kilometres per employee). According to staff representatives, however, the problem lies in the fact that rationalisation can no longer offset the progressive staff cuts paralleled by the expansion of business activities (particularly in the field of freight transport). Despite this, the management board already announced further, substantial productivity increases in its Annual Report 1999:

“The thirty-percent productivity increase achieved since 1994 does not permit us to rest on our laurels. On the contrary, another efficiency enhancement by at least 25 percent is being planned. ... It is evident that this process will not be entirely painless.” (p. 9)

²³ Der Standard, 8 February 2003.

²⁴ Der Standard, 18 October 2003.

²⁵ Der Standard, 26 August 2003.

The Annual Report 2000 contains the following statement:

“Looking back on the development of ÖBB since 1993, we can now report that the productivity of our workforce has greatly increased, thanks to our timely implementation of a number of important reforms and efficiency-enhancing measures. At the same time, our service and performance have also improved significantly. Today, ÖBB is a truly customer- and market-oriented enterprise. ... Eight years down the track, the changes we initiated have created a sound basis that will enable ÖBB to meet the new challenges of a rapidly changing and liberalising Europe. ... Implementing these changes will be strenuous and even painful at times, but if ÖBB is to compete in the finals, we must persevere in our efforts to improve productivity and enhance the value and standing of our company.“ (p. 5 and p. 8)

For 2002, the management board has announced further staff cuts under the heading “structural slimming-down programme in line with market requirements“. The natural staff turnover will not be offset by the restaffing of vacancies.²⁶ The situation of the workers seems to play no role in these plans. A staff representative has put it thus, *“It’s really a catastrophe. Our competitors are lorry drivers, who are already paid starvation wages anyway.“* Consequences of this massive staff retrenchment we will address later in the following include growing time pressure at work and an extraordinarily high volume of overtime.

3.1.4. *Types of employment*

The overwhelming majority of workers are still protected by regular ÖBB employment contracts. While temporary work is drawn upon, temps are so far used in just a few specific areas and only to cover peak demand. A problem that – at least so far – has prevented a more comprehensive use of temps lies in the highly specific skills required in the railway sector. For example, it is anything but easy to find temps able to drive engines (but here, too, there exist plans to e.g. lease former GDR engine drivers). Temps are used in fields that do not require railway-specific skills. A staff representative comments as follows:

“In particular, I am thinking of the workshops. If personnel shortages occur there, it cannot be excluded that temps will be drawn upon. However, this will not involve any big number of people, just 30 to 40 workers.“ (Interview 4)

The workshops – “Technical Services” – currently employ 5,100 persons. Part-time workers likewise account for a comparatively small share of the workforce: a total of approx. 275 part-timers equal less than one percent of the staff. No significant changes have occurred in this respect over the past few years.

Female employment

ÖBB continues to be a truly “male” company. The share of women in the total workforce is relatively small: more than 44,000 male workers vis-à-vis roughly 3,000 female colleagues (slightly over 6% of the workforce). In the opinion of trade unionists,

²⁶ Der Standard, 2 July 2002.

this situation has not been influenced by increased competitive pressure or the stronger service focus, either. On the contrary: by outsourcing cleaning work, women were in fact laid off.

3.1.5. Working hours

The primary effect of staff retrenchment is an increase in working hours. Since 1998, the overtime volume has continuously topped six million hours per year, of which half is paid while the other half is carried forward into the next year. This means that approx. three million hours new overtime are produced annually, with a recent slight decrease. Converted into full-time jobs, this would account for 3,000 to 4,000 additional workers, the trade union claims. Since 1998, the number of overtime hours per worker has remained constantly high, with a slightly rising trend over the past four years. In 2002, each employee worked an average of close to 130 hours overtime. Due to overtime bonuses, overtime costs considerably more than standard working hours, but *“management seems more willing to put up with these higher costs instead of hiring new personnel.”* (Interview 10).

The stress caused by mushrooming overtime affects ÖBB workers in different ways. Especially in areas where additional workloads cannot be shared by several workers (engine drivers are a case in point), the situation has become extremely critical over the past few years. The Trade Union of Austrian Railway Employees claims that ÖBB’s 4,300 engine drivers have accumulated roughly one million hours overtime.

Table 3-2: Development of overtime hours at ÖBB

	1998	1999	2000	2001	2002
Overtime, total	6.848,909	6.357,632	6.193,859	6.176,104	6.006,549
Paid in cash	3.514,907	3.448,391	3.374,978	3.439,406	3.151,861
Credited as time-in-lieu	3.334,002	2.909,241	2.818,881	2.736,698	2.854,688
Overtime per worker, total	127.0	120.9	122.2	127.3	127.8

Source: Trade Union of Austrian Railway Employees.

According to the trade union, engine drivers are forced to go to their physical limits.²⁷

“In other areas, additional workloads can be shared by several workers. But this is impossible for engine drivers. An engine driver must always be substituted by another engine driver. Thus whenever one of them falls ill, I must schedule another driver, who should be enjoying his day off, for service. ... As a result, any

²⁷ Der Standard, 15 October 2002.

additional absence from work by one driver curtails the leisure time of one of his colleagues. Holidays can be planned to a degree, but a medium-sized influenza epidemic really throws us off track.“ (Interview 4)

Due to management’s plans to further reduce the workforce, autumn 2002 saw protests by the Trade Union of Austrian Railway Employees leading to a go-slow strike on the part of workers, which relatively soon entailed the cancellation of train connections, especially in the eastern part of Austria. This kind of “work-to-rule” regime was repeated in the autumn of 2003 following the recent conflict over the restructuring of ÖBB.²⁸

Another change concerns the increase in night shifts: the expansion of freight transport cause night shifts to proliferate because freight transport is largely handled by night. In the past, it was customary to draw above all on younger employees for night shifts, while older workers were, if possible, spared the strain resulting from service at these hours. Due to the general staff shortage, this is no longer a possibility (Interview 10).

3.1.6. *Incomes*

Liberalisation has changed practically nothing about the income situation of ÖBB workers. Pay increases merely cover the inflation rate; conversely, no real pay losses have occurred over the past few years. As a staff representative puts it:

“For us, it’s really not so much about money; we don’t earn enough for that. Rather, it’s about additional workloads, shorter training periods, fewer on-the-job training options, etc.” (Interview 10)

However, a marked pay gap exists between ÖBB employees and workers at private railway operators. The latter come under the collective agreement for private railways, which provides for significantly lower incomes than the ÖBB pay scale.

This is compounded by income losses triggered by outsourcing or the deployment of non-ÖBB personnel. For example, non-ÖBB staff is being used for couchette and sleeping-car service. According to an ÖBB spokesman, these 90 attendants working for Wagons-Lits cost between 15 and 20 percent less than ÖBB’s own sleeping-car attendants.²⁹ It should be added, however, that ÖBB sleeping-car attendants may also be used for other operations, such as train clearance for departure.

Similar effects on income result from the outsourcing of cleaning services: while e.g. a room cleaner employed by ÖBB earns gross monthly wages of Euro 1,486 on an average, the collective agreement for cleaning personnel for monuments, façades and buildings stipulates the gross monthly amount of Euro 1,076.06 (€6.22 per hour) for the same work³⁰, resulting in an income loss of over 25 percent.

²⁸ Der Standard, 26 August 2003.

²⁹ Der Standard, 18 October 2002.

³⁰ According to information provided by the Trade Union of Austrian Railway Employees and the Hotels, Restaurants, Personal Services Trade Union.

Table 3-3: Development of personnel expenses at ÖBB

	1998	1999	2000	2001	2002	Change in %, 1998-2002
Personnel expenses in € 1,000*	1.963,439	1.998,650	2.028,566	2.005,217	2.087,476	+ 6
Personnel expenses per worker in €*	35,356	36,856	38,678	39,849	42,774	+ 20

* Excluding expenses for severance payments and pensions.

Source: Department for Business Management of the Chamber of Labour.

Despite massive staff retrenchment, personnel expenses at ÖBB excluding severance payments and pensions increased by six percent between 1998 and 2002. Personnel expenses per worker increased even more. A rise by 20 percent (4% p.a.) is thus clearly above standard rises in real earnings and adjustments for inflation. In addition to other factors (increasing age of workers, moving into the next-higher band within the respective pay grade every other year, etc.), the mushrooming volume of overtime mentioned above might play a role here. Due to the bonuses payable, overtime increases personnel expenses per worker.

3.1.7. Working conditions

Comparably massive staff retrenchment, combined with efforts to maintain the service range largely intact, is bound to impact working conditions. Although no quantitative data are available, qualitative information culled from the interviews points towards increasing intensification of work in many areas. In many cases, staff reductions have led to workers being forced to handle more tasks within the same timeframe, e.g. traffic controllers monitoring several railway stations from headquarters or shunters compelled to handle more and more shunting operations. As a rule, this means greater stress, exacerbated by the already mentioned continuous strain caused by mushrooming overtime and increasingly frequent night shifts.

“In the long run, more working hours, bigger workloads and above all night shifts will drain a person’s strength. Obviously, all this is bound to wear you out. At age 45, these workers present physical and psychological problems because it becomes harder and harder for them to withstand the pressure. The consequences are burnout syndromes and heart attacks. At least, that’s my personal impression. I can’t remember anyone having a heart attack in the past, but this year alone, we counted as many as three. This kind of work is just bound to leave its mark on you. Lots of things have happened, and lots of things have gone from bad to worse.”
(Interview 10)

In the opinion of staff representatives, the growing pressure to perform thus affects the health of employees in the long run. In 2001 alone, the company recorded a total of 1.26 million days of sickness leave. This results in an average of 26 days of sickness leave per worker. Sickness leave occurs with particular frequency in workers aged over 50.³¹

³¹ Der Standard, 29 August 2003.

“Due to the rising pressures of work, sickness leave has increased in specific areas, permitting to draw precise inferences. ... In my experience, sickness leave tends to increase wherever rationalisation pressure is strongest.” (Interview 4)

Safety

So far, the comparatively tough ÖBB safety standards have not been meddled with. However, problems arise where private railway operators – which partly use the same network – apply much lower standards. Braking tests are a case in point: ÖBB carries out braking tests practically for every train taken into operation. This task is handled by specially trained staff (train inspectors). Yet some private railway operators employ merely one such train inspector.

“This means that, in order to safeguard the same standard, that man would have to work 365 days a year and be in two places at the same time.” (Interview 10)

Another example concerns driving times and rest periods, for which no uniform legal provisions apply so far: while ÖBB engine drivers may not drive for a period exceeding six hours without a break, private operators consider driving times of up to 15 hours admissible if these comprise one thirty-minute break. However, regulations to monitor the observance of breaks both in Austria and, in particular, in cross-border traffic are mostly lacking. The Trade Union of Austrian Railway Employees fears the emergence of conditions that for years have been routine in European lorry transportation.³²

Accidents at work

Despite increased competitive pressure, the absolute number of accidents at work decreased between 1996 and 2001. Conversely, the average number of accidents at work per employee remained practically constant between 1996 and 2001 because of the dramatic decrease of the number of workers in the same period.

Table 3-4: Accidents at work – ÖBB

	1996	1997	1998	1999	2000	2001	Change in %, 1996-2001
ÖBB	3,425	3,242	3,155	3,209	3,005	2,749	- 17.9
Average number of accidents at work per worker	0.06	0.06	0.06	0.06	0.06	0.06	-

Source: Insurance Institution of the Austrian Railways.

³² Press release of the Trade Union of Austrian Railway Employees dated 21 January 2003 (“Styrian Provincial Railways Jeopardise Railway Traffic Safety”).

3.1.8. Training

Far-reaching consequences in connection with liberalisation and mounting competitive pressure are noticeable in the field of training: according to the trade union, basic and advanced training periods are generally shortened while on-the-job training is reduced. At the same time, apprentice training has been curtailed to a minimum. While in the past ÖBB fulfilled a function for the whole of society by training apprentices in its workshops, who due to their excellent know-how were also much sought-after in the private sector, the staff representatives claim that today's training volume, due to the cost involved, is sometimes not above (as in the past), but in fact below the company's actual requirements. "To meet the economic objective of offering young people a high-quality training curriculum" (ÖBB Annual Report 1998:37), 1,300 apprentices were signed on in 1998. By 2002, their number had dwindled to 1,041 (ÖBB Annual Report 2002:70), equalling a twenty-percent reduction. Between March 2002 and March 2003 alone, the number of apprentices fell from 918 to 874, i.e. by five percent.

"This is particularly painful to witness. Apprentice training is an area where liberalisation pressures are especially palpable." (Interview 10)

Engine drivers, too, are trained below actual requirements; as a result, ÖBB's 4,300 engine drivers are frequently forced to work overtime. Even the management board admits that the current manpower shortage in the eastern region of Austria amounts to fully 700 engine drivers.³³ While 200 candidates are admitted to the 48-week training course for engine drivers each year, roughly one third of them give up midway. To cover the demand, the trade union has calculated that 280 to 300 persons annually would have to enrol in the course.³⁴

Moreover, there are marked differences in training curricula between ÖBB and the private railway operators, which in the course of liberalisation might have a negative impact on general training standards in the sector. Although they have to pass the same exams, engine drivers working for private operators only attend a two-week course at the central ÖBB training facility, while future ÖBB engine drivers undergo a 48-week curriculum. Uniform national or European training standards do not exist. As with working hours, this creates advantages for those enterprises which apply no or only very low standards.

3.1.9. Industrial relations³⁵

Industrial relations within ÖBB have not changed so far. Staff representation and co-determination rights are embodied in the railway works constitution, which principally

³³ Der Standard, 26 August 2003.

³⁴ Der Standard, 16 October 2002.

³⁵In the context of the Federal Railways Structure Act (BBSG), which will come into force as per 1 January 2004, the system of staff representation at ÖBB is to be reorganised and hence must follow the provisions of the Labour Constitution Act.

corresponds to the labour constitution but, contrary to the latter, involves a third level of representation. Staff representation is composed of three levels:

- committee of shop stewards (local level)
- personnel committee (regional level – four regions)
- central committee (central works council)

However, growing problems result from the fact that different provisions apply for ÖBB on the one hand and for private operators on the other hand, although the workers of both sectors are represented by the Trade Union of Austrian Railway Employees (ÖBB employees are subject to service regulations and a pay scale, while workers at private railway operators are governed by a collective agreement). In many respects, the collective agreement for private railway operators creates much inferior working conditions for employees. Yet the trade union agreed to this state of affairs in order to help the small private railway operators, which in the past had often struggled hard to survive. These were small-scale companies with a restricted field of activity, which simply could not afford to observe ÖBB standards. However, today the same companies exploit these markedly lower standards (e.g. in training) for their competitive value in the tough battle for customers with ÖBB.

4. CASE STUDY: AUSTRIA – ELECTRICITY

4.1. Employment trends in different electricity companies

According to the employment data available to us, the annual staff retrenchment in electricity companies varies from 0.6 percent (although this value is bound to increase markedly in 2002 as a result of the electricity-related hiving-off measures of Grazer Stadtwerke) to 6.5 percent.

Table 4-1: Employment trends in different electricity companies

	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996/97/98-2001/02	Average annual change in %
BEWAG	-	511*	498*	464*	437*	434*	-	- 15	- 3.8
EVN	-	2,416*	2,276*	2,221*	2,204*	2,199*	-	- 9	- 2.3
Grazer Stadtwerke (electricity)	264	264	267	268	259	257	-	- 3	- 0.6
KELAG	-	-	1,445	1,403	1,387	1,408	1,354	- 6	- 1.5
Salzburg AG	-	-	-	-	2,400	2,177	2,125	- 12	- 6.0
STEWAG/ STEG	1,735	1,676	1,644	1,566	1,422	1,362	1,216	- 30	- 5.0
TIWAG	-	1,688	1,657	1,596	1,541	1,509	1,433	- 15	- 3.0
VKW	783	768	760	745	727	720	-	- 8	- 1.6
Verbund	4,644	4,435	4,162	3,747	3,387	3,053	2,827	- 29	- 6.5
Wienstrom	4,221	4,1986	4,144	3,981	3,820	3,686	3,281	- 12	- 2.0

* By business years.

Sources: Annual reports; Chamber of Labour study "Die wirtschaftliche Lage der EVU-Landesgesellschaften und Sondergesellschaften" (2001); company information provided by EVN.

4.2. Verbundgesellschaft

4.2.1. Background

On the basis of the Nationalisation Law of 1947, Verbundgesellschaft (or, more briefly, Verbund) retained the monopoly for international electricity trading until the mid-1990s liberalisation push. Moreover, it was mandated to safeguard Austria's electricity supply (this comprised safeguarding a twenty-percent reserve in the case of supply

bottlenecks). The provincial power companies were bound by long-term contracts to purchase their electricity from Verbund. This legal basis changed with Austria's EU accession. In due course, Austria opted for a liberalisation model providing for a regulator. In 2001, an Austrian electricity regulator was thus established on the basis of the Electricity Management and Organisation Law (EIWOG).

Verbund, too, was consequently reorganised, being transformed into a holding company composed of several independent joint-stock companies covering four business areas:

- sales,
- trading/distribution,
- transmission,
- new business/investments.

In its turn, the generation business was split into hydropower plants and thermal power plants, both governed by independent joint-stock companies (AHP – Austrian Hydro Power AG and ATP – Austrian Thermal Power AG). The network is administered by Austrian Power Grid AG, while distribution is the task of Austrian Power Trading GmbH.

The personnel was transferred to the respective joint-stock companies.

4.2.2. *Employment volume*

Since 1996, Verbund has reduced its staff by 39 percent, which equals an average of 6.5 percent annually (between 2001 and 2002, the staff cut even rose to 7.4%). In absolute figures, this corresponds to 1,817 workers or an average decrease by 302 workers annually.

Table 4-2: Employment trends at Verbundgesellschaft

Year	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
Number of workers*	4,644	4,435	4162	3,747	3,387	3,053	2,827	- 39.1
Female share in percent	15.7	16.0	16.3	16.3	16.1	15.9	-	-
Part-timer share in percent	3.6	3.7	3.9	4.0	3.7	3.8	-	-
Temps in absolute figures	15	12	8	3	3	5	-	-

* Annual average.

Sources: Verbund Annual Reports 1997-2002; Verbund Strategic Personnel Management (HP).

In this, clear links between the deregulation of the electricity market, the greater competitive pressure and the requirements laid down by the electricity regulator as well

as the radical staff retrenchment measures can be identified. For example, the Verbund Annual Report 2001 states as follows:

“For the company to be able to prosper in the face of competition, fundamental changes were required, which our employees accepted and actively supported. ... Being able to act as a low-cost producer requires consistent, strategically controlled sets of measures for reducing the number of employees and payroll expenses. Group-internal personnel clearing, early-retirement models and other socially compatible measures have reduced the number of employees by 1,961 (39%) since 1994; personnel expenses have been cut by 33.8 percent since 1994.“ (p. 52)

As the above quote shows, no redundancy dismissals were necessary so far. The workforce was reduced by means of a package of measures including early retirement models (the third early retirement model was recently completed), higher severance payments (1.5 to 2 times as high as the legally stipulated severance payments) and bonuses (amounting to €11,000 to 44,000), which were to motivate above all younger employees to leave the company of their own accord. According to a company statement, staff was cut “exclusively in a socially compatible manner, by way of transfer (across Austria), early retirement and opt-out regulations“ (Verbund Annual Report 2002:57). However, not all employees left the company of their own free will. The works council notes that some workers were “definitely put under pressure“ (Interview 3), while others found they could or did not want to withstand the growing pressure. In this connection, a problem lies in the highly specific tasks handled by the company’s employees, *“Our workers are a sort of specialised idiots savants. A trained electrician who has been working with printed circuits for the past 20 years will find it somewhat taxing to install a distribution box.“* (Interview 3)

At the moment, no further measures are planned; however, the works council informed us that another 120 jobs are to be cut in the hydropower sector.

4.2.3. *Restructuring measures and employment*

The retrenchment measures were implemented by first defining a core team composed of employees considered essential for the company. The decision of who to include or exclude was taken by the respective division leaders. Subsequently, a second list was drawn up that, in a way, represented the “surplus”. *“Practically everybody with just a standard skilled worker’s training but lacking any additional qualification was considered expendable“* (Interview 3). The surplus was then put “in intermediate storage” at the maintenance centre. Not even workers who had been with the company for 15 to 20 years were spared this fate.

“That was a very tough situation. It was really everybody against everybody. After all, the lists weren’t kept secret. If a person found his or her name on the ‘maintenance’ list, they knew what to expect. In late 2001, we were informed that the maintenance centre was going to be closed down in late 2002. At the time, the working atmosphere was anything but cheery.“ (Interview 3)

Maintenance work chiefly comprises tasks suitable for outsourcing to external contractors, e.g. checks and inspections, which in fact is what happened after a while. Before closedown, the maintenance centre employed 160 workers.

In connection with the restructuring process, the individual business areas also defined benchmarks to measure their performance against other European electricity suppliers. In the words of a works council member:

“The very word [benchmark] gives me the creeps. ... I mean, they’re comparing us with countries like Denmark or Sweden, where the whole landscape is as flat as an ironing board. But in Austria, everything is uphill, downhill, uphill, downhill. ...”
(Interview 3)

These benchmarks aimed e.g. at the reduction of personnel, travel expenses and overtime. Whenever a division meets the set objective, its executives receive a bonus. As a result, no overtime is officially approved anymore, although employees in reality are still forced to work overtime:

“If you’re in the midst of a meeting at a construction site, you can’t simply say, well, it’s four-thirty, I mustn’t work overtime, I’ll be off.” (Interview 3)

This is compounded by massive pressure from outside, chiefly through the electricity regulator, which in the opinion of the works council refuses to recognise various cost items.

4.2.4. *Types of employment*

After restructuring, the Verbund staff was transferred to the respective new joint-stock companies. However, this did not affect employment contracts, which still correspond to the collective agreement for electricity supply companies.

Most Verbund workers have concluded unlimited full-time employment contracts. With less than four percent of the total employment volume, the share of part-time work is relatively small; moreover, it hardly changed between 1996 and 2001. According to the works council, there has, however, been an increase in temporary work over the past two years (Interview 3). It must be said that this is an area where the information furnished by the works council on the one hand and by the company on the other hand diverges: while the works council assesses the number of temps at 80 to 120, mostly used to cover peak periods (e.g. in electrical fitting) but partly also for round-the-clock service, management contends that only five temps were employed in 2001. The works council is currently engaged in negotiations with management to draw up an internal company agreement on the use of temps (Interview 3).

4.2.5. *Working hours*

While standard working hours still follow the provisions of the collective agreement for electricity supply companies, the deregulation and staff cuts of recent years have entailed a substantial increase in overtime. According to a works council member:

“In the network sector, each employee has accumulated approx. 45 hours of overtime, and I’m not counting holidays. At APG [Austrian Power Grid], this results in a credit of roughly 500 hours per worker. That’s an obvious consequence of working with skeleton crews: while the workload isn’t diminishing, there are fewer and fewer people to handle it.” (Interview 3)

It is planned to “melt down” the overtime surplus by mid-year, although the works council doubts that this will be possible. One attempt to contain the mushrooming overtime volume lies in “all-inclusive” contracts, which are offered to employees starting at a certain pay bracket. These agreements lay down a flat rate for a specific number of overtime hours. This saves employees the trouble of having to calculate their overtime. However, the works council contends that many workers discover after a few months that their flat rate covers only 20 monthly overtime hours, while they in fact work at least 35 overtime hours per month. In the experience of the works council, *“both parties are happy in the beginning, but then employees get progressively disillusioned.”* (Interview 3)

4.2.6. *Working conditions*

The works council believes that the level of stress at the workplace has markedly intensified as a result of staff retrenchment, restructuring and the related feelings of job insecurity.

“Our workers are worried about the future, and they tend to internalise this feeling of uncertainty. ... Over the past three years, there have been a few alarming deaths, e.g. by cerebral stroke: two workers aged around 50 died of this cause. Things like that did not happen in the past 30 years. Of course, it’s difficult to construe a definite link, but such things don’t happen out of the blue.” (Interview 3)

4.2.7. *Incomes*

To finance the social plans and hence “socially compatible” staff cuts, employees decided to forgo voluntary social security benefits, e.g. the traditional household or family allowances. Conversely, the company pledged to forgo unilateral measures for the length of workers’ employment, such as e.g. dismissals for variation of contract or modifications of existing pay guidelines. The Annual Report 2001 comments:

“A large number of Verbund employees decided to forgo voluntary social security benefits. The resulting savings are used to fund social plans that will help to reduce the number of employees further in a socially compatible manner. Verbund’s employees, in a spirit of solidarity, have been instrumental in the restructuring process.” (p. 52)

According to information furnished by the works council, voluntary social security benefits accounted for eight to ten percent of pay.

After a two-year test phase, a performance-based pay scheme was introduced in 2001 for the electricity sector (distribution) and other selected business areas. The performance-based pay component is tied to the financial success of the company, an

employee appraisal and a team bonus. The performance-based component may range from ten to 25 percent of pay (depending on the person's position within the company). The Annual Report 2001 describes the new scheme as follows:

“Under this system, there are fixed and variable pay components with different arrangements. Individual salary schemes are supplemented by team bonuses. This team bonus will be enhanced with a clearly defined, performance-based control component. ... Each employee will be subjected to a standardised employee interview for the purpose of personal development; in addition, the salary system provides for a qualified performance appraisal.” (p. 53)

Although the works council for the electricity sector has agreed to the new scheme, other Verbund works council members view this development with concern:

“First of all, employee appraisals are a very subjective affair; secondly, the race for the best score certainly does not contribute to improving the atmosphere at work; thirdly, there will be no figures left to step up when the electricity market has become saturated.” (Interview 3)

Table 4-3: Development of personnel expenses at Verbundgesellschaft

	1998	1999	2000	2001	2002	Change in %, 1998-2002
Personnel expenses in € 1,000*	277,125	253,630	227,252	217,076	211,939	- 24
Personnel expenses per worker in €*	66,585	67,689	67,095	71,103	74,970	+ 13

* Excluding expenses for severance payments and pensions.

Source: Department for Business Management of the Chamber of Labour.

Verbund, too, has markedly reduced its personnel expenses due to staff retrenchment. Between 1998 and 2002, personnel expenses excluding severance payments and pensions decreased by 24 percent (or 6% p.a.), while personnel expenses per worker increased by 13 percent. These 13 percent reflect rises in real earnings and adjustments for inflation and other additional expenses.

4.2.8. Training

While employee training so far has not been subject to restrictions, the changes with respect to apprentice training are dramatic, as this activity was strongly reduced over the past three years. The number of apprentices was cut roughly by half since 1999.

Table 4-4: Development of apprentice figures at Verbundgesellschaft

1996	1997	1998	1999	2000	2001	2002
186	182	194	194	178	122	92

Sources: Verbundgesellschaft Annual Reports 1995-2002.

4.2.9. *Industrial relations*

Liberalisation has not influenced the formal structures. Although state-owned, the company has traditionally been subject to the Labour Constitution Law. This means that its employees come under the collective agreement for electricity supply companies and are represented by a works council. However, the restructuring measures have endowed the second negotiation level with added importance. While the group management board does conduct negotiations with the group works council, these talks concern frame conditions only, as concrete terms of employment are agreed at the level of the respective joint-stock companies.

“The group management board doesn’t know a great deal about the operative side of business. They only care for figures, and they’re quite open about it, too: they tell us to settle everything else with our respective management boards.”
(Interview 3)

In all, the works council believes that the language used in the negotiations between works council and management has become a bit tougher and more emotional. However, the works council does not consider this a disadvantage because *“it’s breathed new life into the whole business.”* (Interview 3).

4.3. *STEWEG – Steirische Wasserkraft- und Elektrizitäts-AG*

4.3.1. *Background*

The two Styrian electricity suppliers Steirische Wasserkraft- und Elektrizitäts-AG (STEWEG) and Steiermärkische Elektrizitäts-Aktiengesellschaft (STEG) merged in 2002 to become STEWEG-STEG GmbH, thus reacting to the deregulation and liberalisation of the electricity market. At the same time, the power-generating units – the thermal power plants and the hydropower plants – were transferred to Verbundgesellschaft, although the works council contends that these enterprises were extremely profitable. Management hopes that the merger will produce significant cost-cutting effects.

In its turn, STEWEG-STEG is owned by Energie Steiermark Holding AG (65.43%) and Verbundgesellschaft (34.57%). In addition to electricity, Energie Steiermark Holding AG is also active in the fields of long-distance gas transmission, district heating and recycling.

4.3.2. *Employment volume*

The number of employees of STEWEG and STEWEG-STEG was cut by 30 percent between 1996 and 2002; this corresponds to an average staff reduction by almost four percent annually. In absolute figures, 519 jobs were cut back, equalling over 60 workers per year. According to the works council, there exists an evident link between liberalisation and the dramatic staff retrenchment, especially since the mid-1990s.

Table 4-5: Employment trends at STEWEAG

Year	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
Number of workers*	1,735	1,676	1,644	1,566	1,422	1,362	1,216**	- 29.9

* Annual average.

** Merger of STEWEAG and STEG.

Sources: STEWEAG Annual Reports 1997-2001; STEWEAG-STEG Annual Report 2002.

So far, staff was reduced exclusively in a socially acceptable manner. Many employees left the company in the context of early retirement schemes made repeatedly available to the staff since 1996. The Annual Report 2002 emphasises that in order to attain the capacity aimed at with the merger, a new age-dependent part-time and early retirement scheme for the workforce was introduced (p. 22).

In the opinion of the works council, the dramatic staff retrenchment entailed the loss of much operating know-how, which would have proved of great benefit especially during and after the merger. In this connection, the works council laments the fact that the company does not pursue a more farsighted personnel policy (Interview 11).

4.3.3. Restructuring measures and employment

The management board hopes that the merger of STEWEAG and STEG will yield cost-cutting effects including a reduction of personnel expenses. For example, the new group needs only one payroll accounting department, one purchasing office, one personnel department, etc. This will entail a further loss of jobs. According to the works council, the merger will jeopardise up to 200 workplaces (Interview 11). In the context of an internal company agreement, the management board agreed to look for new activity areas, although it is obviously unclear whether this will be crowned by success.

In the context of the restructuring process, the workers were again confronted with consulting agencies and benchmarks to be met:

“During the merger and reorganisation of the company, the consulting agency that monitored – or rather, dictated – the merger time and again brought up benchmarks from Germany, the Netherlands or Belgium. This caused us no end of difficulties because, sure, benchmarks are impressive. But with such figures, we’ll always lose out. They simply get these data from somewhere, and it’s impossible to check whether the information is accurate or not. As long as the data cannot be verified, benchmarks will always be a controversial issue for us.” (Interview 11)

The increased cost pressure led to more and more activities formerly handled by regular employees being outsourced. For example, all cleaning work was delegated to an outside contractor; the same goes for construction and planning tasks. If the pressure exerted by the electricity regulator continues, the works council believes, additional departments such as payroll accounting will have to be outsourced as well.

4.3.4. *Types of employment*

Most workers still are covered by a regular employment contract in line with the collective agreement for electricity supply companies. However, STEWEAG-STEAG also owns a temporary employment agency called Human Resources Personalbereitstellung GmbH (HRP), which currently employs 70 persons, 90 percent of whom are loaned out to STEWEAG-STEAG (Interview 11). According to information furnished by the works council, these are mostly former apprentices, who due to staff retrenchment are fobbed off with limited employment contracts after concluding their apprenticeship, thereby supplying the company with a cheap and handy manpower reserve.

4.3.5. *Working hours*

At STEWEAG, too, staff retrenchment has primarily resulted in a marked overtime boost. According to the works council, 2002 was a year characterised by a particularly high overtime load. This is compounded by deferred holidays, which account for up to 120 days per worker. *“Staff retrenchment by necessity entails more overtime.”* (Interview 11)

Due to the budget strain caused by deferred holidays (which by now constitute a notable burden on the balance sheet), the management board set the limit of monthly overtime per worker at five hours. *“This is sheer madness because the work has to get done in any case.”* (Interview 11).

4.3.6. *Working conditions*

In the opinion of the works council, the massive staff retrenchment and related increased pressure to perform have chiefly resulted in a steadily dropping motivation level among employees:

“The closer people get to retirement age, the more they tend to accumulate deferred holidays so they can turn their backs on the company as soon as possible. We’ve got very, very many demotivated workers. ... It’s above all the mergers and the changes in the electricity industry that drive people from their workplace. Ultimately, all this is an outcome of liberalisation.” (Interview 11)

4.3.7. *Incomes*

STEWEAG, too, has introduced a performance-based pay scheme, which so far affects approx. 60 workers. Roughly 20 percent of their income are performance-related; conversely, 60 percent of this amount are tied to the financial success of the company (a component that individual workers can influence only to a very limited degree), while 40 percent depend on personal coefficients (e.g. how much electricity a worker has sold).

5. CASE STUDY: AUSTRIA – GAS

5.1. *Wiengas*

5.1.1. *Background*

Wiengas GmbH is part of Wiener Stadtwerke (Vienna Public Utilities). Until mid-1999, Wiener Stadtwerke was an enterprise owned by the City of Vienna (under Art. 71 of the Constitution of the City of Vienna) and composed of a directorate general and four sub-companies: Wienstrom (electricity), Wiengas (gas), Wiener Linien (public transport) und Bestattung Wien (funeral services). In view of the upcoming, at least partial liberalisation of municipal services, Wiener Stadtwerke was hived off from the municipal administration in 1999 and transformed into an enterprise under private law (because local authorities were no longer allowed to form reserves). The new structure comprises an umbrella organisation called Wiener Stadtwerke Holding AG as well as six independent subsidiaries:

- Wienstrom GmbH
- Wiengas GmbH
- Wiener Linien GmbH & Co KG
- Fernwärme Wien GmbH
- Bestattung Wien GmbH
- Wiener Stadtwerke Beteiligungsmanagement GmbH

According to the Annual Report 1999, the hiving-off and restructuring measures served primarily to increase economic performance in line with capital market requirements, to consequently tap new financing options and, last but not least, to simplify corporate decision-making (p. 7f).

The workers were transferred to the new companies under the provisions of a law of the Federal Province of Vienna. For “veterans“, the old official regulations apply, while “newcomers” recruited after 1 July 2001 are subject to an internal company agreement concluded for Stadtwerke Holding AG in its entirety.

The Austrian gas market was fully liberalised in 2002. In order to comply with the Gas Management Law in force since October 2002, the Wiengas business areas Network and Distribution were likewise separated. Since then, transit charges for the network must be approved by the gas regulator.

In order to be able to “optimally position itself” in the liberalised energy market (Wiener Stadtwerke Annual Report 2002:42), the hived-off, independent energy suppliers of Stadtwerke Holding AG (Wienstrom, Wiengas and Fernwärme) were concentrated in one company, Wien Energie GmbH, in 2002.

5.1.2. Employment volume

The number of Wiengas employees has decreased by 21 percent since 1996 – an average of 2.3 percent annually. In absolute figures, this affected 283 workers, equalling a reduction by an average of 47 workers per year.

Table 5-1: Employment trends at Wiengas

	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
Wiengas	1,381	1,366	1,327	1,300	1,212	1,157	1,098	- 20.5

Sources: Annual Reports 1996–2002.

Staff cuts were effected in a “socially acceptable” manner, i.e. by means of voluntary turnover and employee retirement. A staff representative/works council member remarks, *”As a consequence of the pressures of market deregulation, personnel expenses are constantly scrutinised. It’s clearly noticeable that vacancies are very hard to restaff.”* (Interview 6)

Employees with legal or business management skills were newly recruited in order to support or guide the restructuring process.

5.1.3. Restructuring measures and employment

Following the hiving-off of Wiengas and the establishment of Wiengas GmbH, the employees were transferred to the new company under the provisions of a law of the Federal Province of Vienna (Personnel Transfer Law). This did not change the terms of employment; the City of Vienna remains their employer. For “veterans”, the old official regulations of the City of Vienna apply. For all employees recruited after 1 July 2001, however, the new company agreement concluded between the Trade Union of Municipal Employees (GdG) and Stadtwerke applies. According to GdG, the new collective agreement inter alia provides for an income loss of approx. 13 percent for “newcomers”.

According to the staff representatives/works council, the employee groups are currently proportioned as follows (Interview 6):

- 70 percent tenured career public servants,
- 25 percent contract public employees,
- 5 percent employees under the new collective agreement.

The share of “veterans“ will gradually decrease over the coming years. The main difference between them and the “newcomers” lies in the fact that “veterans” cannot be dismissed (except in case of grave offences against the official regulations).

In the course of the separation between network and distribution stipulated by the Gas Management Law of 2002, Wiengas had to be split up into two sections. The workers

were then divided between the Network and Distribution sections, which means that they were not only transferred to a new enterprise but also made part of a new organisational unit.

According to the staff representatives/works council, the liberalisation of the gas market has led to a continuous scrutiny of personnel expenses. With respect to the network, pressures primarily originate with the gas regulator, which by lowering transit charges forces the company to cut personnel expenses:

“If the regulator announces its intention to reduce transit charges by ten percent, this is bound to create enormous pressure on the workers. It’s practically impossible to cut costs anywhere but in the personnel sector. Another possibility would be to cancel investments, but this would in the long run compromise safety.”
(Interview 6)

Moreover, the separation of network and distribution by necessity led to the introduction of separate accounting schemes. The switchover was accompanied by numerous problems that had to be resolved by the staff under high time pressure. For example, the entire gas accounting and related EDP systems had to be duly adapted.

“Above all in the changeover phase, ... the workload for the staff was enormous and actually has not decreased in the meantime because new organisational requirements are cropping up everywhere. In this way, the workload has increased markedly, not only because of the staff cuts, but also because of the new frame conditions we have to deal with.” (Interview 6)

Moreover, SAP was gradually introduced as well; for the commercial departments (financial accounting, costing, invoicing) in 2000 and later also for purchasing and warehousing (Wiener Stadtwerke Annual Report 2001:80).

According to the staff representatives/works council, it may be stated in general that the proportion of manual work (e.g. fitting and installation) has decreased in recent years in favour of non-manual (e.g. administrative) tasks.

5.1.4. Types of employment

As already mentioned, the share of career public servants and contract public employees is bound to decrease with the degree of outsourcing, while the share of collective agreement employees will grow (since July 2001, all new workers are recruited on the basis of the collective agreement). Temps are used, but only to a very limited extent; for example, three temps are working in the canteens. Moreover, temps are occasionally used in technical departments. According to the staff representative/works council, temps have so far been employed only very sparingly because workers in the gas sector need highly specialised know-how that can be communicated to temps only by way of extended training. Since temps can be used only for a limited time period, this would prove unprofitable, at least for the time being.

The share of female employees in administrative tasks is higher; according to statements by the staff representatives/works council, the share of part-time work is, however, still relatively low (Interview 6).

5.1.5. Working hours

As a result of hiving-off, Wiengas has since 1999 been subject to the Law on Working Time and the Law on Rest Periods. However, it yet remains to be clarified whether the Law on Working Time also applies to “veterans”, who as tenured employees were exempted from the Law on Working Time (the staff representation has commissioned a legal expert opinion from Vienna University). The varying scopes of application may lead to two colleagues working in the same office or at the same construction site being subject to different working-hour regulations. In the opinion of the staff representatives/works council, this is bound to generate tension (Interview 6), e.g. with a view to overtime: while no overtime limitations apply to “veterans”, “newcomers” are subject to the provisions of the Law on Working Time. Overtime is a favourite means to supplement pay (ibidem).

The Stadtwerke collective agreement provides for 37.5 weekly working hours, while career public servants and contract public employees coming under the old official regulations work 40 hours a week (including a paid lunch break).

Especially during the reorganisation phase with its related extra workload, overtime began to mushroom, as the staff representatives/works council contend:

“For the staff, pressure has very noticeably increased as a result of the restructuring and reorganisation processes. In some of our sub-divisions, people were forced to work every weekend for two years. So far, the situation doesn’t seem to calm down, either.” (Interview 6)

5.1.6. Incomes

As already mentioned, “newcomers” recruited by Wiengas after 1 July 2001 earn approx. 13 percent less than their “veteran” colleagues. Moreover, “newcomers” governed by the collective agreement are also at a disadvantage because they move into the next-higher band within the respective pay grade only every four years, as compared to the “veterans”, who are promoted every other year. In addition, previous periods of employment are credited to “veterans”, while employees under the collective agreement always start at the first (lowest) pay band. As outlined earlier in this text, “newcomers” suffer a further financial drawback as they are not permitted to exceed a certain amount of overtime.

For some time, efforts have moreover been underway to introduce a performance-based pay scheme. These e.g. include the introduction of position-related allowances instead of promotion into higher pay bands. Another example concerns performance-tied bonuses, which are disbursed at the end of the year on the basis of individual employee appraisals. Contrary to the employer’s wishes, these bonuses are so far not tied to any operating coefficients.

In addition, the company’s system of social security benefits was remodelled. Instead of receiving social security benefits as in the past, the new collective agreement provides that a company pension fund should be established for “newcomers”. In the opinion of the staff representatives/works council, this reorganisation is more likely to lead to a drop in financial expenses on behalf of the company.

Table 5-2: Development of personnel expenses at Wiengas

	1999	2000	2001	Change in %, 1999-2001
Personnel expenses in € 1,000*	51,482	49,274	46,034	- 11
Personnel expenses per worker in €*	39,632	39,641	39,379	- 1

* Excluding expenses for severance payments and pensions.

Source: Department for Business Management of the Chamber of Labour.

The staff reduction at Wiengas is also reflected in the cuts of personnel expenses. In the period from 1999 and 2001 alone, personnel expenses – excluding severance payments and pensions – decreased by eleven percent. Even personnel expenses per Wiengas worker have slightly decreased.

5.1.7. Working conditions

Especially during the reorganisation phase, the strain on employees assumed sometimes serious dimensions, it is argued. Reorganisation was carried out under great time pressure and often triggered irritation and frustration, e.g. in the reorganisation of accounting procedures. *“For the staff, all these restructuring and reorganisation processes entailed an extreme level of stress“* (Interview 6). Although this situation should be the exception rather than the rule, it has been going on for a protracted time period, staff representatives argue. There is no hope for a change in the near future, either – on the contrary: the next restructuring processes are already looming on the horizon as a result of the establishment of Wien Energie (ibidem).

5.1.8. Industrial relations

The hiving-off of Stadtwerke from the Vienna City Administration entailed far-reaching consequences for staff representatives: as an enterprise under private law, it is no longer subject to the Vienna Staff Representation Law but to the Labour Constitution Law. “Newcomers” to the company are thus covered by collective agreement legislation, while “veterans” come under the official regulations of the City of Vienna. To prevent the individual sectors of the former Stadtwerke from being regulated by different collective agreements, a special law was adopted to authorise Stadtwerke Holding AG to conclude collective agreements. In due course, the management and GdG concluded a collective agreement covering Stadtwerke Holding AG in its entirety.

Employee representatives now represent both career public servants and contract public employees on the one hand and new employees under the collective agreement on the other hand, thus serving in a dual capacity. This results in an occasionally quite complex situation:

“We must act according to a variety of legal directives: long-standing employees come under the old Staff Representation Law with the City of Vienna as employer. With respect to internal co-determination within the enterprise, we have to follow the Labour Constitution Law. That’s an often difficult tightrope act. ... For us, the

Labour Constitution Law was a total novelty. ... This required a lot of learning, and it wasn't easy.“ (Interview 6)

According to the staff representatives/works council, the co-determination rights provided for under the Labour Constitution Law are markedly more restricted than those embodied in the Vienna Staff Representation Law.

6. CASE STUDY: AUSTRIA – SCHEDULED PASSENGER LAND TRANSPORT AND PUBLIC TRANSPORT (PT)

6.1. Wiener Linien

6.1.1. Background

As described above for Wiengas, Wiener Stadtwerke was hived off from Vienna's city Administration in 1999 and transferred to a holding company. This also made the public transport provider Wiener Linien an independent company called Wiener Linien GmbH & Co KG. As likewise expounded above, the career public servants and contract public employees working for Wiener Linien at that moment were legally transferred to the new company. Since July 2001, new employees are recruited solely on the basis of the collective agreement applicable to Stadtwerke Holding AG in its entirety.

6.1.2. Employment volume

Between 1996 and 2002, the number of Wiener Linien employees decreased by close to seven percent. In absolute figures, this equals 632 persons or an average reduction by 105 persons annually. According to information furnished by the staff representatives/works council, it is planned to cut the staff by a further 15 percent until 2010 (Interview 5).

Table 6-1: Employment trends at Wiener Linien

	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2002
Wiener Linien	8,963	8,868	8,767	8,718	8,682	8,571	8,331	- 7.1

Sources: Annual Reports 1996-2002.

In this case, too, the staff was cut exclusively in a “socially acceptable” manner, i.e. by means of retirement or voluntary turnover. According to the staff representatives/works council, employment figures are decreasing while the network is being enlarged and passenger figures are growing. The staff reduction also reflects the transformation of Wiener Stadtwerke, which in recent years has evolved from a public enterprise serving the needs of the economy as a whole into a genuine private-sector company.

“In the past, Stadtwerke used to recruit workers in times of growing unemployment in order to improve the labour market. This is no longer possible today.”
(Interview 5)

6.1.3. *Restructuring measures and employment*

Traditionally, part of the bus lines serving Vienna's periphery and Lower Austria are operated by private bus companies (Dr. Richard, Blaguss).³⁶ According to the staff representatives/works council, approx. 30 percent of Vienna's bus lines are subcontracted to external companies (Interview 5). The drivers of private bus operators are subject to the collective agreement for the commerce, transport and traffic sector (HTV), which provides for markedly inferior conditions than the Stadtwerke collective agreement. In addition, cleaning services were likewise outsourced: in the past, between 100 and 200 workers with regular employment contracts were tasked with vehicle cleaning (ibidem). Conversely, however, it has been proposed to "insource" work; for example, warranty inspections of tramcars could be handled by the Wiener Linien workshops on their own.

In the course of restructuring, the staff representatives/works council state, the multiple use of employees has been further facilitated. For example, technological progress has rendered the permanent monitoring of every Underground station unnecessary. Instead, monitoring staff now travels aboard the Underground trains and handles supervision and assistance tasks in this manner.

The Stadtwerke Annual Report 2002 moreover notes that

"changing frame conditions ... have also necessitated numerous measures at Wiener Linien in order to create prerequisites that will enable us tackle the future with confidence. Intensified orientation along business management lines was inter alia attained by means of reorganising the company (profit centre) and introducing the standard software for business management, SAP." (p. 61)

The effects of the establishment of the subsidiary on bus lines cannot yet be assessed.

6.1.4. *Types of employment*

As mentioned above, there exist differences between "old" and "new" employees. According to an overview prepared by the staff representatives/works council, out of a total of 8,456 workers (in full-time equivalents) in 2001, 4,970 were tenured public servants; 3,400, contract public employees; and 86, employees under the new collective agreement (Interview 5).

With respect to working hours, the same changes apply as for Wiengas: "veterans" still work forty-hour weeks (including paid lunch breaks) without overtime restrictions. "Newcomers" work 37.5-hour weeks as provided for under the Stadtwerke collective agreement; moreover, the Law on Working Time, the Law on Rest Periods and the overtime restrictions contained therein apply as well.

³⁶ Dr. Richard is the biggest private bus operator in Austria and operates 30 lines, mostly in Lower Austria. Blaguss operates around ten lines (ÖGPP 2002).

According to information furnished by the staff representatives/works council, the improved multiple use of Wiener Linien employees has resulted in a reduction of overtime rather than its increase.

6.1.5. Incomes

Here, too, the Wiengas changes apply: “newcomers” earn approx. 13 percent less than their “veteran” colleagues. Moreover, they move into the next-higher band within the respective pay grade only every four years, as compared to “veterans”, who do so every other year. In addition, “newcomers” receive no credit for previous periods of employment. According to the staff representatives/works council, these income gaps occasionally result in social tension between workers.

6.1.6. Working conditions

It is claimed that personnel reduction and restructuring measures have cut down on “idle times”. As a result, work has become “more stressful”, compounded by the growing volume of passenger-car city traffic. The workload thus has certainly increased over the past few years, it is argued.

6.1.7. Industrial relations

Here, too, the changes parallel those at Wiengas. “Veterans” come under the Vienna Staff Representation Law and the official regulations, while “newcomers” are governed by the Labour Constitution Law and the collective agreement. Employee representatives now serve in a dual capacity by representing both groups.

According to information furnished by the staff representatives/works council, the atmosphere in the talks between staff representatives/works council and management has become more charged. One contributing factor might lie in the fact that previous executives were recruited from the company’s own staff. “Now managing directors can be appointed externally.”

6.2. Innsbrucker Verkehrsbetriebe und Stubaitalbahn GmbH und INNBUS GmbH

6.2.1. Background

In the context of public transport (PT) liberalisation, the PT companies Innsbrucker Verkehrsbetriebe and Stubaitalbahn GmbH (IVB) were significantly restructured in 2000. Provisions embodied in EU law led to IVB being mandated by the Innsbruck City Council to withdraw from public passenger transport and instead to focus on PT co-ordination (IVB Annual Report 2000:4). In due course, the entire fleet of diesel buses,

which accounts for most of Innsbruck's PT, was outsourced and transferred to INNBUS GmbH, a company specifically established for this purpose. Railway, trolley-bus and tram operation remained with IVB. INNBUS GmbH is almost wholly (96%) owned by Innsbrucker Kommunalbetriebe AG (IKB), which at the same time holds 96 percent of IVB. Consequently, INNBUS GmbH is a subsidiary of IKB and an associated company of IVB. When selling the diesel bus fleet, several transfer agreements were concluded between IVB and INNBUS as well, including the transfer of 231 IVB workers, mostly diesel bus drivers. While the partial hiving-off of PT enterprises has become a standard procedure in many countries to reduce cost (above all labour cost) and thus prepare for the expected tough competition due to increasing liberalisation, this approach is still a novelty in Austria. For this reason, the INNBUS GmbH project takes on a significance far beyond the boundaries of the Tyrolean capital. The establishment of INNBUS was designed "to prepare – it was stated – for EU-wide competition and to offer transport services 'at market conditions'" (ÖGPP 2002). It is not surprising that "*all of Austria is watching us*", as the works council puts it (Interview 13).

6.2.2. *Employment volume*

The team of 231 IVB employees deployed by IVB (71 full-time and 160 part-time) is supplemented by 111 workers directly employed by INNBUS (as per September 2003). Although this actually almost quadrupled the number of INNBUS workers between 2000 and 2003, the number of workers at IVB decreased over the same period by approx. 17 percent (from 524 to 435, equalling a total decrease by 89 workers). In all (IVB and INNBUS), the number of workers decreased by one percent between 2000 and 2003 (data as per September 2003). In 1997 and 1999, social plans for staff retrenchment were agreed (IVB Annual Report 1999:8). According to the employees, however, management has recently begun to shun social measures, instead putting employees "*under sometimes heavy pressure*" to leave the company of their own accord (Interview 15). Some disabled workers were retired against their will, it is claimed.

"One [colleague] has been carrying on a lawsuit for close to three years and won his case in all instances. But the company doesn't seem to care, they still refuse to pay, always hoping he'll give up someday." (Interview 13)

Table 6-2: Employment trends at IVB and INNBUS

	2000	2001	2002	2003	Change in %, 2000-2003*
Employees of Innsbrucker Verkehrsbetriebe (IVB)	524	495	487	435*	- 16,9
Employees directly employed by INNBUS	28	55	85	111*	+ 296
IVB and INNBUS	552	550	572	546*	- 1.1

* Workforce as per September 2003.

Sources: IVB Annual Reports 2000 and 2001; INNBUS Annual Reports 2000 and 2001. Own investigations.

6.2.3 Restructuring measures

As already mentioned, the sale of the diesel bus fleet led to 231 IVB employees being transferred to work for INNBUS. According to information furnished by the works council, INNBUS covers 80 percent of the labour cost, while the rest is paid for by IVB (Interview 13). Although the works council vehemently opposed the sale, it ultimately accepted an internal company agreement regulating the employment of the transferred workers (IVB Annual Report 2000:7). After a new collective agreement had been adopted already in 1999, thereby abolishing IVB staff tenure after twelve years of service – *“it was very painful for us but we thought that this [concession] would be the last. That was a mistake“* (Interview 13) –, the motive behind the support of the new collective agreement was to prevent workers from being dismissed by IVB and then re-employed, at inferior conditions, by INNBUS. According to a works council member, what employees were afraid of has actually come to pass in the meantime – marked drops in quality (Interview 13).

As described by employees, bus drivers directly recruited by INNBUS since 2000 work at significantly worse conditions than their colleagues deployed by IVB. The drawbacks range from lower incomes to “straightjacket contracts” to tie drivers permanently to INNBUS. In this case, INNBUS undertakes to pay for the bus driver’s license if the future employee, in his or her turn, agrees to work for INNBUS for a specific period (Interview 15). This is motivated by the above-mentioned lack of drivers. In the opinion of the works council, however, the problem does not lie with the low number of trained bus drivers but with the low pay and unsatisfactory working conditions at INNBUS (Interview 13). As the terms are bad, most job applicants are migrants, and some of them were indeed recruited by INNBUS. Due to their insufficient training and sometimes faulty German, several of these migrants fell victim to racist aggression. For example, a 55-year-old bus driver of ex-Yugoslav origin was first insulted and then

physically attacked on New Year's Day 2001, until the police, alerted by passers-by, finally arrived on the scene.³⁷

Unfortunately, racist attacks and harassment do not only originate with passengers; colleagues, too, may be the culprits, it is contended. IVB drivers regard the newcomers as cheap competition. Conversely, INNBUS drivers do not understand why they should be paid less than IVB employees, as they do the same work. According to the works council, the working atmosphere is correspondingly charged (Interview 13). The result is extreme social tension, repeatedly vented against a person's ethnic background.

“Our company, too, has employees that are open or covert xenophobes instead of showing solidarity with people who earn even less and are even more exploited.”
(Interview 13)

6.2.4. *Types of employment*

While the number of deployed IVB workers is decreasing in the long run – last but not least due to the above-mentioned social plans –, that of drivers directly employed by INNBUS is increasing.

6.2.5. *Incomes*

According to the works council, INNBUS workers earn roughly 20 percent less than IVB drivers recruited before 1999. The difference results from the bonuses and social security benefits guaranteed under various company agreements. While these extras were cancelled for all IVB workers recruited in 1999 or after, they still apply for most IVB workers deployed to INNBUS. Actual INNBUS employees are in any case excluded from these extras. To illustrate the extent of this income gap, we quote the IVB Annual Report 1999, which describes the termination of the company agreements as follows:

“As per resolution of the supervisory board, ... all internal company agreements going beyond the crediting of previous periods of employment as well as all financial arrangements going beyond the collective agreement were cancelled effective 31 July 1999. In the long run, the annual cost-cutting potential (due to the legal consequences for existing employment contracts) is assessed at ATS 43.6 million.” (p. 8)

Moreover, INNBUS workers come under the collective agreement for the commerce, transport and traffic sector (HTV), while IVB staff are governed by the collective agreement for private railway operators of the Trade Union of Austrian Railway Employees. However, the latter agreement does not offer a lot of financial advantages. As already mentioned above, the pay gaps result in social tension between workers (Interview 13).

³⁷ Tyrol edition of Kurier newspaper, 9 January 2001.

6.2.6. Training

As described by employees, the hiving-off and sale of the diesel bus fleet had particularly negative consequences for bus driver training. The lack of proper training is further exacerbated by some new employees' shaky command of German, it is claimed (Interview 15).

However, the works council insists that the responsibility does not lie with the workers but with the company, which waives a proper training curriculum in order to cut costs.

“Passengers are not only entitled to ride in excellent vehicles but also to be served by a high-quality staff – and that’s nothing to do with being Austrians or foreigners. Instead, it’s to do with training and an adequate pay level.” (Interview 13)

6.2.7. Working conditions

As already mentioned, drivers – both the deployed IVB workers and the new INNBUS staff – are affected by the extremely charged working atmosphere, compounded by growing time pressure. According to information by employees, drivers are forced to go faster to observe scheduled interval sequences, which has allegedly led to several infringements of the road traffic regulations (Interview 15). In the words of the works council, driving periods were formerly planned

“... to allow for a ten-minute break in-between; after all, it’s stressful work. This break was then cut with the argument that we all have to cut costs. In the meantime and after a protracted struggle, we have again won the right to observe a five-minute break. Driving a bus is tough on your nerves. No human being can go on driving for eight or ten hours without a break.” (Interview 13)

Moreover, the staff is under pressure because of the lack of drivers (at least the Annual Report 2001 still emphasised that the planned number of employees had not yet been attained).³⁸ As already described above, INNBUS is unable to employ the required number of drivers. In the opinion of the works council, this indicates “a vicious circle” (Interview 13): the lack of drivers intensifies pressure and stress, which obviously does not induce new drivers to join INNBUS. In all, the works council has identified a massive deterioration of working conditions:

“This is not just about facing competition but, quite simply, about cutting personnel expenses, come what may.” (Interview 13)

6.2.8. Industrial relations

As already mentioned above, the INNBUS staff is represented by HTV as a result of the hiving-off and sale of the diesel bus fleet, while the IVB staff is represented by the Trade Union of Austrian Railway Employees. This means that different collective agreements apply for the two groups of employees. In all, it may be said that the

³⁸ “The planned number of employees could not be attained in 2001. The main reason for this lies in the scarce availability of bus drivers in the labour market” (INNBUS Annual Report 2001:6).

relationship between management and works council has progressively deteriorated over the past few years. A works council member remarks that “*our relationship with management is positively chilly.*” (Interview 13)

7. CASE STUDY: AUSTRIA – WATER

Compared to the case studies sketched earlier in this text, the effects of liberalisation on Austria's water supply companies are so far noticeable only to a limited degree. An international overview shows that Austria's water supply is still characterised by a small-scale structure (PriceWaterhouseCoopers 2001). However, liberalisation does make itself felt as regional supply companies have started offering services outside their home regions, while local water suppliers are beginning to purchase these services. Moreover, a network of mutual holdings seems to be emerging (i.e. the purchase of Salzburg AG shares by Energie AG Oberösterreich), and at least two water supply companies owned by federal provinces were sold to regional energy providers. Companies purchasing additional services tend to reduce their staff, while some of the providers of these services have even stepped up their workforce. Generally speaking, there exists therefore no clear employment trend (the data of Statistics Austria presented above indicate a drop in employment in water supply, while the data of the Central Association sketch a possible increase). However, a study developed by the consultancy agency PriceWaterhouseCoopers on behalf of the Federal Ministry for Agriculture, Forestry, Environment and Water Management draws attention to potential cost-cutting effects. Stronger regionalisation of water supply, PriceWaterhouseCoopers believes, could lead to a reduction of up to one third of the staff employed in the Austrian drinking-water and wastewater sector (2001:75). However, this assessment is based on the British experience and on assumptions that according to Hall and Lenz (2001) do not apply to the Austrian water sector, due to its highly different structures.

7.1. Linz AG

An expansive strategy of water supply and water services is pursued by Linz AG, the product of a merger between Stadtbetriebe Linz (SBL) and ESG (Linzer Elektrizitäts-, Fernwärme- und Verkehrsbetriebe AG). Formerly, water supply was a task of SBL, a private-law company, the majority of whose shares were owned by the City of Linz (like Linz AG nowadays). Linz AG not only extended water supply and related services to the surrounding municipalities via its subsidiary WDL-Wasserdienstleistungs GmbH (inter alia in the form of sale-and-leaseback schemes), but is now offering services outside Upper Austria as well (after the entry of Energie AG OÖ with a 35-percent share and of Raiffeisenlandesbank OÖ with a ten-percent share, Linz AG still holds 55 percent of WDL). Amongst other activities, a service agreement (installation of pipes and house connections) was concluded with Grazer Stadtwerke (Linz AG Annual Report 2001/2002:80). According to information furnished by the works council, the company follows the principles of commercial business management:

“We're no charity. We want to cover our costs and earn something extra into the bargain.” (Interview 12)

Liberalisation and intensified cost pressures, the works council contends, have led to workers in the water sector being “rationalised away”, as in other industries, over the past few years.

“50 years ago, each waterworks pump had its own operator. Today, everything is automated.” (Interview 12)

Conversely, consultancy services have increased, it is added. Despite growing cost pressures, the company is still able to meet its “social obligations” vis-à-vis the staff:

“We will leave nobody out in the cold after they’ve ruined their health working for us in the drain ditches.” (Interview 12)

In all, the sustained expansion strategy has even triggered a 25-percent growth (equalling 33 persons) of water supply employees in the Upper Austrian capital Linz between 1996 and 2001.

Table 7-1: Employment trends in water supply – Linz

	1996	1997	1998	1999	2000	2001	Change in %, 1996-2001
Water	130	128	130	128	126	163	+ 25.4

Sources: Annual Reports of Stadtbetriebe Linz and Linz AG.

A similar strategy is also pursued by Salzburg AG (in which Energie AG Oberösterreich holds a share). In the context of a joint venture with the international group Best Water Technology BWT, it established the company WSG Water Service GmbH with a branch office in Mondsee (Aqua Service GmbH) in 2002 (Salzburg AG Annual Report 2002:35). A press release of Salzburg AG comments as follows:

*“For the time being, the focus [of WSG] is on the Federal Province of Salzburg; however, in the future, the national Austrian water market will be tackled as well.”*³⁹

7.2. Grazer Stadtwerke

As mentioned above in this chapter, the opposite situation applies for the Styrian capital Graz. Water supply in Graz is part of Grazer Stadtwerke. Contrary to Linz, the municipal utility provider Grazer Stadtwerke tends to outsource water-related services.

“The Graz people don’t lay pipes or change house connections anymore.” (Interview 12)

In due course, the workforce in the water sector decreased by twelve employees or eleven percent between 1996 and 2001.

³⁹ Salzburg AG press release of 22 February 2002.

A similar decline in employment was recorded by the Vienna Waterworks (MA 31), where the number of employees decreased by ten percent from 1996 to 2002. In absolute figures, this concerned 58 workplaces.

Table 7-2: Employment trends in water supply – Graz and Vienna

	1996	1997	1998	1999	2000	2001	2002	Change in %, 1996-2001/02
Graz	109	106	109	106	102	97	-	- 11
Vienna	584	568	554	553	540	534	526	- 10

Sources: Annual Reports 1996-2001 of Grazer Stadtwerke and MA 31 (Vienna Waterworks).

7.3. EVN and Energie AG Oberösterreich

Energieversorgung Niederösterreich (EVN) and Energie AG Oberösterreich (OÖ) belong to a third category.

Niederösterreichische Siedlungswasserbau GmbH (NÖSIWAG), a company owned by the Federal Province of Lower Austria, was transferred to EVN in 2001 – partly by sale, partly in the context of a capital increase – and then incorporated into EVN Wasser GmbH (the Federal Province of Lower Austria holds 51 percent of EVN AG). This affected 55 employees, whose number did not change as a result of the sale. What did change was the mission of the enterprise: although organised as a company under private law, NÖSIWAG was a non-profit undertaking that primarily aimed at providing clean water to municipalities affected by problems of drinking-water supply. As late as in the 1950s and 1960s, nitrate pollution of the groundwater caused epidemics in some Lower Austrian municipalities (<http://www.wasserwerk.at/geschichevn.htm>). The public-mindedness of the company's mission was also necessitated by the fact that the municipalities were unable to finance the required infrastructure measures – which in any case would not have been profitable – on their own.

“Our goal did not lie in turning a profit. Neither did we want to entice any business away from others. We were something like the fire brigade of water supply.” (Interview 14)

According to the works council, this goal has changed markedly since the company was taken over by EVN. Now the mission is definitely to turn a profit. This profit orientation influences working conditions in that the pressure exerted on the staff tends to increase (although the works council emphasises that it is too early in the day to detect definite effects of the takeover). While no jobs were cut so far, the scope of the staff's tasks has been significantly expanded, it is contended. In the past, NÖSIWAG safeguarded water supply to the town limits of the municipalities in question; conversely, water is now mostly supplied directly to end consumers. Moreover, the company is also planning to extend delivery services in the context of existing delivery contracts to end consumers. A mission statement of the company announces:

“The new business area harbours significant potentials. At present, the European water sector is undergoing a process of structural change. This applies in particular to the previously highly localised Austrian water industry. evn wasser’s strategic orientation involves the gradual start of direct consumer supply, the commencement of regional wastewater activities and an expansion of company activities to neighbouring countries.”⁴⁰

In order to achieve this goal, EVN took over the German company Wassertechnik GmbH (WTE) in summer 2003 (however, this takeover still awaits authorisation by the Cartel Court).⁴¹

Similarly, Energie AG OÖ (which in its turn holds participations in WDL and Salzburg AG) in 2000 took over Landeswasserversorgungsunternehmen AG (LWU) from the Federal Province of Upper Austria (Energie AG OÖ Annual Report 2000/2001:48). A 50-percent-plus share of Energie AG OÖ is held by the Federal Province of Upper Austria. This transaction affected six employees of the federal province, who were deployed for service at Energie AG OÖ. However, the takeover did not influence the overall number of employees.

⁴⁰ Cf. EVN’s homepage: www.evn.at/evninfo/framset2/html.

⁴¹ EVN press release of 2 July 2003.

8. CASE STUDY: AUSTRIA – MUNICIPAL SERVICES, OVERALL

Our interviews yielded a body of relevant information about the effects of liberalisation on municipal services. However, some of the information could not be clearly attributed to the individual sectors selected by us or assumed a dimension that went beyond these sectors. In the following, we want to summarise this information and convey an impression of the effects of liberalisation on the employment trends in municipal services.

8.1. Employment volume

Since 1996, the overall employment volume in municipal services (including e.g. gas supply, electricity supply, district heating, public transport, funeral services, public swimming pools, etc.) has tended to decrease, albeit less dramatically than in individual areas described above by the authors. Wiener Stadtwerke has reduced its staff by roughly four percent since 1996, while ESG Linz cut the workforce by almost five percent between 1997 and 2000. Until the recent hiving-off of the electricity sector, Grazer Stadtwerke recorded a personnel decrease of only two percent, and SBL Linz has even increased its staff.

As a rule, personnel cuts were effected in a “socially acceptable” manner, i.e. by means of voluntary turnover and employee retirement. As staff representatives of Grazer Stadtwerke have commented, *“In fact, vacancies have not been restaffed for a number of years”* (Interview 9), adding that the staff cuts and restructuring measures of municipal services *“have stepped up the pressure on the workforce over the past few years and will further intensify”*.

Table 8-1: Employment trends at selected municipal service providers

	1996	1997	1998	1999	2000	2001	2002
Wiener Stadtwerke	15,222	15,086	15,494	15,489	15,432	15,106	14,654
Grazer Stadtwerke	1,496	1,502	1,499	1,505	1,492	1,475	-
ESG (Linz)	-	1,511	1,486	1,486*	1,431**	-	-
SBL (Linz)	993	986	983	1,199	1,224	-	-
Linz AG	-	-	-	-	-	2,613	-

* 1998/1999

**1999/2000

Sources: Various annual reports.

8.2. *Restructuring measures and employment*

Despite this, liberalisation has led to the – sometimes dramatic – restructuring of municipal services over the past few years. This has resulted in the a) hiving-off or transformation of enterprises from municipally administered undertakings into private-law companies; b) hiving-off by sale to other enterprises; and c) combination of existing municipal service providers.

- Hiving-off or transformation of enterprises into private-law companies: as already described above, Wiener Stadtwerke was hived off in 1999 and transferred to Stadtwerke Holding AG. The individual sectors (Wienstrom, Wiengas, Wiener Linien, Fernwärme, Bestattung, Wiener Stadtwerke Beteiligungsmanagement) thus became independent limited-liability companies (GmbH) within the holding company. In Innsbruck, all municipal services were combined in Innsbrucker Kommunalbetriebe AG (IKB) in 1994. Innsbrucker Verkehrsbetriebe (IVB) became a subsidiary of IKB. In 2000, the diesel bus fleet was hived off and transferred to INNBUS GmbH.
- In 2002, 49 percent of the energy sector of Grazer Stadtwerke was sold to Energie Steiermark Holding AG (ESTAG). ESTAG and Stadtwerke thus hold 49 percent of Energie Graz GmbH und Co KG each (the remaining two percent are held by the City of Graz). This affected 311 workers. For them, the collective agreement and the company agreements of Grazer Stadtwerke still apply; moreover, the trade union also succeeded in securing the employer's guarantee to preserve (even specific) workplaces. According to the works council, the energy sector is one of the more profitable business areas and a key economic asset of Stadtwerke, which was hived off and transformed into a private-law company already in 1960. In this connection, staff representatives are worried that the sale of the energy sector will make the Stadtwerke administration appear bloated out of proportion. While a ten-year service agreement was concluded with Energie Graz to ensure that accounting, payroll management, electricity and gas charge calculation will remain with Stadtwerke, it is unclear what will happen after expiry of that agreement. At least, management has promised that it will try to tap new business areas, staff representatives add.
- Until recently, municipal services in Linz were organised in two different enterprises under private law: ESG (Linzer Elektrizitäts-, Fernwärme- und Verkehrsbetriebe AG) and SBL (Stadtbetriebe Linz). Both were owned by the City of Linz. In 2000, both companies merged to become Linz AG. Linz AG is a holding company composed of the following units: Linz Strom GmbH, Linz Gas/Wärme GmbH, Linz Service GmbH, Linz Linien GmbH and Management Service Linz AG. The Annual Report 2000/2001 comments as follows:

“In the context of overall liberalisation and increasingly stiff European competition for markets, combining the two enterprises was necessary in order to compensate dropping revenue by means of cost cuts and the tapping of synergies.“ (p. 15)

As a direct “synergy effect“, the annual report likewise specifies that the merger has helped to cut 43 workplaces, emphasising that further rationalisation measures are planned for the future (p. 12).

Restructuring often entails massive stress for the workforce. With respect to Graz, staff representatives state e.g. as follows:

“It’s as if consultancy agencies were playing a game of musical chairs here at the company. ... We’ve seen things happening in the last four years that we haven’t seen in the all previous 29 years put together. Actually, just one sole consultancy agency had reviewed us in all those years. But since 1999, there’s one following on the heels of the other – I don’t know whether we’ve had even two months without one of those. ... Basically, this means that our management board has become redundant, because all they do is delegate their responsibilities to the consultancy agency. ... In addition to the regular workload, our staff has to help out the consultants, too. ... Obviously, we’ve got to provide the experts with records and documentation. But if I were a management board member, I’d tell them, look, that’s the cabinet, those are the files, take whatever you want.” (Interview 9)

8.3. Industrial relations

The restructuring of municipal services often impacts industrial relations. The consequences of the hiving-off and transfer of Wiener Stadtwerke to Wiener Stadtwerke Holding AG was described with respect to Wiengas and Wiener Linien. By granting the new body the right to conclude collective agreements and hence to conclude one company-wide collective agreement, the application of different collective agreements for different sectors of Wiener Stadtwerke was prevented. In the case of Grazer Stadtwerke, where parts of the energy sector were sold to ESTAG, leading to the establishment of Energie Graz, the consequences for industrial relations were less significant because the workers concerned had been represented by GMT already before and also because the new employer accepted the Stadtwerke collective agreement including all internal agreements. At INNBUS GmbH in Innsbruck, “old” employees are represented by GdE, “new” ones by HTV.

However, particularly grave consequences were triggered by the merger of ESG and SBL to become Linz AG. As a result, the 2,600 employees of the new company are members of four different trade unions (GdG, GPA, GMT and HTV). Moreover, a variety of different official regulations apply to “veterans”, while “newcomers” are governed by a uniform Linz AG employment contract. A single pay scheme for “newcomers” is still being negotiated.

The different official regulations may result in a situation

“where two persons work in the same office and do the same work but get paid differently, because ESG accountants used to receive a different salary than our [SBL] accountants.” (Interview 12)

This may lead to social tension, it is contended. It was claimed that it is not easy for staff representatives/works councils to keep track of the overall situation in view of this *“hodgepodge of different wage and salary bands”* (Interview 12).

9. SUMMARY OF RESULTS FOR AUSTRIA

As mentioned above, the data situation for Austria is unsatisfactory. Conversely, the interviews and company case studies produced some impressive results. Again, it should be borne in mind that the Austrian part of the study is of a largely explorative character.

Despite this, it may be said that the liberalisation of services of public interest in Austrian enterprises has entailed a marked reduction in the number of jobs since 1996. In all, both the data of the Performance and Structural Survey of Statistics Austria and those of the Central Association of Austrian Insurance Authorities show that from 1997/98 to 2001 and from 2000 to 2003, the employment rate decreased by five percent in the sectors covered by the present report, while total employment increased slightly in the same timeframe.

Among the sectors reviewed in the present report, the most heavily hit are post and courier services (-14% between 1998 and 2001), electricity supply (-13% between 1997 and 2001) and railways (ÖBB: -20% between 1997 and 2002). Gas supply, too, was partly affected by marked staff cuts, while water supply and public transport have been (comparatively speaking) spared this development so far. This might be due to the fact that liberalisation in these sectors has progressed less quickly (however, as the example of Innsbrucker Verkehrsbetriebe shows, dramatic changes are looming, above all with respect to PT).

Until recently, staff cuts were carried out in a “socially acceptable“ manner – i.e. without redundancy layoffs – and often linked to the outsourcing of certain business areas (e.g. cleaning services). Conversely, staff cuts were partly offset by the increased use of temps. In some areas, part-time work was likewise stepped up (for both cases, see e.g. Österreichische Post/Austrian Post).

No statistical data relating to incomes are available for the areas examined in the present report. However, the case studies indicate clearly that at least partial income losses of employees have occurred. These income losses result e.g. where newly recruited workers are paid less than “veterans“ (-13% in the case of Wiener Stadtwerke) or where additional benefits, guaranteed in the context of internal company agreements, are discontinued (-8% in the case of Verbundgesellschaft). This is compounded by income losses due to outsourcing, e.g. where cleaning personnel formerly employed by ÖBB is now paid according to the collective agreement applying to private cleaning services. In a number of cases, pay is moreover, at least to a certain degree, linked to performance (e.g. in the energy sector). In the case studies examined in the present report, the performance-based share sometimes accounted for up to 25 percent of a worker’s pay.

In many cases, staff cuts entail greater work intensity and growing stress as well as, in some areas, a marked increase in overtime (per worker). Other factors that should be mentioned in this context include growing insecurity and competition between workers, because it is often not clear, especially during the restructuring phase, who will keep his

or her job for how long. This is exacerbated by increasing frustration caused by constantly rising pressures resulting from the sometimes unrealistic demands made by the regulator or management consultants, who confront workers with international benchmarks whose correctness cannot be verified by workers. Moreover, workers frequently feel stuck in a permanent restructuring phase, where what applies today may easily be obsolete tomorrow.

Furthermore, liberalisation and the related outsourcing and transfer of services of public interest to independent companies under private law have far-reaching consequences for industrial relations as well. Not only that the Labour Constitution Law applies all of a sudden (instead of the traditional Federal Staff Representation Law); workers' representation and co-determination rights were sometimes restricted as well (e.g. Österreichische Post). In connection with outsourcing and mergers, it is moreover not unprecedented for employees of a newly established holding company to find themselves represented by up to four different trade unions.

SOURCES

Interviews

A total of 15 interviews were conducted with workers, works council members, staff representatives and trade unionists of the following Austrian enterprises:

Österreichische Post AG

Österreichische Bundesbahnen (ÖBB)

Verbundgesellschaft

STEWEAG-STEAG

Wiengas

Wiener Linien

Innsbrucker Verkehrsbetriebe

Linz AG

EVN Wasser

Grazer Stadtwerke

as well as with works council members of two enterprises active in the sector of private post and courier services.

Annual reports

Grazer Stadtwerke Annual Reports 1997-2002

INNBUS Annual Reports 2000 and 2001

Innsbrucker Verkehrsbetriebe Annual Reports 2000 and 2001

Linz AG Annual Reports 2000/2001 and 2001/2002

ÖBB Annual Reports 1997-2002

Post und Telekom AG Annual Reports 1997-1998

Post AG Annual Reports 1999-2002

Salzburg AG Annual Report 2002

SLB Annual Reports 1998 and 1999

STEWEAG Annual Reports 1997-2001

STEWEAG-STEAG Annual Report 2002

Verbund Annual Reports 1997-2002

Wiener Stadtwerke Annual Reports 1997-2002

CASE STUDIES – GERMANY

1. CASE STUDY: GERMANY – POSTAL SERVICES

1.1. Background information

The liberalisation and privatisation of Deutsche Post was carried out in (so far) three reform phases (Büttner 2003, ILO 1998). In 1990, postal reform phase 1 separated sovereign tasks of the state from entrepreneurial ones, and Deutsche Post was split up into the sectors Post (mail), Postbank (banking) and Telekom (telecommunications). As of that moment, the public undertaking – Deutsche Post as an authority – was to be managed as a private-sector company.

Privatisation of postal services tasks began with postal reform phase 2; however, the mandate of suitable infrastructure provision was upheld on the basis of a constitutional clause. In the course of reform phase 2, Deutsche Post was privatised by being converted into a publicly-owned joint-stock company. Moreover, the first steps towards liberalisation were defined for the sectors of info mail and advertising mail.

Reform phase 3 finally decreed that Deutsche Post should hold an exclusive license for letter mail weighing up to 200 g and a price limit of five times the standard postage for letters and info mail weighing up to 50 g/single consignment until 2007. Moreover, a licensing system for private postal-services providers was set up and is administered by the Regulatory Authority for Telecommunications and Posts. According to Büttner (2003), licensing is tied to “social license requirements”, i.e. the applicant in question is requested to outline the key working conditions relating to its operations. Information to be thus disclosed includes the probable number of employees (full-time/part-time, minimally employed workers and subcontractors) as well as their social security status.

The former monopolist Deutsche Post AG is subject to the Postal Universal Service Ordinance (PUDLV), which regulates the conveyance of letter mail weighing under 2,000 g, parcels weighing under 20 kg as well as newspapers and magazines. PUDLV obligates Deutsche Post AG to maintain at least 12,000 fixed-location facilities (post offices) until 2007, at least 5,000 of which must be staffed with the company’s own personnel. Fixed-location facilities must be provided for all municipalities with more than 2,000 inhabitants. For municipalities with over 4,000 inhabitants (urban areas), it shall be safeguarded that a fixed-location facility can be reached within a distance not exceeding 2,000 metres. A fixed-location facility must be set up for every 80 square kilometres in rural districts. Moreover, it must be safeguarded that letter boxes in urban residential areas can be reached within a maximum distance of 1,000 metres, which according to information furnished by the German multi-service trade union ver.di has led to the dismantling of 20,000 letter boxes.

1.2. *Effects on employees in the German postal-services sector*

1.2.1. *Employment trends*

According to information provided by ver.di, (socially acceptable) staff retrenchment combined with a significant intensification of the workload may be defined a key element of the restructuring of Deutsche Post. The trade union views this as a necessary (of sorts) effect of privatisation aimed at increasing shareholder value, which is primarily concerned with cutting costs. Any profits rise in letter mail, which is not a growth market, can only be achieved through productivity gains. Since personnel expenses, however, account for 60 to 70 percent, improvements can only be attained through staff cuts.

As a result, the employment situation in the postal sector has changed considerably. In its present organisational structure as a private-law company, Deutsche Post AG currently employs only 220,000 persons in Germany, i.e. a minus of 150,000 to 160,000 jobs if compared to 1990 and corresponding to a staff retrenchment by 42 percent. According to ILO, Germany together with Sweden, Italy, Denmark and Finland (ILO 1998) is one of the countries characterised by the most dramatic staff cuts in the postal sector. ILO data indicate that the staff cuts at Deutsche Post proceeded relatively evenly between 1990 and 1995 (-70,000) and 1995 and 1999 (-67,000) (ILO 2002).

Table 1-1 on the employment trends at Deutsche Post since 1997 provides an overview of the staff development at Deutsche Post AG, now an internationally active group. It demonstrates that the company, while reducing its personnel in Germany, has in fact been growing since 1998 as a result of worldwide purchases. For this reason, the annual reports present the rehabilitation phase, which was to result in a turnaround between 1990 and 1997, as concluded in 1998, followed as of that year by an internationally oriented expansion strategy.

While out of 270,817 Deutsche Post employees 106,821 were career public servants (39.4%) in 1997, this figure had dropped to 73,157 (33.4%) by 2002. In 1997, Deutsche Post employed 23,673 salaried workers, while the group's share of salaried employees increased to 147,303 in the wake of its rapid expansion strategy.

According to ver.di, approx. 60 percent of Deutsche Post workers in Germany are blue-collar, while approx. 10 percent are white-collar and roughly 30 percent career public servants. 70 to 75 percent of the workforce are active in delivery (ILO 1998); the remainder handle financial and retail services (counters) of the German Post.

It should moreover be emphasised that the number of workers has decreased due to staff retrenchment and that the average age of workers is decreasing as well. The share of workers aged over 50 is now below 15 percent, according to ver.di. This rejuvenation is the result of both numerous early retirement choices motivated by growing stress, and hence reducing the volume of older workers, and of the progressive retrenchment of career public servants, whose share in the early 1990s was still above 50 percent. Career public servants were disproportionately affected by retrenchment, although this process

occurred in a socially acceptable manner. It is easier to organise the early retirement of career public servants than of persons insured under the general retirement pension system.

Table 1-1: Employment trends at Deutsche Post AG between 1997 and 2002

Business sectors	1997	1998	1999	2000	2001	2002
Letter mail (a)			142,332	140,613	137,130	130,546
Express deliveries (a)			38,319	46,612	47,456	107,587
Logistics (a)			29,010	43,253	45,036	45,250
Financial services (a) (b)			11,575	11,299(a)	35,710(a)	34,082
Other Consolidation (a) (b)			36,600	36,928 (a)	10,903(a)	10,211
Group (a)			257,836	278,705	276,235	327,676
Germany (a)				227,092	223,555	219,067
Group workforce, headcount (incl. junior staff)	270,817	260,520	301,229	324,203	321,369	371,912
Blue-collar workers	139,036				153,629	148,714
Career public servants	106,821				77,688	73,157
White-collar workers	23,673				85,493	147,393
Junior staff	4,523				6,488	6,626
Annual average	274,053			319,998	323,298	375,890
Personnel expenses in € million	19,622	19,677				

Sources: Annual and Group Management Reports of Deutsche Post AG (Deutsche Post AG: 1997-2002);
 (a): converted into full-time workers, excluding junior staff
 (b): branch sector allocation shifted from Consolidation/Other to Financial Services.

According to ver.di, the share of female workers – almost 50 percent – is relatively high (cf. also ILO 1998:71); however, women are over-represented in the lower pay brackets. ver.di assumes that the female share has probably increased because the number of part-timers – a largely feminised group – has grown as well. A similar interpretation of female employment trends is indicated by the ILO data until 1995 (ILO 1998), which show a ten-percent growth of the relative share of women working for Deutsche Post between 1990 and 1995. ver.di emphasises that Deutsche Post has two key interfaces with customers, i.e. letter carriers and post-office workers. The share of female letter carriers is lower, as this is physically taxing work, ver.di adds. However, there are marked differences between East and West Germany. Traditions in the east are different, which is why a high share of women can be found in allegedly “male” jobs.

ILO summarises the different employment trend phases in the wake of the restructuring of postal services as follows:

“After this initial period of economic change and the often massive reduction of the workforce comes a second phase, which consists of a change in the nature itself of employment. In this phase (...) permanent adjustments and redeployment follow one another at a brisk pace according to the changing structure of markets and alliances between operators. There is no longer any sudden broad reduction in employment but a continuous renewal. Workers must adapt to emerging techniques and the new demand through permanent training and the updating of their skills. They must manage their internal and external employability which (...) contributes to their general job security.“ (ILO 1998:64)

The report prepared by PriceWaterhouseCoopers (PriceWaterhouse 1999) on behalf of the EU Commission to sketch employment trends in the EU postal sector largely corresponds to the above overview of employment trends in the postal sector but repeatedly draws the reader’s attention to the jobs created by new providers. Yet not even the data presented in that study suggest that the losses at the former monopolists could be offset by these new potentials. The PriceWaterhouse report contains no detailed data on employment growth involving private postal-services providers. Employment growth at facilities run by private providers in the EU is stated to have attained 46 percent between 1990 and 1995. In absolute figures, this corresponds to a growth from 35,500 to 52,000 jobs in the period under review. For Germany, PriceWaterhouse identifies a forty-percent growth of employment by private providers over the same period. The report does not contain any detailed figures. Conversely, the assessment of PLS RAMBOLL Management A/S (2002) regarding the employment situation in the European postal sector is much more optimistic. That study e.g. identifies an employment growth rate of 3.74 percent for Germany in the second half of the 1990s; however, this outcome chiefly results from a lower stated employment figure for 1995. This optimistic assessment derives from an effort to calculate induced, as well as indirect, employment effects for the postal sector by means of modelling, which culminates in the claim that EU-wide employment in this sector has increased by four percent between 1995 and 2000 (postulating a growth by 11.29% for indirect employment effects). Indirect employment growth by fully 20.85 percent is assumed to occur by 2005. This means that PLS RAMBOLL expects that the liberalisation and privatisation of the postal sector will entail more employment involving regulators, financial and retail services of the postal sector not classified as direct employment in the sector as well as in “upstream” and “downstream” industries, which either create direct economic input for, or receive it from, the postal sector. In this group, PLS RAMBOLL places the paper and automation industries (printing and sorting machines,

...) as well as the marketing, advertising material and direct mail industries (PLS RAMBOLL 2002:385).⁴²

1.2.2. *Employment trends at postal-services license holders*

More expressive than the calculations by PLS RAMBOLL given above are the data on the employment situation at postal-services license holders published by the Regulatory Authority for Telecommunications and Posts (1998-2002).

Table 1-2: Staff of postal-services license holders in 1999

Employees	Unlimited employment contracts 1999		Fixed-term employment contracts 1999	
	Liable to social security contributions	Not liable to social security contributions	Liable to social security contributions	Not liable to social security contributions
Full-time (1,565 total)	1,497	17	51	
Part-time (3,707 total)	3,563	6	105	33
Minimally employed persons (11,293 total)	2,538	8,629	20	106
Subcontractors	716			

Source: Regulatory Authority for Telecommunications and Posts.

Table 1-2 shows the employment structure of postal-services license holders in 1999. The majority of these new workplaces may be defined as atypical. On the one hand, what is striking is the high share of part-time work, which in 1999 was more than twice as high as the number of full-time workplaces created in this sector. Almost two thirds

⁴² PLS Ramboll (2002) on the one hand identifies “direct employment” in the field of postal services in the strict sense. Financial and retail services are not included, as they could also be handled by other entrepreneurial units. On the other hand, the term “indirect employment” covers all persons who do not provide postal services in the strict sense but whose activities are closely linked to, or dependent on, such services. This includes regulators, financial and retail services of universal service providers in the postal sector. The study also claims that “indirect employment” effects include developments in “upstream und downstream industries”. These are economic sectors which either create direct economic input for, or receive it from, the postal sector. For example, PLS Ramboll classifies as such the paper, ink, automation industries. However, the authors of the study admit the difficulty of obtaining quantitative data to analyse these areas and assess their relevance for employment. This is particularly obvious for financial and retail services in the postal sector, as such activities often constitute only part of the tasks handled by workers normally charged with postal services in the strict sense. The effects on “upstream” and “downstream” industries were identified in interviews conducted with companies and employers’ associations to outline employment trends in their sectors, which was ultimately to result in a “well-founded estimate of indirect employment in the postal sector“. For areas where no data could be collected, PLS Ramboll pursued an alternative strategy: to get a grasp of employment trends, comments on earlier estimates by the European Commission of employment trends in different industries were drawn upon. The assessment of “indirect employment effects” is based on estimates (!) of activities directly influenced by the postal-services sector (PLS Ramboll 2002:389f).

of the workplaces, however, are taken by minimally employed persons, 80 percent of whom were not liable to social security contributions in 1999.

Table 1-3: Staff of postal-services license holders in 2002

	Workers/postal-services license holders
Full-time	4,535
Part-time	5,005
Jobs under "DM 630 rule"/minimally employed persons, total	11,015
Minimally employed persons liable to social security contributions	10,765

Source: Regulatory Authority for Telecommunications and Posts.

The Annual Report of the Regulatory Authority for Telecommunications und Posts communicates that the shares of full-time and part-time jobs were roughly the same in subsequent years. In 2002, 4,535 full-time and 5,005 part-time jobs were available, i.e. the postal-services license holders presented an increase by approx. 3,000 full-time and 1,300 part-time jobs since 1999. The number of minimally employed persons remained around 11,015, 10,765 of whom are today liable to social security contributions as workers under the "DM 630 rule". It is obvious that these jobs – mostly atypical or precarious forms of employment – cannot, either quantitatively or qualitatively, offset the loss of workplaces at the former monopolist Deutsche Post AG, which since 1999 has cut over 37,000 jobs at the German locations of the group (cf. Table 1-1). Despite this, the regulator maintains that the license holders create a "disproportionately high" number of full-time and part-time workplaces. Moreover, most workplaces are situated in structurally weak regions, the regulator contends.

"Were it not for them, these jobs would not exist, and the staff might otherwise be out of work. The license holders are therefore making a sizable contribution to easing the strain in the labour market." (Regulatory Authority 2001+2)

1.2.3. Working conditions

According to information furnished by ver.di, comprehensive measures to reduce the workforce are only one of three possibilities to step up productivity – the others are technicisation and intensification, as well as interventions to directly reduce labour cost by modifying pay and working-time systems. Both types of measures are drawn upon by Deutsche Post. Moreover, ver.di contends, management has also repeatedly attempted to outsource certain tasks in order to transform fixed personnel expenses into variable ones.

The first attempts of this kind were made in the field of parcel delivery but thwarted due to staunch efforts by the trade union. Yet the trade union was forced to make concessions regarding working hours and incomes. Currently, it is added, the trade

union is again confronted with the problem that numerous tasks are to be outsourced, chiefly to bigger Deutsche Post subsidiaries. Deliveries are no longer to be made by own personnel but by way of subcontractors and individual entrepreneurs.

However, it does seem that the establishment of new distribution and sorting centres will acquire even greater importance (cf. Naber 2001). These centres could automatically sort more than 90 percent of all consignments, a share that in 1990 was only 30 percent. This will minimise physical effort but increase psychological stress, as humans will have to adapt to the working rhythms of machinery. According to ver.di, working hours were shortened for this reason, although this has reduced the time slots for sorting and hence income potential, while stress phenomena have increased.

By 2004, the number of “letter-mail branches” is to be reduced from 83 to 49 (Transparent 2001). This means that sorting will be concentrated; however, this is to proceed by preserving existing workers’ rights and without dismissals.

Moreover, ver.di emphasises that there have been attempts to technicise delivery services by means of sequencing, where carriers receive consignments pre-sorted for their delivery area. In the past, mail had to be sorted by carriers on their own (which took two or three hours or even more); only then was delivery proper possible. Sequencing allows for the pre-sorting of 60 to 70 percent of all mail; only the remaining mail, unsuitable for automated pre-sorting, has to be sorted manually. This entails a considerable additional workload for carriers, as delivery time may be lengthened by the sorting time saved. With the traditional time schedule of carriers’ tasks, the staff spent four to five hours on their delivery trips. The possible reduction of sorting times might lengthen this time – but not indefinitely, ver.di emphasises.

In addition, post offices today are managed like branch offices of banks, ver.di maintains, and are increasingly computerised. Customer relations, inasmuch as they are still one-on-one, are largely based on customer counselling in order to link postal services to those of banking and insurance. This work is sometimes very sophisticated; yet here, too, restructuring is probably imminent. The outlets operated by Deutsche Post are decreasing in number, while outlets operated by partners under the franchise concept – i.e. via retailers or similar – or through subsidiaries are growing in number. For ver.di, this is very close to outsourcing.

While the trade union emphasises that Deutsche Post AG has succeeded in stalling the flood of precarious and atypical employment relationships, which exist only in the form of part-time employment (30%, 70,000 persons), the situation at subsidiaries or subcontractors is different. Here the trade union claims that pressure is generated by Deutsche Post, which threatens outsourcing or withdrawal from the respective activity if its terms are not met. Competition is increasingly shaped by this type of working conditions.

Deutsche Post itself, however, is unwilling to dirty its hands with such practices. Subsidiaries in the field of advertising material distribution employ people on a piecework basis (Transparent 2001) and hence at very low pay. The parcel market likewise begins to show similar trends, it is alleged. According to ver.di, attention

should in particular be drawn to single entrepreneurs – a category made possible by recent legislation –, who “do not know what they are doing” and have to throw in the towel after a few weeks, since they prove unable to even pay the petrol for their delivery vehicles. The trade union has therefore launched a campaign to reach single entrepreneurs and involve them in trade union activities, although it is obviously too late in the day to return to regular employment relationships, it is maintained.

1.2.4. The situation of postal-services license holders

ver.di emphasises that the field of new service providers is very confusing, as 700 to 800 licenses for letter-mail services were granted. Licenses are solely granted for services not subject to the exclusive license. The market segment is very limited, it is argued, but the great number of local providers has so far prevented the emergence of big players. The Dutch Post TPG as well as its British counterpart are trying to establish networks in order to be ready for the expected further liberalisation phases. In Berlin, there exists Pin AG with a staff of 200 to 300, characterised by high turnover and “wildcat” working conditions. The trade union obviously intends to canvas members and influence working conditions at this company – one of its intentions being, ver.di comments, to tie this work to reasonable pay, as income pressures are otherwise bound to increase at Deutsche Post as well. However, it is obvious that wage dumping is underway and that the postal sector increasingly risks becoming a low-pay industry.

1.2.5. Working time and pay at Deutsche Post AG

While the available material does not contain any detailed analyses of working-hour trends and pay systems, ILO draws attention to the increase in part-time work and different forms of variable and flexible working hours (ILO 1998). The Annual Report 1998 of Deutsche Post AG identified the flexibilisation of working hours as an explicit focus of personnel development, which – in addition to progressive staff retrenchment – was to result in an improvement of personnel expense structures. ver.di also mentions the introduction of a annualised-hours scheme conceived as a system to flexibilise working time. The point is controlling labour cost and labour input through flexibilisation, ver.di is convinced.

While the trade union has succeeded in safeguarding the acquired rights of workers employed by Deutsche Post before the launch of the restructuring phase, a new collective agreement aiming at a reduction of the pay level was negotiated for newly recruited staff (Naber 2001). Walter Scheurle, board member of Deutsche Post, explicitly identified lower pay as an objective, as pay levels in the public sector are too high, he claims. For this reason, management is interested in introducing performance-based pay components and simplifying the pay system by reducing the number of remuneration groups. Moreover, pay components related to family status were cut and bonuses curtailed in several areas (e.g. forwarding and warehousing) (Scheurle 2001).

ver.di, too, highlights that about two to three years ago, new working conditions were created for blue-collar workers, now followed by new terms for the white-collar staff; these conditions are to be combined in a new collective agreement at a later date. The new terms provide for lower pay but safeguard acquired rights. Newly recruited workers are paid less than “veterans”. The trade union, it is continued, has accepted this fact as a compromise to preserve jobs, i.e. to preclude redundancy dismissals. While pay differences vary, they usually amount to an average of 15 to 20 percent. Overtime bonuses were likewise subjected to indirect intervention as working-time accounts were introduced. Bonuses were cancelled, in a way, as overtime in the strict sense does not exist anymore; rather, these hours “float” as extra hours in the working-time account. However, bonuses are paid if a certain number of extra hours is exceeded.

With respect to performance-related pay components under the new collective agreement, ver.di adds that an individual performance appraisal system was introduced. A performance-related share of a person’s pay thus depends on how his or her work is assessed. These performance bonuses are paid from a common pool which in any case must be disbursed.

Asked about the nature of performance incentives for branch or delivery workers, ver.di emphasises that bonuses are not calculated on the basis of turnover or handling times. Rather, they derive from individualised appraisals by a person’s superior and take account of that person’s organisational behaviour in general.

ver.di adds that Deutsche Post also wants to introduce piecework pay, as this would enable the company to flexibilise expenses and ankle all risks relating to mail volumes. However, the new service providers in the letter-mail sector also operate mixed systems composed of base rates and piecework pay. But mail volumes cannot be influenced by letter carriers, on whom these systems yet shunt all risk.

1.2.6. Changes in working conditions

According to ver.di, labour intensification is a key instrument used by management to step up productivity and reduce personnel expenses. In combination with a downward shift of responsibilities for service provision and the retrenchment of middle-management jobs, this has markedly increased work-related stress. Deutsche Post workers duly complain about growing workload intensity paralleled by an almost aggressive reorientation of Deutsche Post’s activities towards services and advertising-based sales (Hentges/Meyer 2002). Another point emphasised is the growing monotony of the jobs with Deutsche Post AG due to the introduction of new technologies, e.g. at sorting centres.

In all, it seems that many workers are unable to handle the tasks set within the regular working hours and thus work unpaid overtime of their own accord. Moreover, individual performance and efficiency measurement models were introduced to better control the quality of service provision.

With respect to quality control, ver.di contends, the company is pushing IT penetration and intensive reporting in order to introduce productivity control systems. In addition, incentives are created to better meet the quality objectives of the German Postal Company, which mostly concern delivery time (punctual customer service). Quality objectives chiefly relate to E+1 delivery (i.e. delivery of consignments one workday after posting).

Letter carriers are to deliver all consignments in one shift without returning items. Manpower shortages are to be offset by splitting delivery areas between several carriers and delegating part of the consignments to motorised carriers, thus avoiding having to call in replacements.

This permits keeping staff reserves minimal. Incentives are to reward workers for taking more consignments along on their delivery trips. Additional carriers result in extra expense because they have to travel additional kilometres to reach the respective delivery area.

With respect to compliance with labour-law provisions, ver.di has observed a change: private-sector companies tend to “take it easy” and are none too scrupulous about such regulations. Many of their executives come from the transport sector, which is traditionally characterised by somewhat tougher working conditions (non-observance of legal driving periods). In the field of working hours, maximum limits are increasingly viewed more as suggestions than true limits. As a result, the number of accidents at work is relatively high above all with new providers, whose safety standards are low (bikes are in bad repair, etc.).

1.2.7. Skills

Although Deutsche Post AG in its annual reports repeatedly emphasises the growing importance of workforce training and skills (Deutsche Post AG 1997-2002, cf. also ILO 1998) and despite new requirements that have arisen in several fields (mechatronics, ICT, warehouse management, etc.), the company tries to cut down on skill standards, ver.di maintains. For example, the trade union is currently engaged in a conflict with management on the quality of training for staff to be recruited as letter carriers or counter employees. With respect to delivery, labour and management disagree on whether training should comprise two or three years; workers with a two-year apprenticeship starting out in the company have different job perspectives than those who have undergone a three-year training stint.

1.3. Role of the trade union

As with Deutsche Bahn, the trade union of Deutsche Post has likewise decided to cooperate in the restructuring of the postal sector and to ensure a socially acceptable transition process. However, this does not mean that conflicts were wholly avoided. The trade union emphasises that it had to switch from a company union competent in

dealing with the “holy trinity” of postal, banking and telecommunications services and thus to change its very structure and orientation. For this reason, the union decided to risk the transition to ver.di. Initially, the task lay in highlighting and fighting the hazards of deregulation and privatisation. Yet it proved impossible to win this battle. The resulting strategy is therefore a dual one: to prevent and alleviate problems on the one hand and to address the consequences for workers on the other hand. Above all the interests of career public servants need to be protected. The dramatic staff retrenchment measures and fundamental modification of existing job profiles were combated by means of collective agreements that protect workers against rationalisation trends (no redundancy layoffs, skill building, standards for transferrals and acceptable terms if a person actually loses his or her job). As a result, the changeover went off quite smoothly for both government and company. All in all, it was necessary to take “the low road” with respect to the loss of workplaces and income (at least for newly recruited staff) in order to avoid being mired in even worse losses, it is stated. In the meantime, the trade union is trying to establish itself outside the Deutsche Post as well, which in the opinion of ver.di does not appear to present major problems. The objective lies in stabilising income conditions for the entire sector.

In general, union membership is still very high, attaining a stable level above 70 percent. With a view to its necessary transformation from a company union into an industry-oriented one, ver.di states that the sector risks becoming a low-wage industry and that many jobs protected under social law might be lost (which would have repercussions on the social security systems as well) if the union should fail to gain ground with the staff of the new service providers.

1.4. *Summary*

- The liberalisation and privatisation of the postal-services sector in Germany has led to a cutback in 42 percent of the staff since the early 1990s. In 2002, Deutsche Post AG employed approx. 220,000 persons in postal services. Since 1998, the employment volume of the group has again begun to grow as a result of the globally oriented expansion strategy and intensive corporate purchases at home and abroad. In this period, the share of Deutsche Post AG career public servants was cut from approx. 50 percent in the early 1990s to approx. 33 percent in 2002. Career public servants were thus disproportionately affected by staff retrenchment despite agreements concluded between trade union and management to protect their acquired rights. Most sources emphasise that staff retrenchment proceeded in a socially acceptable manner. Two studies on employment trends in European postal services expect that liberalisation and privatisation will boost employment, at least via indirect effects of employment growth in related sectors.
- According to information furnished by the postal regulator, private postal-services license holders have created approx. 19,500 jobs. However, over half of these are “DM 630 jobs” liable to social security contributions (minimal employment relationships).

- Productivity is stepped up by means of intensification and increased rationalisation of production processes on the one hand. Modern sorting centres can pre-sort close to 90 percent of items, and sequencing can do the same for the overwhelming share of the mail handled by letter carriers. This intensifies work processes in sorting, accompanied by ever greater monotony. Moreover, sequencing lengthens the delivery trips of carriers, which renders this work physically much more taxing. Conversely, Deutsche Post tries to modify pay and working-hour regulations to reduce personnel expenses. To prevent the outsourcing of numerous tasks, the trade union was forced to agree to many changes. With respect to subcontractors, there are indicators that the postal sector might become a low-wage industry; some tasks (parcel delivery and similar) are paid as piecework. The employment conditions offered by private license holders are very bad; wage dumping and high turnover characterise many employment relationships.
- The flexibilisation of working conditions and the reduction of labour cost are key elements of the personnel policy pursued by Deutsche Post AG. This has led to the introduction of an annualised-hours scheme. Overtime is credited to working-time accounts and, as a rule, compensated for as time-in-lieu. While the trade union was able to conclude agreements protecting acquired rights and preventing redundancy layoffs of workers already employed by Deutsche Post AG, it was forced to accept a pay decrease of up to 20 percent for newly recruited staff.
- These changes have rendered the work more intensive and at the same time more monotonous. Moreover, new methods of measuring employee performance were introduced, and comprehensive incentive systems were created. These inferior working conditions are also reflected in lowered skill requirements and fewer training options.
- The trade union has decided to co-operate in the restructuring of the German postal sector in order to protect the rights of career public servants, prevent redundancy layoffs and preserve regular working conditions. However, this also means that the trade union must, to a certain degree, second the changes for the worse that are occurring within Deutsche Post AG.

2. CASE STUDY: GERMANY – WATER

Preliminary remark

The general data situation regarding the German water sector is very unsatisfactory. An interview was therefore conducted with a representative of ver.di (on 20 May 2003) to supplement the available material.

2.1. Background information on the German water industry

According to information furnished by ver.di, approx. 6,700 water supply entities are active in Germany, most of them owned by municipal administrations. It is estimated that 800 to 1,000 water supply associations are organised under public law; in addition, there exist several large-scale, long-distance supply companies, such as Bodensee-Wasserversorgung and Landeswasserversorgung Baden-Württemberg, with largely municipal partners. Gelsenwasser AG is the oldest and biggest private company; dominated until a few years ago by municipal shareholders, 80 percent of its stock are today held by E.ON. E.ON is to divest itself of its Gelsenwasser holdings by 2004 in the course of the Ruhrgas takeover process. The continuing concentration trends point towards a further reduction in the number of companies – according to ver.di, some estimates count only 6,100 companies (cf. also EEB 2002).

The companies are unevenly distributed across the regions. According to ver.di, Bavaria alone has 2,500; Baden-Württemberg, over 1,000 companies. The smaller undertakings concentrate on the south of Germany, since the local water quality is very good and relatively little financial input is therefore required to ensure adequate supply. These are mostly small-scale municipal undertakings, “where the mayor still operates the slide gate“. Statistics of Bundesverband Gas und Wasser (Federal Association of the German Gas and Water Industries) maintain that approx. 1,500 undertakings are of a certain importance, since they handle 70 percent of water supply.

The wastewater sector is likewise covered by over 6,000 undertakings.

Among these, ver.di maintains, the only significant, purely private water and wastewater company is Eurawasser GmbH, which after the withdrawal of Thyssen Handelsunion is now solely owned by Suez Lyonnaise. The biggest partial privatisation push concerned Berliner Wasserbetriebe in addition to its numerous subsidiaries. For 49.9 percent of the shares, RWE, Vivendi and Allianz paid the sum of approx. DM 3.2 billion in 2000. Interestingly, local authorities still hold a 36-percent share in the multi-utility group RWE.

In 1996, German legislation on the restraint of competition was amended, which also abolished closed gas- and energy-supply areas. The same was to happen in the water sector, but this approach was rejected by the German Bundestag. According to ver.di, further discussions ensued in 1999 and 2003. At present, however, it does not seem

probable that closed supply areas will be abolished (at least not for the time being). The protection of supply areas will remain unaffected, in the opinion of ver.di, unless GATS or the recent liberalisation plans of Commissioner Bolkestein fall on fertile ground in Germany.⁴³

Irrespective of this, the first privatisation measures in the water and wastewater sector are being introduced by way of operator models. Municipal authorities convert their water undertakings into private-law companies to be able to act more flexibly “in the market”. In case of operator models, local authorities organise a water supply tender, which usually attracts applications by syndicates, often with some French participation (e.g. Vivendi in Saxony-Anhalt and Berlin, Suez Lyonnaise more often in East Germany ...), ver.di adds.

In the eyes of ver.di, the privatisation debate has caused numerous shifts within companies, although this also depends on the respective company’s size and the specific influence exerted by the state. Relevant bigger enterprises are more and more strongly customer-oriented, e.g. with a corresponding market focus and benchmarking in the wastewater sector, which has certainly triggered improvements. Benchmarking is viewed as a competition between public undertakings. However, there still exists something that might be called “the ethics of public service”, especially among the staff. Yet processes of change are emerging in this respect as well, e.g. in the case of Hansewasser Bremen – a private provider of wastewater services –, which was characterised by protracted privatisation struggles. Now the workers identify with the company. For this reason, it seems more appropriate to speak of “waterworks ethics”.

Generally speaking, ver.di maintains, the key elements of change concern organisational transformations, i.e. from state-owned undertaking to owner-operated undertaking to limited-liability company, joint-stock company or the establishment of public institutions. There are two big ones of the latter type (Berlin, Hamburg – for the wastewater sector). Thus the objective is autonomy and legal independence as well as the creation of large-scale, powerful units for the international market. ver.di doubts the usefulness of this strategy, since this aim could also be achieved by efficient smaller enterprises.

2.2. Effects of liberalisation and privatisation measures conducted so far on water industry employees in Germany

The available data on the water sector are highly disparate, which is due to problems regarding the classification of this sector (Vesper 1998). ver.di assumes that the water industry (composed of water supply, wastewater management, etc.) employs approx. 110,000 persons, roughly 70,000 of whom are engaged in commercial tasks and another 40,000 in the “pipeline system”. The majority of workers are male.

⁴³ Cf. in particular the EU Internal Market Strategy 2003-2006, COM(2003) 238 final.

According to ver.di, the qualification standards in the German water sector are very high. These standards are attained through primary and on-the-job training. Few jobs are held by semi-skilled workers, due to the high intensity of technology deployment in this field (waterworks, treatment plant operation). Sewer maintenance work is one of the few exceptions here.

Although, as shown above, liberalisation and privatisation efforts have not progressed very far in the German water industry, some current trends correspond to developments in other areas. For example, most texts that in some form address employment trends in this sector also mention gradual staff retrenchment (ver.di, no date). It has been repeatedly emphasised that 34,000 persons were working in water supply in 2001, although the sector had offered 11,500 more jobs a decade earlier, which would equal a drop by over 25 percent. The European Environmental Bureau review of water services in the EU (2002) mentions 28,000 persons employed in German water supply in 1999. In its country-specific summary on the employment situation of German environmental industries, this review contains no further data on employment in the water sector.

According to an assessment by ver.di, staff retrenchment programmes are to help get rid of older workers. Basically, it seems that staff retrenchment concerns the scientific and engineering segment more strongly than the commercial one (Ladstätter 2001).

A statistical evaluation of employment trends in services of public interest (Vesper 1998) shows that the East German sectors of agriculture, forestry and water management were affected by almost double the retrenchment volume imposed in the west.

Since the fixed costs of technical installations cannot be modified, it is attempted to cut costs in the water sector, as elsewhere, by reducing personnel expenses (ver.di, no date). This chiefly involves the issues of service efficiency and profitability. Conversely, ver.di emphasises that staff cuts influence profitability only to a very limited degree, since personnel expenses actually account for just a minuscule amount if compared to the fixed costs of any enterprise. Thus the share of personnel expenses in the wastewater sector (treatment plants) is 14 percent and even less than 10 percent if sewers are included in the calculation. Staff cuts reflected in customer tariffs account for a gain of under ten cents. However, staff cuts are a “kind of fad”, it is argued, and big companies pursue long-term programmes with this objective – e.g. the current Berlin staff of 5,300 is to be cut by 1,500 persons until 2009.

Confronted with staff retrenchment, the trade union tries to ensure that reductions will be conducted in a socially acceptable manner and to prevent redundancy layoffs (ver.di, no date). Layoffs are carried out in keeping with each company’s specific situation and often linked to severance payments, especially in bigger enterprises. Bigger companies sometimes also conduct retraining and qualification measures, which is difficult for smaller undertakings. However, retrenchment measures mainly concern big enterprises. According to ver.di, large-scale companies conduct staff retrenchment programmes and usually try to cushion the reduction effect in case of “mass dismissals” by means of job-creation companies (*Transfergesellschaften*). Through measures supported by the

Labour Office, it is attempted to retrain workers for new jobs, although this effort is not often crowned by success, due to the tight situation in the labour market. Practically no new jobs are created in the water industry.

In connection with the high skill level and great personal significance attached to it by workers, the available texts repeatedly draw attention to the “valuable know-how resources” often lost as a result of staff cuts (Geiler, no date, Ladstätter 2001).

“A rigid dismissal approach often leads to the summary elimination of important know-how carriers. For water and wastewater companies, too, this means draining a valuable stock of internal know-how. The knowledge stored in databases alone is insufficient for water and wastewater companies to succeed in the market. Some know-how cannot be written down or stored in a database. Personal know-how can only be communicated by people to people. The skills and experience of the staff embody hidden knowledge. Their know-how is a valuable resource that must be carefully nurtured by the company.” (Geiler, no date)

2.3. Changes in working conditions

2.3.1. Customer focus

As stated above, the water industry, too, is characterised by the growing role assigned to customer orientation. Conversely, it is attempted to step up the sector’s productivity by means of rationalisation measures accompanying staff retrenchment. This is made possible by e.g. improved plant and control technologies.

According to ver.di, a strong customer focus is evolving into a key requirement. This is less due to privatisation than to a change in the service concept, as customers have become more exacting, want to be better informed and demand more value for money. Moreover, they want “personalised” services, which explains the growing number of customer counselling centres operated by water companies or utility providers. This customer focus is also at the heart of several problems the trade union is facing in the restructuring process (ver.di, no date). For example, ver.di mentions the problem of “unprotected confrontation” with customer complaints, which constitutes a new stressor at work.

In particular private – chiefly French – providers take recourse to HRM (human resource management) strategies to boost staff motivation. At the same time, these enterprises come with their own executive staff and try to conclude their own internal collective agreements.

According to ver.di, the German water sector presents almost no instances of atypical and precarious employment.

2.3.2. *Working hours*

Generally speaking, ver.di maintains, there seems to be little indication of flexibilised staff deployment. While flex-time models are used in the administrative sector, all areas with shift operation still have clearly defined working hours. However, in ver.di's opinion, various working-time models do aim at shortening working hours (and lowering pay), which is dealt with in internal company agreements.

However, since staff retrenchment has entailed marked cuts, above all in shift operation, staffing problems may arise if too many employees call in sick. This results in more overtime, which is paid for or credited as time-in-lieu, depending on the respective agreement. The collective agreement for services of public interest tries to convert all overtime into time-in-lieu, if possible, although the actual handling of the situation on a case-by-case basis depends largely on internal company agreements.

However, the working-time issue is still very important for trade unions and works councils/personnel committees in the water sector. Problems mentioned include the planned extension of regular working time to the hours from 5:30 a.m. to 8 p.m. for all service-oriented areas, the introduction of flex-time and swing shifts, and the return to Saturdays as regular workdays.

For this reason, ver.di emphasises, the restructuring measures have triggered performance intensification and hence greater stress, as pressures on workers increase. Every workplace is potentially in danger. According to ver.di, performance is intensified by setting workers more and more tasks. In the past, the same volume of tasks was handled by more persons. For example, the Berlin waterworks employed a staff close to 8,000 in the early 1990s (after German reunification) compared to the present 5,300.

This mounting sense of uncertainty has effects on working hours: people stay longer and work – even unpaid – overtime.

2.4. *Role of the trade union and pay situation in the water industry*

Talks with a ver.di representative have shown that a highly “traditional“ unionist orientation still prevails in the water sector; as a result, membership (60% for blue-collar workers, less for their white-collar colleagues) is very high. This is also due to the workers' strong identification with their work, ver.di contends. Principally, the industry is subject to the collective agreements for services of public interest, i.e. the collective agreement for federal employees and the collective agreement for federal industrial workers. The private companies have concluded internal agreements. ver.di representatives consider the public-service collective agreements to be rather cumbersome, while company agreements often hide big pitfalls behind seemingly insignificant details. Moreover, these companies pay five to ten percent below public-service collective agreements.

While public-service collective agreements, in the opinion of ver.di, do allow for a degree of flexibility, they are difficult to fully understand and thus rarely drawn upon with this purpose in mind. In East Germany, derogations were made to overcome problematic situations. Moreover, big companies maintain internal agreements that already provide for cuts. Basically, two approaches are used to undercut the federal collective agreements: on the one hand, there exists a trend (pursued e.g. by the new owner RWE) to whittle down or cancel local regulations applying in highly unionised regions (North Rhine-Westphalia), where prospering companies pay a bonus in addition to the 14th monthly pay as well as an extra Christmas bonus.

On the other hand, younger, newly recruited workers are only employed at collectively agreed minimum rates (older workers' acquired rights to receive rates above the agreed minimum are protected). Some companies have already arrived at two or three pay levels.

The trade union principally opposes the liberalisation and privatisation of the water industry. Wherever it cannot prevent these trends, it tries to co-determine the process of change and is convinced of having warded off a number of negative developments.

For this reason, the trade union wants to be informed of any planned sale of enterprises at the earliest possible moment. Key demands of the union with respect to the restructuring of the water industry include job security, protection of acquired rights by way of collective agreements, retirement protection, preservation of all internal agreements, promotion of career public servants and the possibility of their return to municipal service.

Moreover, the trade union strives to prevent the undercutting of the collective agreement by lower collective pay levels.

As in other sectors, the problem of competing trade unions exists here as well. Two unions are active in the water industry: above all in East Germany, the Trade Union of Mining and Chemical Workers (BCE) is trying to gain ground in the water industry. According to a resolution by the Federation of German Trade Unions (DGB), ver.di is still competent for all collective bargaining. However, ver.di adds that BCE is responsible for negotiating internal collective agreements, thus excluding workers from the industry-level collective agreement, a stratagem companies like to take recourse to. For example, BCE concluded an internal collective agreement with the management of Stadtwerke Erfurt, which was interested in creating a strong profile following the formal re-establishment of the company. As a result, workers no longer come under the public-service collective agreement and, according to ver.di, earn Euro 200 to 500 less than their colleagues in other companies.

This creates an obvious potential for conflict between trade unions. However, the ver.di representative interviewed stated that ver.di has won many new members because people notice how hard the union lobbies on their behalf. When push comes to shove, the trade union will certainly become stronger since it is able to protect jobs.

2.5. Summary

- So far, liberalisation and privatisation measures in the water industry were accompanied by continuous staff cuts. Over the past decade, these cuts amounted to roughly 25 percent for the water supply sector. Large-scale water companies conduct systematic and organised staff retrenchment. Dismissals are cushioned by job-creation companies (*Transfergesellschaften*), which are to prepare affected workers for the labour market by means of skill building measures. It is feared that continued staff cuts will entail a loss of skill resources.
- A strong customer focus is of mounting importance for the water sector, which indicates a change in the service concept. New providers introduce new management strategies (HRM).
- So far, there exists little indication of flexibilised staff deployment. However, models have been introduced to compensate workers for overtime – which tends to mushroom due to staff cuts – more as time-in-lieu and less in monetary terms. In addition, staff cuts intensify performance pressure and work-related stress in the water sector.
- Workers in the water sector are traditionally unionised, with correspondingly high membership. Employees are paid according to collective agreements for services of public interest. Private enterprises pay internal company rates five to ten percent below public-service collective agreements. Furthermore, well-organised and prospering enterprises have concluded company agreements. In some cases, it is attempted to dismantle regulations above the collective rate. This mostly affects younger, newly recruited workers, who as a rule are paid according to the general collective agreement only. Some companies have already arrived at several pay levels. Moreover, the introduction of new, lower wage categories into the general collective agreement is being discussed – a trend the trade union wants to prevent. As in the past, the trade union will in particular concentrate on protecting the acquired rights of career public servants in the water sector. Since another trade union is trying to gain ground, chiefly in East Germany (BCE), by offering companies lower collective agreements, there also exist conflicts between workers' organisations. The trade union ver.di opposes the further liberalisation and privatisation of the water industry.

3. CASE STUDY: GERMANY – RAILWAYS, DEUTSCHE BAHN

3.1. Background information on the effects of privatisation and liberalisation of the German railways on the workforce

The development of the German railway sector over the past ten to fifteen years was characterised by two parallel yet increasingly interlinking processes. On the one hand, German reunification led to a merger of Deutsche Bundesbahn (DB) and its Eastern counterpart, Deutsche Reichsbahn (DR), in 1993. In the preceding years, the latter company had been subject to massive decentralisation and market orientation, which due to the closedown of smaller stations was accompanied by extensive concentration on fewer and fewer locations (Frey et al. 2001). In 1994, the company was transformed into Deutsche Bahn AG (DB AG), which in this way was hived off but still remained wholly state-owned. It was planned to have DB AG listed at the stock exchange in 2003, although this has been postponed. These developments were preceded by discussions concerning the growing economic problems and deficits of Deutsche Bahn, a debate that had been manifest since at least the early 1980s.

In 1982, a newly appointed management board composed of private-industry executives had developed the corporate concept “DB 90”, which was to step up productivity by 40 percent, reduce personnel expenses by 30 percent and cut total expenditure by 25 percent (GdED 1996). This was chiefly tried via “large-scale staff savings“, line closure and the outsourcing of certain tasks.

In 1991, a government commission for the German railways established in 1989 presented its report, which provided for the transformation of DB and DR into a federal joint-stock company as well as for the structuring of this company into various divisions. The EU provisions for the reorganisation of the railway sector had likewise intensified pressures on the German railways to reform and thus created certain frame conditions for the privatisation of the company (entrepreneurial autonomy, independence of the state, separate accounting for track system and operation, opening of tracks to third parties, etc.).

The change in the organisational structure of the German railways and the splitting-up into ten relatively independent business areas and four central divisions (passenger transport, freight transport, track infrastructure, rolling stock/workshops) are described as “divisionalisation” by Frey et al. (2001). The business areas maintain only loose contacts with the company headquarters and are in fact located directly below the management level. This process was accompanied by large-scale decentralisation that also involved the closedown of regional (DR and DB) directorates. The regional divisions and branches located below the business area headquarters are controlled by way of partial profit responsibility, agreement on operational targets and budgets.

“By splitting the materially highly integrated, large-scale company ‘German railways’ into business areas – the ‘divisionalisation’ process –, this body was vertically disintegrated.” (Frey et al. 2001:134)

One might say that this resulted in “companies within the company”. Until the late 1990s, these consisted of the divisions for short- and long-distance transport (passenger transport), mixed cargo and DB Cargo (freight transport), network, track construction and switching stations (track infrastructure). The rolling-stock business area was answerable to the central division for research and technology; passenger stations, to the central division for real estate and law. In 1999, DB AG was split into a group composed of five business areas (Scheele 2000a, 2000b, Pedersini/Trentini 2000): DB Reise & Touristik (tourism), DB Regio (short-distance transport), DB Station & Service, DB Cargo (freight transport), DB Netz (track system).

According to Alexandra Scheele (2000 a+b), as many as 114 non-state-owned railway operators were active in the passenger sector (plus 144 in the freight sector) in the late 1990s, employing a total of 93,000 workers.

3.2. *Effects on the employment volume*

3.2.1. *Staff retrenchment*

Over the past years and decades, the railway sector was subjected to substantial staff retrenchment. For example, the West German railways in 1957 employed 512,000 persons, while the 1982 workforce of DB had dwindled to 314,500 (Hüning/Stodt 1999), again cut to 245,915 persons in the context of the DB 90 reform. In 1990, DR employed 236,121 persons. While 8.9 persons were employed per network kilometre in West Germany, this value was 14.8 for the eastern part of the country.

By the time the 1993 merger had come around, almost 88,000 persons or 37 percent of the DR staff had been cut; as a result, the workforce at the end of 1993 was only 148,161 employees. DR not only maintained a much bigger workforce than DB; the share of female workers, too, was considerably above its western counterpart. In 1990, DR employed 74,611 women, who thus accounted for over 31 percent of the total railway workforce in East Germany. The number of female workers had decreased to 39,144 by 1993, equalling a share of 47.5 percent of the jobs lost. Staff retrenchment in East Germany thus affected women more strongly than men (Hüning/Stodt 1999).

In that period, staff retrenchment in West Germany proceeded more moderately. By 1993, the workforce was reduced to 229,310 persons, a drop by 6.8 percent. DB presented a much lower share of female workers: in 1990, it was 13,051 or 5.3 percent. Contrary to East Germany, the female employment trend in that period was, however, (slightly) positive in the West, as the share of women had increased to 15,812 by 1993.

Table 3-1: Employment trends at Deutsche Bahn

	Before DB/DR railway reform			Phase 1 of railway reform (DB AG/subsidiaries)					Phase 2 of railway reform as of 1999 (DB Group)			
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	March 2002
Workforce as per 1 January, excl. apprentices	456,433	426,252	398,398	342,850	301,936	276,957	246,859	223,523	252,468	241,638	222,656	214,371 (-52.7%)
Arrivals (in total +108,658)	23,368	17,554	11,908	2,223	6,736	4,295	3,525	4,463	12,443	10,830	8,578	2,735
Natural turnover	-42,729	-34,562	-21,426	-13,767	-14,810	-12,035	-9,824	-8,303	-11,902	-21,243	-11,812	-2,756
Socially acceptable measures	-9,850	-9,387	-29,976	-18,770	-16,665	-9,047	-14,140	-11,128	-11,065	-5,045	-4,245	-1,144
Hiving-off	-970	-1,459	-16,055	-10,600	-240	-13,311	-2,897	-5,762	-306	-3,524	-806	-728
Leavers (in total -402,289)	-53,549	-45,408	-67,457	-43,137	-31,715	-34,393	-26,861	-25,193	-23,273	-29,812	-16,863	-4,628
Arrivals and leavers, balance	-30,181	-27,854	-55,548	-40,914	-24,979	-30,098	-23,336	-20,730	-10,830	-18,982	-8,285	-1,893
Workforce total, excluding apprentices	426,252	398,398	342,850	301,936	276,957	246,859	223,523	202,793	241,638	22,656	214,371	212,478
Subsidiaries (excl. apprentices)			31,057	29,165	35,622	41,909	44,750	49,675				
Total (excl. apprentices)	426,252	398,398	373,907	331,101	312,579	288,768	268,273	252,468	241,638	222,656	214,371	212,478
Apprentices at DB Group	24,577	23,725	22,108	21,282	18,973	17,473	17,049	16,275	14,438	11,851	9,091	6,394
Total (incl. apprentices)	450,829	422,123	396,015	352,383	331,552	306,241	285,322	268,743	256,076	234,507	223,462	218,872
Workforce, annual average				355,694	331,774	295,610	277,471	259,072	244,851	230,615	219,146	212,873

Source: TRANSNET 2003.

Table 3-1, which was culled from information on the DB AG pay bargaining round 2003 provided by the trade union TRANSNET (TRANSNET 2003), shows that the workforce of Deutsche Bahn (until 1993, of DB and DR) was reduced from 456,433 to 214,371 persons from 1991 to late 2001. This corresponds to a staff cut by 53 percent. 140,462 persons (30.8%) left the company on the basis of socially acceptable measures, while over 205,000 persons did so as a result of natural turnover. As Table 3-1 shows, staff retrenchment was not only to prepare for the merger of DB and DR but continued after 1994. From 1994 to March 2002, the workforce of DB AG was cut by another 180,047 employees.

In absolute figures, the number of persons who left DB AG in the years after the merger was somewhat lower, as column 6 of Table 3-1 shows. As of 1997, the number of leavers was actually below 30,000 annually. However, it is striking that the higher number of leavers in the early 1990s, due to a stronger recruitment input, evens out as very similar to the overall employment trend in the second half of the 1990s. Roughly 57,000 workers were cut since 1991 as a result of outsourcing; this corresponds to over one fourth of the total (balanced) personnel reduction in that period.

In all, 402,289 persons left the company since 1991 due to natural turnover, socially acceptable measures and outsourcing. Over this period, the number of newly recruited workers was 108,658, i.e. one might claim that between 71.2 percent and 88.2 percent of the 1991 workforce were exchanged, reduced or outsourced since then.⁴⁴

Between 1994, the year in which DB AG was established, and 2002, the number of apprentices was likewise dramatically reduced. Over this period, their number was cut by almost 70 percent (!).

According to DB AG (Deutsche Bahn 2003), group productivity has increased by 156 percent since 1994.

After the merger, staff cuts increasingly extended to the former DB as well, Hüning and Stodt contend (1999). While Hüning and Stodt occasionally give somewhat different overall employment figures, they show that staff cuts from 1994 to 1998 affected female workers to a slightly lesser degree. According to their data, the total workforce was reduced by over 44 percent in that period, while female employment decreased by only 39 percent. Thus male workers were retrenched by over 45 percent. In the late 1990s, the share of female railway workers seems to have settled around 15 to 17 percent. In its annual reports since 1999/2000 (Deutsche Bahn 2000, 2001, 2002), Deutsche Bahn has been presenting a continuous growth of the female employment share, which today

⁴⁴ The value of 71.2 percent results from the following calculation: share of leavers since 1991 (total: 402,289) in the sum composed of workforce in 1991 plus sum of arrivals since 1991 (total: 565,091). This may be interpreted as an approximation to the lower limit of the personnel turnover at DB AG since 1991. The value of 88.2 percent results from the following calculation: share of leavers since 1991 (total: 402,289) in the workforce in 1991 (total: 456,433). This maximum value is calculated assuming that no worker newly recruited in 1991 has left the company. Since, as Table 3-1 shows, Deutsche Bahn subsidiaries were reorganised, the calculated values should be understood as approximates.

again equals 20 percent. Hüning and Stodt (1999) believe that this slightly more positive development (compared to the male workforce) is due to the stronger service focus of Deutsche Bahn, whose implementation management strategies tend to delegate to women. These developments will be dealt with in greater detail below.

A key problem of personnel trends at DB AG lies in the position of career public servants, who – as Table 3-2 shows – accounted for almost one third of all Deutsche Bahn workers in 1994. By 1998, their number had been reduced by 37,000. By way of comparison, the number of non-tenured railway workers was cut by almost 42,000 in the same period.

Table 3-2: Employment trends according to staff categories

	Employees	Career public servants
1994	223,024	108,077 (48.5%)
1995	212,031	100,548
1996	199,736	89,032
1997	189,104	79,169
1998	181,460	71,008 (39.1%)

Source: Scheele 2000.

Table 3-3: Employment trends according to staff categories, 1999-2001

	Employees	Career public servants
1999	176,662	64,976 (36.8%)
2000	166,775	55,881
2001	161,344	53,027 (32.9%)

Source: Deutsche Bahn.

By 2001, Deutsche Bahn informs, the number of career public servants with tenure had been reduced to 53,027. Thus this group now accounts for only one fourth of the total DB AG workforce.

Announcements made by the management board in 2000 to justify the necessity of a further reduction of DB AG's operating costs led to concern that another slice of up to 70,000 workers might be cut back (Wolf 2000). Combined with cuts in bonuses and social security benefits, this was to generate savings of approx. DM 3.6 billion. The trade union finally accepted a further staff reduction by 35,000 workers in the period until 2004.

As DB AG's original staff retrenchment plans demonstrate, staff cuts will be continued by Deutsche Bahn in the first half of this decade in all areas, with the sole exception of

DB Station & Service, a field for which the original plans of 2000 already provided for limited (9%) retrenchment only.

In view of the expected cutbacks of specific groups of employees, this intensified staff retrenchment indicates that a further downscaling process of Deutsche Bahn and its service range may be expected. According to the original calculations, the number of train attendants was to be cut by 48 percent and the number of engine drivers, by almost 30 percent, although they – as Winfried Wolf, citing trade union statements, maintains – have accumulated so much overtime that a real-terms shortage of 1,000 workers may be assumed.

3.2.2. *Methods of staff retrenchment at DB AG*

Most analyses and visualisations of developments at Deutsche Bahn since its hiving-off emphasise that staff retrenchment has occurred in a socially acceptable manner. In particular, career public servants enjoyed the “full protection of their acquired rights and the continuation of all social security benefits“ (TRANSNET 1996:20). Several employment pacts and alliances between trade union and DB management board agreed that redundancy dismissals were to be avoided; instead staff was to be reduced by means of natural turnover or on a voluntary basis (cf. Table 3-1). Conversely, the trade union promised its support in the flexibilisation of work organisation (working hours, workforce deployment, ...) and in the measures designed to enhance the productivity and efficiency of DB (cf. Scheele 2000 a+b+c). To allow for the employment of career public servants by the privatised company, the Constitution was modified, so that these employee groups could be transferred to DB AG while still preserving their special legal status. Formally, they are answerable to BEV (National Railway Fund), which combines the special assets of DB and DR. Furthermore, BEV is charged with administering the liabilities of the federal railways and the properties not essential for railway operation.

The trade union TRANSNET (TRANSNET 1996:36) emphasises that it has succeeded in securing the status and continued employment of career public servants. This at least ensured their further pay and career development as well as pre-retirement options in case of restructuring measures.

However, several studies (Frey/Nickel 2001, Nickel et al. 1999) have shown that at least informal pressure to leave the company was exerted on workers, usually combined with a severance payment. More women than men took up on this offer.

3.2.3. *DB Vermittlung – An internal labour exchange of Deutsche Bahn*

In order to deal with the personnel policy effects of the restructuring measures implemented in the different reform phases of the railway sector and also because the strength of the trade unions at Deutsche Bahn as well as the impossibility to dismiss a large part of the employees (chiefly due to their status as career public servants) excluded the option of cutting staff through layoffs, the management board tried to

establish an internal labour market by implementing the group's "alliance for jobs". This was to contribute towards optimising workforce deployment within Deutsche Bahn and to support workers by means of qualification and retraining measures in finding a new vocational orientation within or outside the group (Deutsche Bahn 2003).

In 2003, the group's labour market was based on three areas: JobService, DB Vermittlung and DB Zeitarbeit. JobService controls the staffing of vacancies within the group. Employees whose jobs are "cancelled" are individually counselled regarding vocational development possibilities. Although DB AG maintains that the objective of JobService lies in finding new jobs within the group for these workers, it seems that its efforts were successful in only half of the 4,300 counselling cases (Deutsche Bahn 2003) handled in 2002.

DB Vermittlung GmbH is in charge of dealing with workers of "limited suitability for dismissal" who cannot be placed by JobService. Here, Deutsche Bahn offers above all skill building measures through practice stints and on-the-job courses to prepare these workers for specific activities within DB AG or make them "fit for the labour market" (Deutsche Bahn 2003). According to the publication and information service of Deutsche Bahn (Deutsche Bahn 2003), 4,300 workers were assisted by DB Vermittlung in 2002. Of these, 650 have found a new job within the group, while 600 left the company under socially acceptable conditions.

The collective agreement for DB Vermittlung concluded in 2001 provides for several remarkable provisions (GdED 2001). For example, employment contracts with workers concerned do not stipulate any concrete activity but state that a person is employed for his or her vocational reorientation, subject to specific duties of co-operation on the part of the worker. Thus the collective agreement for DB Vermittlung does not explicitly exclude dismissals. The collective agreement in addition stipulates that a reduction in pay is also to be deemed acceptable.

DB Zeitarbeit as the third column of the group-wide labour market was only established in 2001. This subsidiary of Deutsche Bahn employs roughly 500 persons on a full-time basis. "The scope of tasks comprises value-creating personnel provision for external and internal clients." (Deutsche Bahn 2003). Roughly 20 percent of workers have left DB Zeitarbeit for a regular employment relationship with a client company.

A qualitative analysis – in particular from a gender-critical perspective – of employment relationships in the organisation preceding DB Vermittlung (DB Arbeit) was prepared by a research group of Humboldt Universität zu Berlin, which included Hildegard Maria Nickel, Hasko Hüning and Michael Frey (Frey/Hüning/Nickel 2001). The results of this study are summarised in the following paragraphs.

Institutionalised overmanning resulted from the fact that the trade union as well as the tenure of the numerous career public servants employed were able to prevent redundancy dismissals while staff retrenchment and efficiency increases had to be boosted in keeping with the privatisation strategy (Frey et al. 2001). This surplus was first pooled in "restructuring departments" within the business areas and managed outside railway operation proper. These workers were mostly used for activities outside

the core business of DB AG; Frey et al. mention e.g. railway station upgrades and asset rehabilitation, etc. Yet no workplaces within the regular railway sector were found for them.

This was only possible where workers showed a certain mobility and above all the willingness to move to West Germany, where 84 percent of DB vacancies were located at the time (Hüning/Stodt 1999); in fact, there still existed a manpower shortage in some western regions and activity areas. Frey et al. (2001) emphasise that women due to their family duties were often unable to comply with these mobility requirements.

“Women frequently preferred a severance payment and left the company for good.”
(Frey et al. 2001:146)

The widening gap between the proliferating pool of “surplus” and regular workers solidified, chiefly in the former GDR, and affected women to a disproportionate degree. To control and organise this “second internal labour market” (Frey et al. 2001, cf. Deutsche Bahn 2003), Dienstleistungszentrum (DZ) Arbeit was established in 1997 and transformed into DB Arbeit GmbH as an independent subsidiary of DB AG in June 1999. DB Arbeit was composed of a central co-ordination office and 14 regional placement agencies (6 in West Germany and 8 in East Germany).

DB Arbeit is a commercial agency for job placement and temporary employment that also offers its services on the external labour market. Temporary personnel provision thus becomes a tool to flexibilise internal personnel deployment (Hüning/Stodt 1999).

Opportunities to find a permanent job are almost exclusively limited to the labour market outside the DB Group. DZ Arbeit also offers qualification and retraining measures to support vocational reorientation. Skill building measures for workers remaining with the group are limited to the extent required to fill the internal workplace singled out for the respective person.

All new vacancies within the company must be notified to DZ Arbeit for publication in the internal employment register “Stellenmarkt aktuell”. Employees allocated to DZ Arbeit are obligated to accept a job classified as acceptable. If they refuse to do so, they are reprimanded; after a second reprimand, they are dismissed on grounds of personal (in)capability. Hüning and Stodt (1999) present the work of DZ Arbeit between March 1997 and late 1998 as follows: in that period, 13,908 employees were assigned to DZ Arbeit; 11,930 of these left DZ Arbeit; in late 1998, 3,707 persons were still assigned to DZ Arbeit. 16 percent of all workers originally assigned left DB AG “by way of turnover” (Hüning/Stodt 1999); 43 percent found a new job within the company. 41 percent left DB AG on the basis of a mutual agreement (with or without severance payment) or chose a pre-retirement solution. 56 persons were dismissed. Starting in 1998, Hüning and Stodt believe, DZ Arbeit began to gain in importance, as 75 percent of the available personnel inside or outside the group are now administered by it.

The business areas chiefly assigning workers to DZ Arbeit include workshops, railway construction, rolling stock, cargo and mixed cargo, administrative tasks and network, where large staff cuts may be expected. According to Hüning and Stodt (1999), workers at DZ Arbeit are characterised by several specific traits: the sickness leave quota

amounts to 15 percent and is thus far above the DB AG average of 6.1 percent; 12.2 percent of workers are severely disabled (the average company total is 3.1 percent); 25.2 percent are aged 45 to 54 (company average: 15.1 percent). It is obvious that DZ Arbeit is the recipient of workers categorised as unproductive; Hüning and Stodt identify them as being similar to long-term unemployed workers. The bridge function of DZ Arbeit – i.e. the intention of reintegrating employees – has therefore been successful only for part of the staff, and mostly by providing jobs outside the group.

In the course of time, the number of workers from West Germany assigned to DZ Arbeit has likewise increased.

By way of summary, Hüning and Stodt define the role of DZ Arbeit as follows:

“It is evident that the initial employment strategy of DZ Arbeit, i.e. to find many individual solutions and hence to prioritise individualisation, has increasingly proved an individualisation trap for the workers involved: for these persons, the situation presents itself as a process that is extremely open and uncertain yet harbours almost no options for career development.“ (Hüning/Stodt 1999)

3.3. Working conditions

3.3.1. Reorientation of work at DB AG with a focus on service provision

Restructuring was accompanied by extensive changes in the company’s self-image and hence in the requirements to be met by employees. This results from the priority attached to the service concept by a competitive, market-oriented DB AG and is also reflected in relatively stable employment figures for these business areas (chiefly service and stations, passenger stations). It should be borne in mind that the customer-oriented areas of both DR and DB were those with the highest share of female employees (Stodt 1998). Studies refer to the gender-specific staffing in this newly emerging activity area (Schwarz 1998, Hüning et al. 2001), where women are increasingly preferred as workers because of their allegedly greater aptitude for customer service.

Based on the outcome of a customer poll, DB AG has formulated a group of principles whose combination is to ensure top service quality. They include reliability (dependability, care and continuity of service provision), co-operation (quick and flexible individualised assistance), expertise (honest, courteous and competent service), sensitivity (attentiveness, empathy, around-the-clock service) and the necessary physical environment.

“DB AG tries to position itself as a modern European service provider. This is paralleled by the differentiation of service work within the group. (...) As a result, person-to-person services are increasingly staffed with women. (...) However, the jobs thus created are characterised by growing shift work as well as by relatively low wage grades and skill requirements.“ (Stodt 1998:27)

3.3.2. *Equal opportunities – women’s promotion at DB AG*

In the context of the growing importance attached to customer service by DB AG, attention should be drawn to the specific methods of women’s promotion adopted by DB AG and classified under the “equal opportunities” heading. The trade union likewise judges the introduction of specific women’s promotion measures a success of the transition phase (TRANSNET 1996).

The trends regarding female employment at DB AG were already dealt with above, with a special emphasis on the importance DB AG attaches to the service and customer focus, the resulting slight increase in the number of female workers since the late 1990s and the accompanying internal segregation of employment relationships. However, it should be added that, according to Anja Fahrenholz (2001), the share of women at the middle-management level and above is 7.8 percent at DB AG (in other German companies, this share is 3.3%). In 1995, the company appointed equal-opportunities officials (for every business and regional area) and issued group guidelines for women’s promotion. The officials are charged with ensuring the “optimum allocation of human resources by promoting equal opportunities“ (quoted acc. to Kracht 1998). However, these demands do not constitute enforceable rights. The guidelines promise an increase of the female employment share (chiefly at the executive level), career development and skill building for women, an improved working atmosphere, protection against sexual harassment and measures to harmonise work and family chores (easier return to the job after maternity leave, part-time work, support in the search for suitable childcare facilities) and management development.

Generally speaking, Kracht maintains, it may be assumed

“that the company regards women’s promotion as a tool for optimising its ‘selection of top talent’, i.e. a stronger integration of women enlarges the pool of potential executives.“ (Kracht 1998:50)

3.3.3. *Flexibilisation of working hours*

Since restructuring, if not before, the flexibilisation of working hours has noticeably increased at DB AG as well. Due to their great number and variety, the different models employed by the company cannot be described in greater detail here. Principally, employees of DB AG work 38 hours per week, with an annualised-hours scheme, often on the basis of a variable shift system to flexibilise personnel deployment. The annualised-hours scheme was embodied in the collective agreement in 1998. As a result, extra work is not compensated for as overtime but on a time-in-lieu basis. Individual working hours are calculated by way of working-time accounts, so that no overtime remains in the account at the end of the year; if some should remain all the same, it is transferred to a time-in-lieu account with a 25-percent time bonus (workplaces instead of overtime). Up to 50 “deficit hours” are transferred to the next year and must then be performed. Yet if a worker incurs over 50 “deficit hours”, the hours in excess are cancelled. In the opinion of management, this is to prevent that workers will go looking for non-value-creating work, i.e. work not paid for by

customers (Krüger 2001, Dräger, no date). As Thomas Dräger of Symposion Flexible Unternehmen feels compelled to add, this approach is “no social charity“, but at closer examination proves an important incentive to “systematise working time and hence enhance productivity“. The idea is that work should only be done if there is customer demand for it. Moreover, this will prevent the “camouflaging” of overmanning (Dräger, no date).

Moreover, workers are entitled to shorten their annual working time by 261 hours (five hours per week); the company is to comply with this request within a six-month period.

The collective agreement distributes a person’s working hours over 261 days; at least 26 work-free Sundays and holidays per year and two work-free weekends per month are to be safeguarded.

Thomas Dräger emphasises that working-time flexibilisation and the introduction of annualised-hours schemes are to help cut “personnel safety buffers“ in the “highly sensitive” railway system (Dräger, no date). The extent of flexibilisation is highlighted by the following quotation:

“Many of the internal company agreements concluded since the beginning of the year on the basis of the annualised-hours collective agreement contain highly obvious ‘rules of the game’ for the short-term scheduling or cancellation of working hours on the day preceding service or sometimes even after service commencement, without any financial compensation for the workers thus affected.“ (Dräger, no date)

Dräger further argues that the first flexible regulations not based on written company agreements have appeared, which in his opinion equals a “small cultural revolution in working-time schemes”.

3.3.4. Working conditions and corporate culture between annual reports and individual experience

The Annual Report 2000 of DB AG (Die Bahn 2000) contains a series of “employee portraits“ which, in addition to private tidbits, convey the image DB AG cultivates of its ideal employees. These include migrants “with lively brown eyes“ or women with “both feet firmly on the ground”. Ideal DG AB employees show initiative, are fairly bursting with energy and approach problems according to the principle “even if the odds are against you, go for it all the same”. These employees might have been a little wild when young but have learned a lot (even through conflicts) from their instructors – “tough people with real authority“ – and thus have changed, as all migrants supposedly should, by internalising “German virtues: reliability, punctuality, speed“. After all, “railway veterans” won’t “stand malingering”. The ideal DB migrant is convinced he or she can “get almost anywhere“ by only trying hard enough and thus is coveted as a “flexible, creative and committed worker“ willing to “lend a hand”, who may even become a team leader. Said migrants are also members of the trade union youth movement and support other, unemployed migrants in the integration process, so that these, too, will realise you have to be “interested in the Internet“ and “open to new people and ideas“ and

therefore must not “give up” but “believe in yourself”. However, such model workers, like others who have opted for the “restless life” of engine drivers, have no family duties. They are freely deployable, flexibly-minded, often without a wife or fiancée – and if they have one, “she’ll grin and bear it” because “she’s used to surprises”.

Ideal employees in traditional railway jobs (traffic controllers, train conductors) may also be women; they must only be prepared to work when “other people are on holidays”, if possible filling a variety of tasks and functions, because this is “part of the success story”. These workers, who “could do so much more” than they were allowed to in the past and thus were often underworked, now finally may do all they can for DB AG. They are overjoyed that things are finally on the move and volunteer for any new task because they simply “love being busy” and are as “efficient” as can be. And if their direct superior is just like them, they think “it’s cool”, because “it’s fun”. Obviously, it is useless to ask that sort of employee about their leisure activities, as they have no time for holidays; even if they live by the sea, they have not been to the beach in the past five years.

These images of DB AG’s “dream workers” should be balanced by insights into the changing working conditions at DB AG as disclosed in a series of qualitative interviews with DB employees (Zentrum für interdisziplinäre Frauenforschung 16, 22; Hentges/Meyer 2002). The interviews show that the profound process of change in the German railway sector, the massive staff retrenchment and the merger of DR and DB expose workers to growing demands and strain. Workers experience the privatisation of Deutsche Bahn and the accompanying changes in employment relationships as overly taxing and dramatic competitive pressure that – together with permanent uncertainty about the individual’s role within the company in view of omnipresent staff cuts, above all in East Germany – entails growing stress. Problems are above all triggered by forced mobility and the related strain of commuting, which has caused many women to leave the company “of their own accord”. Some workers experience the constraints of having to change their place of work as truly uprooting. Employees also speak of deteriorating working conditions due to flexibilised working hours and forced shift work. While some workers do welcome flexibilisation, they often complain about unduly long working times. Workers also identify dwindling promotion possibilities and deskilling trends caused by reorganisation processes. Contrary to official group rhetoric, some workers have noticed growing hierarchies and bureaucracy, little transparency of personnel decisions and a related dependence on direct superiors at DB AG. In addition, they notice (and complain of) an erosion of service quality, which indicates a clash between private-sector orientation and public-service ethics. Moreover, DB AG also seems to be besieged by conflicts between its workers in East and West Germany.

The “railway employees’ lack of trust” (GdBA 2002) in their company is also borne out by the results of a staff poll, which, as the Trade Union of German Railway Career Public Servants (GdBA) contends, were published by management only very hesitantly. For example, it is argued, 74 percent of DB Cargo employees did not know about the poll outcome. The results point toward an increasingly negative working atmosphere, greater dissatisfaction and demotivation of workers, which also finds expression in the

staff's decreasing participation in the poll in question (37.5% in 2001). Thus only 49 percent of workers claim that they like working for DB AG – a value that had equalled 60 percent in 1998 – and only 40 percent (!) of workers are willing to recommend DB as customers. It is therefore hardly surprising that, as the study indicates, merely 20 percent of the staff consider DB services high-quality or that only 19 percent believe that the company does its utmost to fulfil customer requests. However, 95 percent of the workers participating in the poll expressed their willingness to do their personal best to meet customers' wishes.

In view of this result, it is small wonder that solely 25 percent think that management is steering a clearcut course (which, obviously, says nothing about their opinion of said course), while 48 percent consider that the management board and executives “do not speak openly and honestly about problems“ (GdBA 2002). As a consequence, less than 20 percent of workers in the various company divisions place their trust in the management board. The negative mood emerging from these data is naturally reflected in the level of co-operation with colleagues, which only 39 percent judge to be efficient.

Despite the company rhetoric emphasising the great importance of staff qualification and skills, a report compiled by an independent, unionist grassroots initiative on the basis of the experience of workers concerned (report 2003) shows that the training standards of engine drivers have dramatically declined, and that some of their activities have been downgraded. Since early 2003, DB Regio has been offering a new service: regional trains are driven directly from workshops, sidings, etc. to the railway stations. In the past, these service trips were handled by regular line engine drivers with a basic training curriculum of up to 3.5 years behind them. In co-operation with the Labour Office, DB Services is now training unemployed persons – the experience report (report 2003) states that skilled electricians with a certificate of proficiency are prioritised – to become so-called “service engine drivers“. The respective training course takes three months, during which trainees receive unemployment benefits. No extra payment is made for night or weekend shifts during this training period. After passing the exam, the trainees are recruited by DB AG as service engine drivers at lower pay and with reduced social security benefits compared to regular line engine drivers.

3.3.5. Role of the trade unions

The workers at Deutsche Bahn are represented by three trade unions. The first of these is the Trade Union of German Railway Workers (GdED), which in 2000 – in view of the dramatic changes in the railway sector – changed its name to “TRANSNET“ in order to better represent workers in various areas (transport, service, railways, telecommunications). In 2000, TRANSNET had roughly 340,000 members (EIRO 2000). TRANSNET did not participate in the establishment of the multi-service trade union ver.di, a fact partly due to competition and recurring conflicts with other trade unions active in the sector. The other two trade unions of the railway sector are the Trade Union of German Engine Drivers (GdL) and the Trade Union of German Railway

Career Public Servants (GdBA). In all, union membership of DB AG workers is 80 to 90 percent (EIRO 2000).

At its annual conference 1992, GdED decided to co-operate in the privatisation process to prevent the loss of a disproportionate number of jobs and to favour socially acceptable staff retrenchment. According to the opinion of leading GdED/TRANSNET unionists, there existed no alternative; anything else would have been “sheer demagogy” (GdED 1996). For this reason, GdED maintains, the railway reform has caused no railway employee to lose his or her job, and a dismemberment of the company (according to e.g. the British model) was prevented. Moreover, the trade union has succeeded in protecting the acquired rights of career public servants as well as numerous social security benefits, social and self-help facilities.

Collective bargaining is a key tool for this purpose. DB AG uses numerous collective agreements which define workers’ rights and protect them against redundancy layoff. The latter issue has moreover been addressed in several, regularly repeated alliances with the group management. The collective agreements also aim at bringing employment relationships in East Germany in line with the West German standards. The eastern pay level was set at 87 percent of its western counterpart. In the meantime, a phased plan was agreed in 2003 to fully adapt pay in East Germany until 2007. In addition, collective agreements now also provide for the harmonisation of the pay of blue-collar workers, for women’s promotion measures and for the protection of social security benefits above collective agreements. In particular, the conclusion of collective agreements designed to protect workers against rationalisation seems highly interesting in this context, as these documents embody both a dismissal waiver and an outsourcing waiver.

Despite the success in collective bargaining and in particular in the effective defence of acquired rights and existing jobs at DB AG underlined by TRANSNET, critics claim that the comprehensive reorganisation of DB might entail an erosion of the industry collective agreement because of the great number of newly emerging employee groups. This development is looming on the horizon unless pay-rate policies can be extended to embrace new providers as well.

Thus a grassroots initiative lists the following employee categories:

1. career public servants (after privatisation, these are “on the way out”);
2. workers covered by the collective agreement and recruited before 1994;
3. workers covered by the collective agreement and recruited after 1 January 1994 at inferior conditions;
4. workers paid East German rates (without perspectives to receive full West German pay);
5. workers of plants or independent divisions threatened by closedown – e.g. of Mitropa –, who are afraid to lose their job in the near future;
6. ... DB Arbeit GmbH: workers no longer needed at their previous workplace and thus assigned to DB Arbeit (DB’s internal job exchange) are now facing an uncertain future. On 7 June 2000, labour and management thus agreed that the collective agreements of DB Arbeit GmbH were to offer ‘incentives to

start working for the core business or with third parties'(!); (grassroots initiative "Höchste Eisenbahn – Bahn von unten 2000")

TRANSNET's executive board for pay-rate policies (2002) calls attention to the growing importance of European co-operation between trade unions and advocates joint action of trade unions in pay-rate policies – especially with a view to the eastern enlargement of the EU – to prevent the harmonisation of inferior pay conditions in the railway sector.

Within the DOORN initiative, TRANSNET co-operates with the collective bargaining officials of Benelux trade unions and, since 2002, also with those of French trade unions. For the coming rounds, the trade unions have agreed to make use of the "neutral distribution space" linked to price and productivity development. This means that the trade unions want to tie the development of wages and salaries in the various countries' railway sectors once more to the inflation rate and productivity development. Moreover, TRANSNET emphasises, the trade unions of the above countries have likewise agreed on qualitative issues:

"For the first time, the transnational initiative has agreed to pursue, in addition to the pay issue, qualitative pay-rate policies as well. (...) In the opinion of TRANSNET, qualitative issues of pay-rate policies, by way of innovative collective agreements, offer the possibility of international (...) co-operation and joint campaigns." (executive board for pay-rate policies 2002:5)

After the introduction of the Euro, it is particularly important to avoid a dumping policy. However, the danger of wage dumping may even loom in Germany; for this reason, TRANSNET wants to fight for a law that stipulates observance of collectively agreed pay rates for the entire PT sector. One of the motives for this seems to be the pressure generated by the rank and file of membership (Balceriowak 2002).

TRANSNET's co-operation in the privatisation process has triggered conflicts with other trade unions active in this sector as well as considerable criticism by its own members (Öfinger 2000 + 2001 + 2002, Wolf 2000 etc.).

Wage dumping seems to be a constant in the conflicts regarding developments in the railway sector. Examples mentioned include the situation of Romanian engine drivers paid DM 8 per hour by private companies (Öfinger 2000).

3.4. *Summary*

- In the 1990s, developments in the German railway sector were characterised by two interlinking processes: the merger of DR (Deutsche Reichsbahn) and DB (Deutsche Bahn) and the multi-phase reform to restructure the German railway sector in order to prepare for the privatisation (stock-exchange listing) of DB AG and to liberalise the German "railway market".
- Both processes have caused massive staff retrenchment of DB AG by more than 52 percent since 1991, attaining a workforce of 214,371 in late 2001. The staff cuts were overwhelmingly conducted in East Germany (above all in the first half of the

1990s), since the productivity of that sector was almost 50 percent lower than in the West German *Länder*. Retrenchment was largely achieved by means of natural turnover and socially acceptable measures, as agreed in several alliances between trade unions and management. Despite these agreements, however, doubts regarding the voluntary character of this staff retrenchment are in order. For agreeing to waive redundancy layoffs, the company management demanded the support of the trade union and staff in process restructuring and flexibilisation at DB AG.

The available figures permit the conclusion that more than 75 percent of the staff have left the formerly state-owned German railway sector between 1991 and 2001 as a result of retrenchment or outsourcing.

- A special problem for staff retrenchment at Deutsche Bahn is posed by career public servants, on whose behalf the trade union has secured constitutional protection of their acquired rights. Their share was reduced from almost 50 percent in the mid-1990s to roughly one third.
- Current plans of DB AG indicate a continuation of staff retrenchment in coming years.
- Dienstleistungszentrum Arbeit (later called DB Vermittlung), JobService and DB Zeitarbeit were established as group-owned subsidiaries designed to deal with the overmanning resulting from continued staff retrenchment and efficiency-enhancing measures. These subsidiaries organise the group's labour market and act as a commercial agency for job placement and temporary employment that also offers its services on the external labour market. DB Vermittlung also organises skill building and retraining measures to support vocational reorientation.
- In the course of privatisation, DB AG has also promised to take measures to promote equal opportunities for women in order to achieve the optimum allocation of human resources. In the opinion of critics, the promised measures to improve qualification measures and the working atmosphere as well as to harmonise work and family chores actually constitute a tool to optimise the selection of top talent and hence to enlarge the pool of potential executives.
- In the context of DB AG restructuring, a new working-time model was introduced. It represents an annualised-hours scheme and as a rule compensates overtime by way of time-in-lieu.
- Contrary to the official image of the company, which extols flexible and permanently active and efficient workers, DB AG employees report a dramatic deterioration of working conditions. They complain about growing stress, increasing work intensity, forced mobility and uncertainty.
- In 1992, the Trade Union of German Railway Workers (GdED, since 2000 TRANSNET) decided to co-operate in the restructuring of Deutsche Bahn. It has repeatedly maintained that no worker has lost his or her workplace as a result of the privatisation of DB AG. The trade union succeeded in protecting the acquired rights of career public servants at DB AG and to negotiate restructuring conditions for a number of collective agreements. However, the willingness of top TRANSNET officials to co-operate with management has triggered conflicts within this trade

union as well as with other trade unions (e.g. GdL), since many believe that the concessions go too far.

CASE STUDIES – GREAT BRITAIN

1. CASE STUDY: GREAT BRITAIN – ELECTRICITY

1.1. Background information

In the opinion of Michael Pollitt, who bases his information on GB's national accounts, eight percent of British workers in the late 1970s were still employed by public enterprises, which at the time produced ten percent of the national output. The actual commencement of the privatisation wave must be dated to the second period of the Thatcher government. Already in 1992 (i.e. before privatisation of the British railways), the number of persons employed by public enterprises, as well as their share in the national output, had dropped to three percent (Pollitt 1999). After privatisation of the British railways, e.g. the Post Office and London Underground remained publicly-owned in 1998. According to Pollitt, privatisation in Great Britain aimed chiefly at the introduction of market incentives in the various industries, in particular through changes in ownership structure and monitoring by specially set-up regulatory bodies. Although the reasons most often given for restructuring were the comparatively low efficiency and productivity of Britain's public sector, numerous commentators (cf. Pollitt 1999, Dekin/Freedland 2000) have identified an effort to break the power of the trade unions and to strengthen "managerialism" and hence the openly ideological nature of the privatisation/liberalisation strategies of the Tory governments as the true objectives.

1.2. Privatisation of the British electricity industry

In the context of privatisation, the public electricity sector was split up into the areas of generation, transmission, distribution and supply. Generation was regulated as a duopoly; distribution was transferred to twelve local RECs (regional electricity companies) which, however, were also authorised to generate electricity. Nuclear power plants remained public undertakings. The privatisation push was carried out in 1989 and 1990. Originally, it was not intended to have prices controlled by a regulatory body. However, the oligopolistic structure led to price rigging, which necessitated the setting of price caps by means of the RPI-X system (Pollitt 1999).

This system ties price increases to the inflation rate minus an X factor, which is to reflect expectations about the size of likely future productivity growth. Later on, the system was complemented by the introduction of quality standards. It was on this basis that the market was fully deregulated between 1994 and 1998.

Numerous vertical and horizontal mergers followed in the wake of privatisation; new providers joined the market; companies were taken over by multinational groups, and mergers with companies of the equally privatised water sector resulted in the

establishment of multi-utilities. According to a study by PSIRU (Services of public interest International Research Unit), British electricity companies were largely unable to expand to international markets after privatisation and were considered more often than not possible candidates for takeover by larger European groups (Hall 1999:6).

1.3. Effects on employment in the British electricity industry

Staff retrenchment

Between 1990 and 2001, the restructuring of the energy industry caused by the privatisation of the British electricity sector led to an employment reduction of up to 58.7 percent, involving approx. 60,000 persons.

Data on staff retrenchment in the British electricity industry are available only until the late 1990s. Inter alia, these data derive from analyses by ILO and PSIRU (Services of public interest International Research Unit); most other studies on employment trends of utilities and the electricity industry in Great Britain likewise make use of these data.

However, any precise assessment of personnel retrenchment is rendered difficult by a number of reasons. First, the electricity sector is seldom statistically analysed on its own; as a rule, its data are classified as pertaining to public utilities in general. Moreover, a loss of jobs caused by the restructuring of the energy industry can also have repercussions on other industries. For example, the changeover of many power plants to gas turbines and the substitution of national production by cheap imports cost another 80,000 jobs in mining in the 1990s (280,000 since the early 1980s) (cf. ECOTEC 2001).

Depending on the individual situation of a company, staff may be reduced in the pre-liberalisation phase, directly afterwards, in the attempt to ward off hostile takeovers or after mergers. Staff retrenchment may be viewed as a key tool of management strategies under conditions of privatisation, with the aim of reducing labour cost and stepping up productivity. In fact, most studies admit that productivity was enhanced very significantly; at the same time, however, they emphasise that massive staff retrenchment threatens to jeopardise service quality in the long run.

Staff cuts also coincided with the closedown of many customer centres (energy centres, British gas showrooms), which sold electrical appliances and functioned as contact points for customers' complaints, invoicing problems, etc. Privatisation spelled an end to cross-subsidies from other areas of the electricity industry. Compared to the shops of the big chains, these outlets were no longer competitive. Moreover, the Internet and call centres offered new, more cost-efficient methods of customer contact.

Table 1-1: Data situation – Employment trends in the British electricity industry

	1990/1	1995/6	1998/9	2001
EGÖD/EPSU (electricity industry)	140,000			60,000 (-58.7%)
David Hall/PSIRU (utilities)*	263,300	152,600 (-42%)		
ILO	142,623	96,143	85,000	
ILO/ECOTEC			minus of 30-42%	
National Power	15,713	4,850 (-69.1%)	3,000 (EIRO estimate)	
PowerGen	8,840	4,148 (-53.1%)	3,000 (EIRO estimate)	
REC (Regional Electricity Group)	83,000 (Preetum and Pollitt)		47,800 (Preetum and Pollitt) 30% (ILO)	

* Supply companies likewise comprise the entire utility sector, e.g. also water supply companies.

Sources: EPSU/FSESP/EGÖD (2002), Hall (1999), ILO (1999), ECOTEC (2001), EIRO (2000), Preetum/Pollitt (2000).

The EGÖD/EPSU data show a reduction of employment in the British electricity industry of 58.7 percent between 1990 and 2001. Correspondingly, the number of jobs in this sector dropped from slightly above 140,000 to approx. 60,000. Although the evaluation by EGÖD/EPSU contends that other European countries (Germany, Spain, Portugal, Czech Republic) likewise recorded an employment reduction by about 40 percent in that period, this figure confirms why other studies from the mid-1990s emphasise that almost half of the 212,000 jobs cut in the EU utilities sectors since 1990 were lost in Great Britain (cf. Hall 1998).

For Great Britain, David Hall records an employment reduction from 263,300 to 152,600 supply-sector jobs between 1990 and 1995, which corresponds to staff cuts by 42 percent.

According to ILO analyses, the electricity industry in 1990/1991 employed a total of 142,623 persons; in 1995/1996, their number had dropped to 96,143. By the late 1990s, this figure seems to have further declined to 85,000, which corresponds to the above EGÖD/EPSU data as well as to the growing unemployment rates in the electricity industry stated for the mid-1990s (despite a recovery of the economy) (Hall 1998).

ILO and ECOTEC (the latter in a report to the European Commission) present slightly more conservative estimates. Not only do they consider personnel retrenchment in the European energy industry to vary between 156,000 and 212,000 jobs; staff cuts in Great Britain, too, are estimated at 30 to 42 percent (ILO 1999, ECOTEC 2001).

In particular, the employment figures of the duopoly – National Power und PowerGen – dropped by 69.1 percent (from 15,713 to 4,850 for National Power) and by 53.1 percent (from 8,840 to 4,148 for PowerGen) between 1990 and 1995/1996. A study by EIRO (European Industrial Relations Observatory 1999) even assumes that both enterprises further reduced their workforce to approx. 3,000 employees each. In the same period,

the RECs listed in the ILO study (ILO 1999) with very few exceptions reduced their workforce by roughly 30 percent each.

For the time between 1988/1989 and 1998, Preetum and Pollitt (2000) state an employment reduction from 83,000 to 47,800 jobs for the RECs; according to their data, productivity increased by 100 percent over the same period.

The available data do not permit a detailed analysis of staff retrenchment in the electricity industry broken down by employee groups. However, it appears that retrenchment has principally affected men more than women – the female employment share being approx. 20 to 30 percent in the sector (ECOTEC 1999) – and hit blue-collar workers to a disproportionate extent. For example, ECOTEC records a personnel reduction by 32.1 percent in the period from 1993 to 1997 for the British enterprise examined. In this enterprise, the number of male employees decreased by 33.55 percent, while the number of female workers was cut by 28.33 percent over that period. In the opinion of ECOTEC, these findings confirm the results of the PSIRU and ILO studies shown in Table 1-1.

1.4. Industrial relations in the electricity industry

Before privatisation, the British electricity industry presented forms of industrial relations and collective bargaining typical of the public sector in general; i.e. working conditions, employment contracts and the pay system were regulated by means of a centralised national bargaining structure organised by the Electricity Supply Trade Union Committee, which has become irrelevant today.

As already mentioned, breaking the power of the trade unions was a declared goal of privatisation strategies in Great Britain. The restructuring of the electricity industry through privatisation and its division into several areas entailed the decentralisation and fragmenting of collective bargaining. This was exacerbated by outsourcing strategies and the use of temporary workers.

Restructuring went hand in hand with laws by the Tory government to discipline the trade unions and thus brought industrial relations in the electricity industry in line with those in the private sector.

With respect to utilities, the ban on closed shops⁴⁵, secondary picketing⁴⁶ and political strikes – which also included industrial action to fight privatisation – should be mentioned in this context. Basically, the privatisation of this industry has left its mark

⁴⁵ “Closed shops“ were enterprises where trade unions had imposed a ban on recruiting new staff who were not members of the same trade union (occasionally, this was even recommended by management). As a rule, all employees of such enterprises were union members.

⁴⁶ “Secondary picketing“ defines a strategy of British trade unions where strikes and other union activities are extended to non-unionised or hardly unionised companies by setting up pickets. In this manner, companies that had not recognised any trade union before could be forced to take up collective bargaining and permit collective worker representation. This approach was e.g. important for unionising hived-off or new plants.

on the trade unions and their relationship with management, although it should be added that enterprises have reacted and developed in highly different ways.

Despite this, many studies (e.g. Cully et al. 1999, Brown et al. 1998) emphasise that trade unions have succeeded in protecting their position at least in the core areas, although they obviously had to develop new strategies and forms of action vis-à-vis both management and their own activists and workforces. Thus the decentralisation of collective bargaining necessitated the mobilisation and training of a larger number of activists than before to enable them to deal with upcoming challenges and conflicts at a decentralised level.

It may be claimed that the system of supra-company collective bargaining was essentially destroyed in the course of the restructuring of the energy industry and substituted by negotiations of the single-employer and single-table type (if more unions than one are active in a given company). Newly emerging subsidiaries and hived-off business areas often do not offer any form of unionist representation, or trade unions are not recognised as negotiation partners by management. In this case, no collective agreements on working conditions and pay exist at all.

Several studies emphasise that staff retrenchment has ultimately led to declining union membership as well (Brown et al. 1998). Although a certain stability of industrial relations may be assumed to exist in the electricity sector, at least as a rule, negotiations with trade unions were terminated in some cases (“derecognition”). This is due to changes in management strategies during and after privatisation but at the same time continues the rather conflict-laden tradition of industrial relations in some segments of the electricity industry. It was only in recent years that new forms of union co-operation and involvement have sprung up in some companies, partly motivated by the Labour government’s promotion of the “social partnership” ideology. From being independent representatives of workers, the unions are now forced into a position where they have to support the management side. Many companies in fact seek to involve trade unions to avoid conflicts during restructuring phases (Telljohann 2001).

Between 1980 and 1998, the number of unionised workers in utility companies had decreased from 91 to 68 percent, as WERS (Workplace Employee Relations Survey) maintains (cf. Millward et al. 2000). However, in 1998, 98 percent of the companies still recognised trade unions as bargaining partners. Companies recognising unions presented a membership rate of approx. 75 percent in 1998. The Labour Force Survey states a unionisation rate of 58 percent for utility companies in 1999. The WERS results concerning the existence of joint consultative committees (company participation and co-determination bodies) still show very high percentages, corresponding to those for services of public interest, for British utility companies. This is particularly true for the extent to which these exist at plant level (plant level only: 15%) or above (committees at plant and higher levels: in 46% of the companies).

In the field of trade union activities, too, utility companies present relatively high rates (Cully et al. 1999:132). For example, some form of industrial action was taken at 13.5 percent of all plants during the period under review. Values above this percentage can

be found only for the transport, communications and financial services sectors. Apart from services of public interest, this study places all other sectors far below five percent (late 1990s).

1.5. Changes in working conditions and management strategies

Several qualitatively oriented case studies are available to document the changes in working conditions, the organisation of work and management strategies in the British electricity industry. However, these papers mostly refer to formerly state-owned companies, which even after privatisation remain core enterprises of the sector. Conversely, no studies are available on the situation of newly created companies or subcontractors handling outsourced tasks in many areas of the sector.

Since the champions of privatisation and liberalisation of British utilities have identified “efficiency and productivity problems“ not only in overmanning but also in allegedly inefficient forms of work organisation, organisational structure and management, extensive restructuring measures played a key role in these sectors right from the beginning (Pollitt 1999).

Simon Deakin and Mark Freedland (2000) draw particular attention to the individualisation (cf. also Brown et al. 1998) of employment contracts, for which the above-mentioned dismantling of nationwide collective bargaining and the fragmenting of industrial relations constituted essential preconditions. While the reorientation of management along private-sector lines sometimes led to attempts to stifle union influence (derecognition), other companies tried to implement restructuring measures in co-operation with the unions, to involve these in new partnerships or to force them to put the company’s competitive clout above workers’ interests.

However, the co-operative approach of some enterprises does not change the fact that the individualisation of employment contracts is becoming a key management tool acting at the detriment of collective regulations. To motivate them to accept such contracts, employees are offered e.g. one-off payments or pay rises, provision of better healthcare or higher base pay, which leads to marked pay differentials in the sector. In return, employees are expected to show more flexibility (with respect to working hours, tasks to be handled, ...) or to accept reduced pay grades. Regarding the changes in job descriptions and functions, special attention should be paid to the reorganised division of labour between “craft” and “process” workers, i.e. manual and non-manual tasks, as well as to the introduction of various forms of team-working. Deakin and Freedland (2000) emphasise that this form of individualisation is a procedural, not a substantive one. Thus the concept of individualisation means the introduction of variable pay components tied to the individual performance of each worker.

Moreover, it should be pointed out that despite flexibilised forms of compensation contrary trends are no rarity, especially where bonuses are concerned. The reason for this lies in the increased bureaucratic input individualised, performance-based pay structures cause for enterprises.

Brown et al. (1998) show that the above-mentioned elements of restructuring work organisation and employment relationships are definitely compatible with preserving trade union membership at the company level. Qualitative studies at least have not revealed any striking differences between unionised and non-unionised companies with respect to implementing new HRM strategies. Non-unionised companies, however, seem to opt more frequently for symbolic ways to honour excellent worker performance.

The available studies emphasise that despite all the rhetoric extolling partnership and co-operation, there exists a manifest danger that workforces will be demotivated, service provision jeopardised and the dynamics of low trust and minimal co-operation between management and labour perpetuated.

Another interesting insight into changing work organisation and employment relationships is provided by a study by Chris Carter and Frank Mueller (2001) on the paradoxes of de-professionalisation. Carter and Mueller show how changing management structures in privatised utility companies have modified internal forms of labour division and related hierarchies, positions and balances of power. They demonstrate how the new composition of management has disrupted in particular the role of engineers, who hitherto had enjoyed a high degree of independence and freedom of decision-making in the discharge of their tasks and thus had developed their own professional identity based on their skills and importance for service improvement.

The newly recruited executives introduced TQM (total quality management) tools, and it is planned to reorient work processes along the best-practice concept. The team-working approach launched under the title “job rethink“ threatens the independence and freedom of decision-making of engineers, who in the newly formed teams are answerable to “distribution managers” or “team managers” with a different professional background.

The concomitant staff retrenchment and the delegation of administrative tasks to the new executives resulted in a personnel shortage, the response to which was another proposal to restructure engineers’ tasks. The term “rule-based engineering“ defines an effort to create a new, obviously less cost-intensive group of workers and to train them to handle technical routine tasks. In the ensuing conflicts, the engineers tried to salvage their position by underlining the relevance of “why” something should be done, as opposed to “how”. The greater bureaucratic input generated by the new management groups (continuous performance appraisal, time-consuming talks) led to a third group of executives, equally lacking a technical background and whose philosophy Carter and Mueller describe simply as “just fucking do it”, having the last say in the company. The results were the speedy implementation of the planned deskilling strategy by creating a new category of employees to handle technical routine tasks and a 23-percent staff cut within the respective company.

Deakin and Freedland summarise the changes in the utilities sector induced by privatisation, the introduction of market conditions and their prioritisation by the regulators as follows:

“These forces have combined to encourage corporate restructuring as a way of saving costs, leading to redundancies and, as a result, a greater intensification of work efforts as more is required from those workers who retain their employment.”
(Deakin/Freedland 2000:33)

Consequently, a study on the implications of liberalisation in the electricity sector commissioned by EIRO identifies the following effects on workers (EIRO 1999): job insecurity, growing workloads, stress, health hazards caused by lower safety standards, reduced career possibilities.

The popular option of voluntary turnover, usually sweetened with “golden handshakes“, often is voluntary in name only, while companies are drained of important skills through the loss of older workers choosing early retirement.

The culture of lifelong employment, which was dominant under the past conditions of nationalised enterprises, has definitely come to an end. Although the age structure in the electricity industry favoured strategies of socially acceptable staff retrenchment, laid-off workers with medium-to-high qualification levels note that it is particularly difficult to find work elsewhere, as their specific skills are not in demand. Due to the creation of flatter organisational structures, the middle-management level, too, has been heavily hit by restructuring.

1.6. Summary

- The British electricity industry was split up into different areas (generation, network, transmission, etc.) and privatised in the early 1990s, which entailed massive staff retrenchment. Between 1990 and 2001, the number of workers decreased from approx. 140,000 to under 60,000, equalling a reduction by almost 60 percent. This makes the employment reduction in the British electricity sector one of the most dramatic in Europe. Due to the changeover of many power plants to gas turbines, other industries (mining), too, were affected by marked employment decline.
- The effects of liberalisation and privatisation of the British electricity industry cannot be separated from the anti-union measures implemented by the Tory governments in the 1980s and 1990s. Breaking the power of the trade unions in these formerly public sectors was one of the objectives behind privatisation. The restructuring of the electricity industry entailed the decentralisation and fragmenting of the formerly centralised system of industrial relations in public utility companies. While it seems that trade unions have succeeded, by and large, in maintaining their position within companies, trade union membership has decreased significantly; according to some sources, the decline was 23 percent or even almost 30 percent, to attain slightly under 60 percent. In some cases, collective bargaining was unilaterally terminated by management. Despite or perhaps because of changed management strategies during and after privatisation, it may be assumed that the rather conflict-laden industrial relations have continued in the sector. It was only in recent years that new forms of trade-union co-operation and involvement have sprung up in some companies, partly motivated by the Labour government’s promotion of the “social partnership”

ideology. From being independent representatives of workers, the unions are forced into a position where they have to support management.

- Qualitative studies on working conditions and management strategies in the electricity industry after liberalisation and privatisation emphasise changes in the following areas; these changes are to resolve alleged efficiency- and productivity-related problems of utility companies:

- individualisation of employment contracts

The reduced importance of collective bargaining enables companies to conclude individualised employment contracts with workers. These contracts aim at the flexibilisation and simplification of pay systems in companies and at the introduction of performance-related pay components. Such changes should be viewed against a backdrop of even more far-reaching measures to flexibilise work processes and working hours. New management strategies for “staff development”, such as human resource management and total quality management, were introduced.

- changes in job descriptions, job profiles and deskilling

The restructuring measures led to intensive efforts to reorganise traditional forms of internal work organisation, job descriptions as well as allegedly obsolete professional profiles and identities (engineers, electricians). The results are a downgrading of technical versus commercial staff as well as deskilling strategies.

- The remodelling of working conditions further intensified performance requirements and hence led to rising workloads, which manifest themselves in stress phenomena and feelings of unease. Constant staff retrenchment moreover produces an irreplaceable loss of skills, which may in the long run jeopardise the quality of service provision.

2. *CASE STUDY: GREAT BRITAIN – PUBLIC TRANSPORT (PT)*

2.1. *Background information – PT privatisation in Great Britain*

In 1980, 98 percent of all local bus trips in Great Britain were taken using publicly-owned bus lines; in the late 1990s, 97 percent of all local bus trips were handled by private companies. In the early 1980s, the sector of public transport (PT), which with the exception of London was chiefly provided by buses, was considered highly regulated (Bayliss 1999). In the 1930s and 1940s, PT had been nationalised, with part of the companies traditionally owned by municipalities. Although PT, which as stated above was largely handled by buses, was considered more or less profitable until the early 1970s, an inexorable decline in passenger figures, accompanied by rising costs, had already begun in the 1950s. Inter alia, the declining passenger turnover was attributed to the growing volume of car traffic. British PT was given its final structure in the late 1960s and early 1970s.

Keith Forrester (1993) divides the sector's late-1970s structure as follows: he begins with the "nationalised sector" composed of the National Bus Company (NBC) and the Scottish Bus Group, both created as late as in 1969. After buying up a few companies, NBC in the late 1970s was made up of 37 relatively independent sub-companies, which chiefly handled inter-city and rural passenger transport. The second group mentioned by Forrester comprises the London Transport Executive (LTE), the Passenger Transport Executives (PTEs) and the companies owned by local authorities. LTE was the biggest PT sub-company in Great Britain; however, in the course of the 1980s conflicts between Tory government and local Labour administrations, it was renamed "London Regional Transport" (LRT, later LT), taken away from the local administration and subjected directly to the Transport Minister. In due course, London's bus-based PT was split up into 13 sub-companies. In the mid-1990s, bus lines were tendered, thereby admitting limited competition in London; co-ordinated by the city administration, service contracts were awarded to the best bidders. Half of these were LT subsidiaries; the rest, private operators. LT controls the bus network by stipulating fares and services. Private operators do not run significant economic risks, as they are paid by the city administration for services rendered (ÖGPP 2002).

After reorganisation in the late 1960s, PTEs took over PT in Britain's metropolitan areas. In 51 small or medium-sized communities, PT was handled by municipal companies.

In the late 1970s, there existed moreover a small private segment of passenger transport, which was composed of many small companies. 5,536 out of a total of 5,639 PT companies formed part of this category (Forrester 1993). However, these private operators transported less than 4 percent of all passengers and mainly offered leisure trips and similar services. The licensing procedure introduced in 1930 excluded them from the PT sector in the strict sense.

The already mentioned decline of PT – a documented reduction in passenger turnover from 17 million in 1950 to six million 30 years later – necessitated the introduction of a cross-subsidy system in 1968 in order to at least keep up socially essential connections. In the early 1980s, cross-subsidies accounted for 45 to 50 percent of total PT revenue, which provided a major point of ideological attack for the Thatcher government.

PT was considered an over-regulated and rigid sector. The guaranteed state aid was viewed as the cause of subpar innovation, inefficient and ineffective working and organisational structures, low productivity and inflated pay in unprofitable segments. The abolition of bus conductors outside London is regarded as the most important innovation in Britain's PT during that period. Uncompetitive executives, a workforce little interested in co-operating or raising productivity as well as powerful trade unions were declared the prime evils responsible for the decline of PT in Great Britain.

In particular the cost of wages and labour, which accounted for 70 percent in the labour-intensive PT sector, played a key role for the hopes placed in privatisation and deregulation.

The first steps toward PT deregulation were already taken in 1980; they consisted in a relaxation of the strict licensing procedures and in facilitating market entry for companies in the express-coach service segment. Fare control was likewise relaxed. However, both sets of measures had little effect on the industry, as the dominant public enterprises still managed to ward off potential competitors.

A more important advance was the limitation of public subsidies for PT in metropolitan areas implemented by the government, which in fact entailed a public subsidy cut by 26 percent between 1985 and 1987.

Full privatisation and deregulation of PT – with the exception of London – was attained through the 1985 Transport Act. Essentially, this new law provided for the following vital changes (Forrester 1993, Bayliss 1999): by abolishing licenses, approved operators may run services subject to giving 42 days notice to the Transport Commissioner for the area. While local authorities were permitted to continue assisting non-commercial lines, these had to be publicly tendered according to the principle of compulsory competitive tendering.

NBC was split up into 79 sub-companies, part of which were taken over by management, while employee shareownership schemes were introduced for a few others. Municipally-owned bus operators as well as PTEs in metropolitan areas were hived off. In keeping with the effects envisaged in the White Paper on Busses in the early 1980s, the outlined PT restructuring was to bring about a cost reduction by 30 percent and more or less to terminate cross-subsidies for PT. In fact, the number of operators increased initially, accompanied by a dramatic stepping-up of competition, a situation very aptly described in some studies (e.g. Forrester 1993, Stevenson, no date) and overviews of the effects of deregulation on PT as “chaotic”.

2.2. *Effects of PT privatisation on workers*

Due to the high share of labour in the total cost of the sector, strategies aiming at cost reduction, productivity increase and, where possible, staff retrenchment were only to be expected and in fact occurred.

2.2.1. *Staff retrenchment*

As a result of the fragmentation of the sector described above, the available material does not permit a comprehensive overview of staff retrenchment in PT.

With the introduction of one-person operation, i.e. the abolition of bus conductors, staff retrenchment had begun already in the decade preceding deregulation; according to data supplied by Forrester (1993), it amounted to 22 percent for PTEs and 32 percent for NBC. After privatisation, this trend was roughly twice as strong as might have been expected if viewed from a long-term perspective. For example, the newly created public transport companies (outsourced municipal and metropolitan bus operators) cut 26 percent of their staff in the first two years after privatisation (an assessment based on long-term trends had assumed merely 4.4%). Conversely, independent companies increased their workforce by 30 percent between 1978 and 1988. However, a general overview shows quite clearly that this proved inadequate to stall the employment decline in the sector.

Graham Stevenson (no date) of the Transport and General Workers Union cites an employment reduction in metropolitan areas by 26 to 41 percent. In absolute figures, PT employment figures decreased from 174,200 to 151,500, i.e. by 13 percent, between 1985 and 1992, as Kinnera Murthy specifies.⁴⁷

Heseltine and Silcock (1991, cf. also Forrester 1993) make use of a regional example – South Yorkshire Transport – to prove that operating costs were reduced by 26 percent in order to improve competitiveness and cover annual losses amounting to £ 45 million. This goal was achieved by laying off 13 percent of platform personnel (drivers and conductors) and above all by cutting administrative and other auxiliary jobs (-57%) and engineers (-52%).

While Heseltine and Silcock (1991) emphasise that only little involuntary turnover occurred in the case studies examined by them, it should be borne in mind that their analyses do draw attention to the dramatic consequences of restructuring for worker motivation and the working atmosphere in these companies.

However, the fact that staff retrenchment in the sector went off comparatively smoothly was in all probability also due to the general deterioration of working conditions and

⁴⁷ The continued staff cuts in PT are moreover well visualised in the table presented by Stanley (1987). For example, 253,000 persons worked in the bus sector in 1968, 28,500 of these for private companies. Already in 1980, the number of workers had decreased to 202,000, partly due to the abolition of bus conductors. In the private sector, the number of workers had already increased to more than 34,000.

pay levels in British PT, which added to natural staff turnover. Many workers left the sector and its deteriorating working conditions “of their own accord”. David Bayliss emphasises (1999) that the London-based companies, too, did not succeed in keeping their workers and still have difficulties in finding new employees.

2.2.2. *Pay cuts*

The 1984 White Paper on Busses and the act passed in the following year envisaged a cost reduction by 30 percent for the bus industry. Due to the high labour intensity in this sector, personnel expenses account for close to 70 percent – roughly 40 percent for the platform staff and slightly over 25 percent for administrators and technical staff (Association of Metropolitan Countries 1990). While the average pay of bus drivers in the 1970s and 1980s more or less corresponded to the average for manual workers, it dropped below average by 20 percent in the 1990. However, the data regarding wage cuts are somewhat divergent, as some studies claim that bus drivers used to earn five percent more in the pre-privatisation period than the average male manual worker. The following statistics of 1995 by the Transport Committee of the British House of Commons offer a good overview of wage development trends in British PT (Transport Committee 1995).

Table 2-1: Average pay of bus and coach drivers, £/hour, base year: 1994

	Bus and coach drivers	All manual workers	Bus and coach as % of manual
1975	5.51	5.38	102
1976	5.30	5.34	99
1977	4.83	4.95	97
1978	5.00	5.14	97
1979	4.78	5.34	90
1980	5.06	5.37	94
1981	5.16	5.35	96
1982	5.27	5.37	98
1983	5.58	5.59	100
1984	5.48	5.61	98
1985	5.48	5.60	98
1986	5.70	5.80	98
1987	5.34	5.91	90
1988	5.44	6.08	89
1989	5.27	6.07	87
1990	5.18	6.09	85
1991	5.08	6.18	82
1992	5.17	6.29	82
1993	5.09	6.37	80
1994	5.03	6.31	80

Source: Transport Committee 1995.

Table 2-1 gives a very clear picture of the drop in wages for PT after 1986. In the mid-1990s, pay in this sector was no longer above the average for bus drivers in the 1970s, let alone the average for manual workers in general.⁴⁸

In the late 1990s and early 2000s, a slight reversal of this trend seems to occur, last but not least because of the changed conditions under the Labour government, as the pay of bus drivers is rising more markedly than the average wages of manual workers. However, this is also due to the recruitment problems of bus operators, above all in metropolitan areas. Thus the average annual income of a London bus driver is £ 17,000,

⁴⁸ The pay level both of bus drivers and manual workers fluctuated significantly in the 1970s, reflecting the unstable British economy and the then still-existent relative strength of the labour movement in GB. However, while wages and salaries came under pressure in the early 1980s due to high unemployment and the crisis exacerbated by a policy of austerity, bus drivers were able by 1985 to catch up on the relative gap existing between their pay and the average pay of manual workers.

more than £ 10,000 below the average of Underground drivers and far below the general average for London (i.e. £ 39,200). To facilitate the recruitment of drivers in London, a so-called “Mayor’s bonus” of 20 percent per week was introduced (TGWU 2002).

The stated wage reduction in the British PT sector was achieved by means of various measures. The most frequently named method involved the introduction of minibuses and midibuses, which require a lower-level driving license and hence are less qualified jobs. This coincided with the recruitment of younger workers for these vehicle types (Forrester 1993). Minibus drivers are paid only 75 percent of the wages of classic-style bus drivers. For this reason, most companies restructured their pay categories along a tiered wage structure. Some companies also paid a sort of compensation to induce workers to accept general wage cuts (so-called “bribes” of up to £ 3,000).

The restructuring of pay categories also comprised a simplification of wage structures by abolishing or reducing all bonuses for overtime, weekend work and socially taxing working hours, sickness and holiday benefits as well as abolishing paid lunch breaks. Moreover, working clothes and canteens formerly provided by enterprises were likewise done away with by half of the companies. New bonuses were introduced for punctuality at work, regular work and accident-free driving. In some enterprises, bus drivers are paid a percentage of the daily fare takings of their buses⁴⁹. Likewise, fewer and fewer companies offer internal retirement pension schemes. According to Stevenson (1994), the National Bus Company was sold by the government at a price that was by £ 300 million below its actual value. However, it is true that the government took over the staff’s pension funds to safeguard the rights of retired workers of the sector, and a stock-exchange recovery in that period resulted in additional profits of £ 200 million. Conversely, it is alleged that some private companies used pension fund monies to cover their losses. After the bankruptcy of National Welsh, it was discovered that the sum of £ 1 million was missing, and retired workers of this company were forced to accept a twenty-percent reduction of their pensions.

Generally speaking, indirect labour cost, i.e. the cost of activities not directly paid for by customers, was reduced after privatisation by most companies from formerly 50 percent to approx. 15 percent (Heseltine/Silcock 1991). In a report to the Transport Ministry, Perrett et al. concisely summarise this development:

“All these schemes reflect the aims of these operators of offering a friendlier, sager and more reliable service than the established operator, whilst avoiding the costs of spare drivers, spare vehicles and accident repair bills.“ (Perrett et al. 1989:29)

Some studies literally claim that workers were offered the possibility (!) of a sixth day of work per week and of overtime in exchange for this pay reduction, to enable them to keep their former pay level (Perrett et al. 1989). In their 1989 report to the Transport Ministry, Perrett et al. emphasise that

⁴⁹ Paying drivers a percentage of their daily fare takings is probably one of the key causes of the very vivid descriptions of the chaotic competition between bus drivers given in some of the studies examined, which unfortunately cannot be considered in greater detail by the present report.

“There is usually sufficient schedule overtime and need to cover for holidays and sickness to guarantee drivers a 6th day of work. Some of the former NBC operators increased the availability of overtime to compensate drivers for loss of earnings when the PTE support parity ceased.” (Perrett et al. 1989:28)

In London, a pay reduction by 12 to 25 percent was to be achieved in the course of privatisation; here, too, workers were sometimes offered compensation payments (“bribes”) to accept the proposed pay cuts. While a series of strikes ultimately brought about the annulment of these cuts, the changes in PT – chiefly due to compulsory PT tendering for local authorities – have yet entailed pay reductions by 16 percent. PT tendering in London was to result in cost cuts by £ 135 million, with the sum of £ 110 million saved in the field of labour cost alone. Graham Stevenson (no date) notes that some London bus drivers are paid so little as to be eligible for social transfer payments.

2.2.3. Working conditions and productivity

Its champions laud privatisation as a great success, as it has resulted in a dramatic productivity increase in the PT sector, they claim. However, it is obvious that this depends on the way in which productivity is calculated and how the overall situation of the sector is viewed. As already mentioned, the decline in passenger figures could not be stalled; today, buses are mostly viewed as a lower-class means of transport, to which motorised individual transport is generally preferred. Part of the productivity increase is due to the intensified use of minibuses with their lower operating costs (half those of double-deckers). The study commissioned by the Association of Metropolitan Areas and the Passenger Transport Executive Group (Tyson 1992) on the effect of bus deregulation shows a productivity increase for PT according to all indicators. These include workers per vehicle, service kilometres per worker and service kilometres per vehicle. In particular, PTCs (bus operators in metropolitan areas) have achieved significant productivity increases according to these analyses. For example, the number of workers per vehicle was reduced by 21.5 percent (to 3.11), while service kilometres per worker increased by 40.61 percent. The number of service kilometres per vehicle, too, has risen, albeit to a lesser extent, i.e. by 10.51 percent. According to the Tyson study, the major share of these increases was attained immediately after privatisation.

Moreover, Tyson emphasises that the number of passengers per vehicle dropped by almost 17 percent until 1990, while the number of passengers per worker increased by 5.9 percent. Thus the costs per transport operation have hardly been reduced. In view of the upward indicators shown above, it may therefore be claimed that

“... the impact on load factors has been adverse – passengers have fallen but vehicle-kilometres have increased.” (Tyson 1992:12)

The number of passengers transported per service kilometre has decreased by almost 25 percent in the metropolitan areas (from 3.78 to 2.85).

Thus it is evident that the declining passenger figures could not be reversed; rather, fewer passengers now take longer trips. Furthermore, the above figures are not very

informative regarding PT service quality, as developments were accompanied by a concentration of services on the most heavily trafficked routes and peak times.⁵⁰

2.2.4. *Working hours*

A key element of the stated productivity changes were interventions in the working conditions and working-hour regulations described as “complex” by government advisers. A central aspect lay in the modification of existing working-time arrangements. Some studies point towards a slight increase in the weekly working time for drivers, attaining 49 hrs (Stokes et al. 1990), which yet exceeded the increase observed for male manual workers overall (i.e. from an average of 44 hrs/week to slightly over 45 hrs/week).

However, the changes affecting breaks, net driving times, etc. were more dramatic: in the 1970s, the net driving time of PT bus drivers was approx. 73 percent of their working time; the remaining time consisted of paid breaks, turnaround and handing-over times, minor repairs, etc. The post-privatisation changes aimed at increasing the net driving time to more than 80 percent of the drivers’ working time. This was done by shortening turnaround and handing-over times, abolishing paid lunch breaks and similar measures (Forrester 1993). The guaranteed daily working time of 7 hrs 48 min was likewise abolished and replaced by a guaranteed weekly (minimum) working time of 39 hrs. Graham Stevenson of TGWU notes that a daily working time of 16 hrs is admissible since privatisation and that drivers are entitled to their first (unpaid) break only after 5 hrs 30 min of driving (Stevenson, no date). The guaranteed daily rest period was reduced to 8 hrs 30 min and 24 hrs every two weeks (TGWU 2002). In 2002, TGWU duly criticised the fact that neither the European Working Time Directive nor the special provisions for drivers in PT are being complied with.

Paid vacation days, too, which had been 24 in the (formerly) public sector, were brought in line with the private sector (18 days).

2.2.5. *Work-related stress*

TGWU representatives emphasise that these changes have massively increased work intensity in PT, claiming that workers are “stretched to the limit”. This increased work intensity was not merely attained by lengthening net driving times and delegating additional tasks (bus cleaning) to drivers to be discharged during idle times. Rather, these productivity boosts were also achieved by increasing driving speeds along routes

⁵⁰ The studies conjecture that the increase in service kilometres may be related to the setting-up of new services to more distant destinations made possible through the introduction of minibuses. However, on the basis of personal observations and experience of the study authors, it should be added that shorter distances are often covered by walking, as buses serving less trafficked routes and stuck in traffic jams tend to arrive at stops at irregular times, sometimes two or three of them at once. For longer trips, passengers put up with having to walk to better-served routes. (This remark reflects the authors’ personal experience).

and occasionally by obligating drivers to compete with buses of other companies serving the same routes (which is sometimes tied to pay components).

According to Graham Stevenson (no date), referring to a TGWU study from 1998, this has massively boosted the risk of accidents (after 13 hrs of driving time, this risk is 2.5 times higher than with driving times under 10 hrs). TGWU further maintains that stress phenomena are consequences of these developments, triggering early retirement, premature death, cardiac and coronary disease, invalidity caused by unilateral back strain as well as psychological problems and anxiety attacks due to permanent strain. In addition, instances of passengers physically attacking bus drivers are likewise on the rise.

2.2.6. Working conditions in British PT

An interesting overview of the way in which the changes in working conditions are perceived by British employees is provided by a study by Eveline Ruiter and Remko Mast (2000) on the effects of market forces on PT employees. Unfortunately, the paper does not distinguish between the railway sector and PT. The study was conducted in Sweden, Denmark, Great Britain and France and is based on a questionnaire survey involving 2,400 workers in these countries.

What is especially remarkable is the extremely high share of critical statements levelled at working conditions and their deterioration since the liberalisation push. As the authors show, this is in marked conflict with information furnished by public administrations and managements. In particular, it should be noted that more than three fourths of workers in this field expressly state that working conditions and employment relationships have deteriorated after liberalisation.

Table 2-2: Working conditions in British PT according to Ruiter and Mast

Employment conditions	Lower pay	46.00%
	Shift interruptions	39.30%
	Increase in irregular shifts	75.00%
	Fewer breaks	70.70%
Working conditions	Dissatisfied with current working conditions	60.70%
	Deterioration after liberalisation	72.10%
	Increased workload	94.50%
	Increase in physically taxing work	77.00%
	Some physical complaints	77.80%
	Stress	90.30%
	Inferior equipment quality	48.10%
	Inferior safety regulations	36.50%
	More dangerous situations	83.20%

	Deterioration of internal communication flows	69.50%
	Fewer contacts with management	60.60%
	Dissatisfied with working conditions	67.10%
	Dissatisfied as compared to pre-liberalisation	81.30%
Character of tasks	Less interesting tasks	43.60%
	Less influence on daily work	43.90%
Training	Lower training and skill levels	27.40%
	Reduced skill upgrading possibilities	27.50%
Job security	Perceived staff retrenchment	59.00%
	Reduced job security	33.80%
	Increasing number of temps and contract workers	20.20%
General employment situation	Dissatisfied with overall situation	52.00%
	Less satisfied than with previous situation	73.60%
	Dissatisfied with liberalisation	81.60%

Source: Ruiter/Mast (2000).

Generally speaking, these results confirm the above overview of employment trends in British PT and indicate a dramatic change in the working and employment conditions experienced in this sector, which exposes workers to significant stress.

For example, more than 70 percent of PT workers in Great Britain complain about changing working times (75% mention the increase in irregular shifts) and regulations for breaks (70.7%). More than 72.1 percent of workers state that working conditions have deteriorated after liberalisation. This mainly refers to the increasing workload, which 94.5 percent (!) of respondents complain of. For this reason, it is hardly surprising that over 90 percent of PT workers claim to suffer from stress, while 77 percent complain about an increase in physically taxing work and physical consequences of the changed working conditions. Fully 83.6 percent state that dangerous situations at work have increased. Almost 70 percent mention deteriorating internal communication flows, and approx. 60 percent specify that contacts with management are fewer than in the past. In all, 81.3 percent of workers are dissatisfied with the changed working conditions after liberalisation.

2.3. *Industrial relations*

As already mentioned, the Tory governments identified the power of the trade unions and the structure of industrial relations in PT as major causes of the problems in the sector. As in most other public sectors, unionisation was extremely high in PT, attaining over 90 percent in the state-owned segment (Pendleton 1999). Many companies were closed shops; collective bargaining was relatively centralised. For example, the National Joint Industrial Council negotiated pay and working conditions for municipal

companies, while the National Council for the Omnibus Industry (NCOI) handled collective bargaining for all other enterprises. NCOI negotiated pay and working conditions for 90 percent of all bus drivers and conductors. The London Transport Executive, too, had its own centralised structure for collective bargaining. Most workers were represented by the Transport and General Workers Union (TGWU).

“The terms and conditions of employment set by the NCOI and NJIC agreements were similar and interrelated (...).“ (Forrester 1993:217)

PT privatisation led to the decentralisation and fragmenting of industrial relations. It is true that trade unions succeeded in keeping membership figures quite high, and company managements refused to engage in collective bargaining with trade unions only in a very few cases (derecognition). Despite this, it must be added that the trade unions’ willingness to co-operate in the restructuring measures following privatisation has demoralised their members. Contrary to other sectors, PT was not hit by significant strikes, either.

Privatisation offered both management and labour the opportunity to purchase companies. Employee shareownership schemes of varying dimensions (ranging from total takeover to the purchase of specific holdings) involved 24 companies with a total workforce of approx. 20,000 persons (Stevenson, no date).

2.4. *Summary*

- PT liberalisation and privatisation in Great Britain accelerated the staff retrenchment push in this sector initiated in the 1970s, above all in metropolitan areas. Staff retrenchment most heavily affected engineers and administrative staff, which led to expect a drop in quality of the rolling stock (which was in fact frequently brought up by critics). It seems that staff retrenchment is proceeding relatively smoothly, which might be due to the deteriorated working and pay conditions in PT. Many workers leave the sector of their own accord; operators find it difficult to restaff vacancies in some areas.
- PT liberalisation and privatisation in Great Britain also entailed an average pay reduction by 20 percent. This corresponds to the criticism, levelled by neo-liberal observers, that public cross-subsidisation of the over-regulated and rigid PT sector had in fact generated exaggerated wages and salaries that did not reflect market conditions. Pay was reduced by means of changes in remuneration systems and by abolishing a variety of bonuses and special benefits (for overtime, weekend work and socially taxing working hours, plus sickness and holiday benefits and paid lunch breaks). At the same time, bonuses for e.g. punctuality at work and regular work were introduced. In some enterprises, bus drivers are paid a percentage of the daily fare takings of their buses. The introduction of new vehicles – minibuses and midibuses, which require lower-level driving licenses – was likewise used to reduce pay.
- PT liberalisation and privatisation seems to have entailed a significant increase in productivity. However, this depends on the way in which productivity is calculated

and is partly due to reduced labour cost and partly to the introduction of cheaper buses (minibuses). Thus the number of workers per vehicle has decreased, while the number of passengers per worker and the number of service kilometres per vehicle have increased. However, critics emphasise that the number of passengers per service kilometre has markedly fallen in metropolitan areas and that fewer passengers today take longer trips. The decline of the bus sector could not be stalled, and service quality has deteriorated as a result of private operators concentrating solely on heavily trafficked routes.

- Flexibilised working hours in the bus sector constitute a key element of restructuring measures in the context of liberalisation and privatisation. This has led to a slight increase in the weekly working time, which now attains 49 hrs. In order to increase net driving times to 80 percent of the drivers' working time, breaks, turnaround and handing-over times were shortened or are no longer paid. To adapt work input to passenger demand, the guaranteed daily minimum working time (7 hrs 49 min) was replaced by a minimum weekly working time (39 hrs). Unionists criticise workdays of up to 16 hrs and inadequate regulations for breaks (first break after 5 hrs 30 min of driving) and demand compliance with the European Working Time Directive.
- The above-mentioned measures have significantly increased work intensity (higher driving speeds). For workers, this entailed more stress phenomena, but also heightened health and accident hazards.
- PT privatisation entails the decentralisation and fragmenting of industrial relations. However, it is true that trade unions succeeded in keeping membership rates quite high. By the same token, company managements refused to engage in collective bargaining with trade unions (derecognition) only in a very few cases.

CASE STUDIES – SWEDEN

General introduction

Investigating the Swedish situation proved extremely difficult, as data are extremely scarce; regarding some sectors, e.g. the water industry, practically no material is available at all. In a report to the European Industrial Relations Observatory (EIRO 1999) on privatisation in Sweden, Annika Berg of Arbetslivsinstitutet in Stockholm has stated:

“Moreover, there is no researching and no literature to be found about privatisation and industrial relations in Sweden. There is quite a lot of literature on privatisation of course, but from other aspects.” (EIRO 1999)

Consequently, the comparative study compiled by Roberto Pedersini for EIRO on privatisation and industrial relations in Europe contains no section on the management of redundancies in Sweden (Pedersini 1999).

This assessment was confirmed (and deplored) by several contact persons – in particular, we would like to mention Brigitta Carlsson and Stellan Mattson of SEKO, Jan Erik Persson of Kommunal, Per Tengblad of the consulting agency Arbetstagarkonsult. AB och ATK Arbetsliv in Stockholm, Mats Bergman of the Department of Economics of Uppsala University and Bernd Hofmaier of Halmstad University –, whom we spoke to in the context of our investigation.⁵¹

To complete our activities, we commissioned the help of a Swedish native speaker and senior student at the Institute of Political Science of Vienna University; however, this research input by Elvira Schönbauer has added only partly useful data to the available stock.

⁵¹ We moreover contacted the following persons for our investigation of the Swedish situation: Anders Wiberg (Arbetstagarkonsult. AB och ATK Arbetsliv, Stockholm), Lena Gonas, Ake Sandberg, Ewa Gunnarson, Jonas Bergman, Anders F. Kjellberg of the National Institute for Working Life in Sweden, Jan Erik Gustafsson (KTH – Kungliga Tekniska Högskolan/Royal Institute of Technology, Stockholm), Thomas Brannstrom (SEKO), Bertil Dahlsten (SEKO), Magnus Ryner (Birmingham University), Melker Ödebrink (SEKO), Ida Lindqvist (Kommunal), Jan Erik Persson (Kommunal), Ake Kihlberg (SEKO).

1. CASE STUDY: SWEDEN – ELECTRICITY

1.1. Background information on the liberalisation and privatisation of the Swedish electricity industry

The deregulation of the Swedish electricity industry began in 1992 (SEKO 2002), when Statens Vattenfallsverk was transformed into Vattenfall AB and took over responsibility for national supply. Vattenfall was conducted as a private-sector enterprise (a limited-liability company) but remained fully state-owned. The operation of the power grid was organisationally separated from other activities of the electricity sector and likewise conducted as an independent company (Svenska Kraftnät). The grid operator was obligated to offer electricity transport capacities against fee payment. The Swedish energy market was to be monitored by STEM (Statens Energimyndighet), an organisation with 165 employees. Distribution at the municipal level remained a competence of local authorities (ILO 1999).

Nordpool, a power distribution company active in Scandinavia, originally with Norwegian and Swedish holdings, was set up in 1993. Svenska Kraftnät purchased Nordpool, in which Finnish (1998) and Danish (2000) companies participated as well.

In 1996, the Swedish electricity market was fully liberalised and deregulated. The generation and distribution of energy were decontrolled. Partly because of pricing problems related to the availability of supply meters, only five percent of electricity customers changed their provider, while approx. 25 percent renegotiated their contract (Ecotec Research and Consulting Ltd. 2001).

In the following years, further laws and regulations on cross-subsidisation, consumption metering, supply quality, network charges and price decontrol as well as the safeguarding of even pricing in urban and rural areas were adopted.

According to SEKO (2002), Vattenfall, the company dominating the market, generates about 50 percent of Sweden's electricity; 21 percent are produced by Sydkraft, which is partly owned by E.ON (55%); and another 14 percent, by Birka Energi, a Finnish company that also controls Stockholm Energi and Gullspan Kraft. Although there are over 300 power-generating companies, only eight of these control 90 percent of the market (Hemmer et al. 2002).

SEKO (2002) states that energy prices are rising due to increasingly high taxes for individual customers, while they are on the decrease for large-scale industrial customers, which are exempted from paying the tax. Moreover, SEKO is unsure whether the liberalised market will be able to create adequate energy reserves for critical years (droughts). In addition, the usefulness of the deregulation process becomes doubtful if the final result is a number of state-owned companies competing to become the biggest provider in other states where energy companies were sold in their entirety.

From a trade union perspective, it is moreover interesting to note that the Swedish Trade Union Confederation (LO) has entered into a co-operation with various Swedish electricity companies to secure low energy prices for its members, a fact that was even embodied in collective agreements.

1.2. *Employment trends*

Staff retrenchment

As in Great Britain, the deregulation and privatisation of the Swedish energy sector entailed massive staff retrenchment measures. According to EPSU/EGÖD, almost 29 percent of the Swedish personnel were reduced in the period from 1990 to 2001, thus terminating a decade-old culture of lifelong employment typical of the sector. It seems that dismissals were avoided in the electricity industry, as most employees left the companies through early retirement and “natural wastage” (Ecotec 2001). This was apparently made possible by the relatively high average age of workers in the electricity industry. A 1997 law on security of employment and the reduction of entrepreneurial responsibility for employees, which also extended the possibilities for limited employment contracts and part-time work, likewise supported staff retrenchment in the sector (Weinstein 2003).

Between 1989/1990 and 1998, the number of workers active in the Swedish energy sector decreased from 38,000 to 25,500 (Weinstein 2003, Ecotec 2001), corresponding to a reduction by over 33 percent. According to information furnished by ILO, 5,600 workers (or 23.2% of the workforce) were cut in the Swedish electricity industry from 1990 to 1995 (excluding Vattenfall). As a result, the number of workers had dwindled to 21,500 in 1995.

According to Ecotec Research and Consulting Ltd. (2001), which, however, dates the commencement of privatisation as coinciding with the full opening of the electricity market in 1996, staff retrenchment in the electricity sector began before privatisation proper. For Ecotec, it is hence unclear whether retrenchment was merely a consequence of market opening or a by-product of technological change as well. Conversely, the widespread practice of hiving off various company functions does not permit a complete overview of employment trends in the field of energy generation and distribution. Moreover, it should be noted that retrenchment measures varied markedly from region to region, e.g. affecting rural areas in the north of Sweden more than others. Since energy generation provided most jobs in some municipalities, this development has obviously triggered above-average employment effects for these regions.

For the time after total market opening in 1996, a ten-percent employment reduction in the sector (ILO 1999) was furthermore recorded. Yet these cutbacks did not seem to constitute the end of developments, as further retrenchment of the staff by 40 percent was expected in the late 1990s (ILO 1999).

Evidently, the threat of personnel cutbacks is a key issue for trade unions. In 1998, Vattenfall announced a staff reduction by 1,000 persons until 2000; the workforce was

to be reduced by way of early retirement, retraining measures as well as by laying off approx. 500 employees (EIRO 1998). Since the company is highly profitable, this triggered the irritation of trade unions. It transpired moreover that Vattenfall intended, at one of its plants, to lay off chiefly those workers whose behaviour had been rated as problematic by their superiors. In addition, the trade union claims that the company tried to dodge the legal provisions for staff dismissal in nine out of ten cases.

In November 1998, the biggest trade union, SEKO Energi, concluded an agreement with management in which it accepted staff retrenchment measures but succeeded in obtaining their postponement. Furthermore, the company was to find solutions for voluntary turnover involving 235 workers and to invest in the protection of another 70 jobs. This led to vehement conflicts with other trade unions in the sector, in particular with SIF (Svenska Industritjänstemannaförbundet, Swedish Trade Union of Technical Employees in Industry).

1.2.1. Groups affected

It is an interesting fact that according to several studies, staff retrenchment mainly involved the core areas of the sector, affecting above all engineers, repair workers but also middle management, administrative and supervisory staff, i.e. workers with a medium-to-high skill level. Since these people were trained in a sector that has no more use for them, they are faced with considerable problems in finding a new job (Ecotec 2001, SEKO 2002). SEKO emphasises that one third of engineers in the electricity sector were laid off; correspondingly, the ratio administrative/technical staff has switched from 30/70 to 70/30.

The Ecotec study likewise confirms this reorganisation of job profiles, as workplaces in marketing, customer service and sales as well as IT workplaces in the electricity industry are on the rise. Both high-skill and low-skill tasks are moreover outsourced. The latter e.g. concerns cleaning and meter-reading, but also attempts to organise customer service through call centres. However, companies have discontinued their outsourcing strategies in this field due to vehement customer complaints and the realisation that customer service is a more complex task than previously envisaged.

After STEM (Statens Energimyndighet) was transferred to a small town 110 kilometres from Stockholm, teleworking was introduced and individually regulated for 130 of its 165 employees.

1.2.2. Forms of staff retrenchment

In addition to forms of socially acceptable staff retrenchment by way of early retirement and voluntary turnover, two examples of internal retraining and job exchange facilities, mostly established and organised with the help of trade unions, should be mentioned in this context. At Vattenfall, redundant workers are allocated to the internal department STEGET (literally, “step”) for 24 months (Ecotec 2001). During this period, they are assisted in their search for a new job and, if necessary, may participate in training

courses. In the opinion of the company, these workers are to become “ambassadors” and “good examples” of Vattenfall’s personnel policy in the labour market. STEGET operates locations in five Swedish regions and communicates closely with the company and its divisions. One tutor is assigned to approx. 15 workers and charged with jointly developing an adequate training plan for their further careers in the labour market.

Those who leave STEGET before expiry of the 24-month period are paid half of their outstanding monthly wages or salaries. From February 1999 to Mai 2000, 234 persons were allocated to STEGET. 24 percent of these did find a new job, while 22 percent underwent training, and four percent retired because of invalidity. In all, the pool of workers to receive training and assistance in finding a new job through STEGET is to be composed of approx. 300 to 400 persons on an ongoing basis.

A similar project is operated by the Sydkraft company, whose internal job exchange and training facility KRAFTCENTRUM was established on a suggestion by the trade union and charged with providing workers too young for an early-out solution with the option of attending training courses over a period of up to two years, in order to fill an adequate new position within the company or to be well prepared for the external labour market.

1.3. Working conditions and role of the trade union

The trade union takes a very critical view of the continued staff retrenchment and changes in work organisation and job profiles (SEKO 2002). For example, SEKO notes that staff reduction has triggered problematic supply bottlenecks in electricity generation. Staff retrenchment is moreover accompanied by deteriorating working conditions resulting from the corporate strategy of outsourcing or purchasing certain tasks from external providers. Many companies whose services are purchased seem to lack adequate collective agreements, and SEKO consequently criticises downward pay trends.

It is thus obvious that the Swedish trade unions, like their colleagues in other countries, are faced with the problem of having to turn from company unions into sector or industry unions in order to react to changing ownership and market situations. The Swedish National Trade Union of Public Employees thus became the Trade Union of Service and Communication Employees SEKO (SEKO, no date). As late as in the 1980s, approx. 95 percent of SEKO’s members were covered by public-service collective agreements; in the late 1990s, this figure had decreased to 25 percent.

In this context, it should moreover be mentioned that the trade unions in 1998 accepted a new collective agreement for 15,000 workers in the energy sector, which enables companies to modify any clause of the agreement with the unions’ consent. Furthermore, the agreement does not provide for any regulations for temps. By endorsing this agreement, the trade union has therefore accepted the 1997 law on security of employment (EIRO 1998).

The deteriorating working conditions in this sector are also reflected in an increase in sickness leave, stress phenomena and premature deaths.

This trend is evidenced by a 1999 EIRO report on a conflict of the electricians' union with employers regarding responsibility for electrical safety. In the opinion of employers, this responsibility was to lie solely with workers, while the trade union viewed it as a fundamental responsibility of the company. The conflict was settled by appointing a person – usually an experienced employee – in charge of safety checks, who is to execute these following a written order and receives a bonus for this work. Moreover, every company must set up a working group on safety issues, which is to be composed of one representative of the employee and employer side each as well as of one impartial chairperson.

1.4. Summary

- The liberalisation of the Swedish energy market entailed massive staff retrenchment in the electricity sector. In the 1990s, the workforce was reduced by roughly one third; further cutbacks are expected for the coming years.
- Staff retrenchment measures at the formerly state-owned monopolist and current market leader Vattenfall accepted by the Swedish trade union SEKO Energi led to conflicts with other trade unions in this sector.
- Staff retrenchment mainly involved the core areas of the sector, affecting above all engineers, repair workers but also middle management and administrative staff. According to the trade union, one third of the workers lost their jobs. Due to their highly specialised training background, laid-off persons have great difficulties in finding a new job. Moreover, the reorganisation of the sector led to the emergence of new employment profiles (marketing, customer service and sales). Moreover, companies experimented with strategies aimed at outsourcing certain tasks, which – at least for customer service – may be judged failures.
- In addition to socially acceptable staff retrenchment, companies such as Vattenfall or Sydkraft established internal training and job exchange facilities to help redundant workers to reintegrate into the labour market.
- The continued staff retrenchment measures have had a negative effect on working conditions in the energy sector.
- The liberalisation and privatisation of the energy sector forced trade unions to reorganise and negotiate new agreements in keeping with the changed conditions. Former company unions must now become sector unions.

2. CASE STUDY: SWEDEN – WATER

Preliminary remark

The data stock on the effects of deregulation and privatisation in the Swedish water industry is extremely meagre. Our request to talk to a trade union representative was not complied with until the end of our investigations. For this reason, no information about the effects of the measures taken to liberalise and privatise the water sector is available.

2.1. Liberalisation of the Swedish water industry

According to information furnished by the Swedish Water and Wastewater Association (VAV) (Gustafsson 2001), the Swedish water sector is composed of 2,000 waterworks and 2,000 wastewater plants, all in municipal ownership. Jan Erik Gustafsson (2001) states that approx 6,000 persons are employed in the Swedish water sector. About one third of these work directly at waterworks and wastewater plants; one third handle network maintenance tasks; the remainder are administrative staff. Due to a variety of automation and efficiency-enhancing measures, which obviously must be linked to a gradual deregulation of the sector, it seems that as many as 4,000 workers were already laid off. It is feared that it might become difficult in the future to find skilled staff for this industry.

According to Gustafsson (2001), the commercialisation of the Swedish water industry began in 1991, although it should be noted that some municipalities had already started in the 1970s to hive off publicly-owned waterworks and wastewater plants in order to win greater economic freedom. The amendment to the Swedish Municipal Law in 1991 gave municipalities a wider leeway to organise their infrastructure facilities. This reform clearly reflected such neo-liberal buzzwords as customer focus, decentralisation and competition. Municipally-owned waterworks and wastewater plants were to bring their operating practices in line with the private sector.

Gustafsson (2001) states that a central aspect of the hiving-off of waterworks and wastewater plants lay in a loss of transparency, to which Swedish private companies are less bound than public organisations (or not bound at all). As a result, enterprises are no longer accountable to the general public, i.e. individual citizens are no longer entitled to inspect the documents and records of such companies.

The next step after the hiving-off of municipal infrastructure companies such as waterworks and wastewater plants was to tender their tasks. The first attempts in this direction were made by municipalities with conservative local governments in the second half of the 1980s (e.g. in Vaxholm), although an evaluation of the effects of the privatisation of water and wastewater management has shown that the municipal enterprises had functioned more efficiently and at lower cost (Gustafsson 2001).

1996 saw the establishment of the Swedish Water Development Company, which is jointly owned by the Swedish Water and Wastewater Association and the waterworks and wastewater plants of Stockholm, Gothenburg and Malmö.

Gustafsson mentions a second attempt to privatise water and wastewater management in Malmö, which, however, did not come to pass following the defeat of the conservatives at the city council elections. From the workers' perspective, it is interesting that the staff was expressly asked to participate in the tender with an offer and that the British Anglian Waters company, which was to be awarded the contract on the basis of a promised thirty-percent cost reduction, held out the prospect of complete staff transfer.

The first public-private joint venture in water and wastewater management took place in Karlskoga, where 49 percent of the shares were sold to a Finnish group of bidders, 70 percent of which are owned by the Finnish state. Despite promises to improve the service level, this led to reduced investment input and significant staff retrenchment.

The first classic-style privatisation of a municipal water and wastewater company took place in Norrköping under a social-democratic local government and in the face of vehement resistance by the population. The company was sold to Sydkraft, which is controlled by E.ON.

The municipal water and wastewater company of Nörrtalje was sold to Vivendi; this was approved by the trade union, which was unwilling to continue working for the public employer, i.e. the conservative local government. The trade union hoped that this would result in higher pay and trusted Vivendi's promise to respect the collective agreement.

3. CASE STUDY: SWEDEN – RAILWAYS

3.1. Background information

Debates about the future of the Swedish railway system began already in the 1980s. At that time, the prime objective was to shift freight transport from road to rail. Yet the problem of rising costs and growing losses in the Swedish railway sector likewise prepared the ground for the privatisation measures taken in the 1990s. Jan-Eric Nilsson (2002) emphasises that the reasons for the weak performance and economic problems of the Swedish railway sector could not be clearly identified before deregulation. The SJ management was under no obligation to grant the political level – i.e. the owner's representatives – full disclosure of the economic activities of the company.

“In particular, the responsible ministry could not understand whether poor demand or increasing costs was the prime performance driver. It was also difficult to disentangle the contribution to costs from spending on infrastructure maintenance and train operations, respectively.” (Nilsson 2002:235)

The changes in the Swedish railway sector began in 1988 with the vertical division of the Swedish state railways company SJ (Nilsson 2002), which was split into one publicly administered segment called Banverket, in charge of track network upkeep, on the one hand and into a segment acting along private-sector principles (SJ AB) on the other hand, although the latter, for the time being, retained its monopoly for rail transport.

Since 1990, rail transport may be tendered and sold at the regional level. In 1993, the market for inter-regional, non-commercial passenger rail transport was decontrolled as well. Since 1996, the unprofitable parts of the main Swedish railway network were tendered, while SJ kept the lucrative segments and (at the time) the monopoly for long-distance transport into the bargain. These tenders were supervised by Rikstrafiken (the National Public Transport Agency) and 24 regional Public Transport Authorities (PTAs), which were to serve as transport management bodies (Palm, 2001a+b) and established in 1990 (SEKO, no date, Ruitter/Mast 2000). The PTAs try to control competitive tendering by stipulating certain quality standards for working conditions, as this is viewed as having a direct bearing on the quality of a bid.

ÖGPP states that SJ was awarded all tenders of this type until 1999 (ÖGPP 2002).

The PTAs were to ensure adequate inter-regional co-ordination of rail transport and customer information. As a rule, the earnings from ticket sales went to the regional PTAs (at least until the late 1990s), which in their turn paid a fixed amount (that hence was relatively independent of direct financial success) to the private operator of the track network.

After the supervisory board had agreed to further privatisation (EIRO 2000), SJ lost 60 percent of rail transport in 1999 but kept the most profitable segments and remained in

state ownership. In due course, five private operators took over some segments of long-distance transport and the Stockholm commuter-train system.

In addition, the former public enterprise reduced its field of activities to passenger transport (SJ AB) and freight transport (Green Cargo) by outsourcing all further tasks or transforming them into separate enterprises (e.g. the operation or maintenance of railway stations as well as EDP and real-estate administration) (SEKO, no date). As of 2001, passenger transport (SJ AB) and freight transport (Green Cargo) were managed as separate limited-liability companies (Nilsson 2002). Moreover, a holding company was established to handle real-estate and maintenance tasks.

According to SEKO (no date), this engendered significant cost pressures for the railway sector, which not only led to substantial staff retrenchment (to be addressed below) but also impaired service quality and the condition of the rolling stock, as well as reducing or delaying investments and increasing service interruptions due to maintenance cutbacks. This impaired the trust placed by the population in the Swedish railway system.

3.2. *Employment trends*

3.2.1. *Staff retrenchment*

The deregulation and privatisation of the Swedish railway sector led to staff retrenchment measures at this former monopolist. The table below shows the employment trends at SJ. Between 1994 and 2000, SJ reduced its workforce by over 51 percent. According to the SJ AB annual reports, staff reduction was on the one hand achieved by way of substantial rationalisation measures and on the other hand through the outsourcing and sale of corporate functions. Unsuccessful bids for tenders, too, influenced the staff volume, as the Annual Report 1999 (The SJ Group 1997-2001) remarks. It is interesting that the share of female workers still attained 35 percent in 1998, an increase by three percent if compared to 1997. In 1999, that share had dropped to 28 percent; in 2000, to 23 percent. This suggests that, while the growing importance attached to customer orientation did play a certain role for the Swedish railways, the outsourcing of service activities from the core areas in fact reduced the share of female workers at SJ, which now is focusing on its core business activities.

Table 3-1: Employment trends at SJ (excluding infrastructure)

1994	1995	1996	1997	1998	1999	2000
24,042	18,641	18,277	16,517	15,694	15,006 (12,815)(a)	11,702

(a) Excluding train and station restaurants.

Source: Annual Report (1997-2002) of the SJ Group.

The available data do not say whether staff cuts were handled in a socially acceptable manner. However, when SJ AB reduced its staff by 500 workers in 1998, 35 percent of these chose pre-retirement; for another 140 workers, the Activity Centre, an internal facility for skill development and job placement, was established.

As per the end of 2001, passenger transport (SJ AB) was definitely separated from freight transport (Green Cargo). In 2001, SJ AB employed only 3,582 persons, while the workforce of Green Cargo was 3,902 (Green Cargo 2001a). For 2002, SJ AB presented an increase to 3,666 workplaces; the share of female workers at SJ AB now attains 37.6 percent.

Green Cargo is a wholly state-owned company composed of the parent Green Cargo AB and eight subsidiaries. In 2001, Green Cargo AB employed 2,612 workers. The female employment share at Green Cargo was 8.6 percent in 2001, with 33 percent of women at the executive level (Green Cargo 2001a). The Annual Report 2002 shows an employment cutback by 165 jobs, resulting in a total of 3,737 workers (3,350 of these working for the parent company), as numerous structural measures were implemented in 2002. The staff was to be further decreased to 3,678 workers in 2003.

According to the Annual Report 2002, Green Cargo conducted a personnel survey regarding the work environment, leadership and skills development in the year under review. While the annual report does not contain any details regarding the methodology used in the survey and the respondent population, it explains that personnel index ratings are ranked on a scale from 0 to 100 points. Thus a score of 70 is “generally regarded as an excellent result“. As Table 3-2 shows, Green Cargo achieves this result only for team spirit. Pay and benefits (50.4) and work environment (57.7) score much lower. The other areas mentioned present values slightly above 60.

“The results of the personnel survey led, among other things, to Green Cargo’s decision in 2003 to improve communication of the company’s targets and performance, to develop its managers, and to come up with a better model for staff development. The creation of a skills database, updated on a rolling basis, is one way of collecting the company’s experiences.“ (Green Cargo 2002:33)

Table 3-2: Results of personnel survey at Green Cargo (2002)

Work environment	57.7
Balance, professional vs. private life	62.8
Pay and benefits	50.4
Work situation	64.0
Career	62.4
Skills development	60.8
Team spirit	70.9
Leadership	61.2
Customer focus	63.8
Personnel index, total	60.8

Source: Green Cargo 2002, score scale from 0 to 100.

Data regarding employment with new providers could not be incorporated into the present study. However, it seems to be common usage for companies awarded tender contracts to take on the staff of the former state-owned enterprise, although courts have ruled that they are under no obligation to do so (Palm 2001a).

Yet Palm (2001a) also mentions Storstockholms Lokaltrafik, which obligates companies awarded contracts to take on the former staff unless these workers are not needed. It appears that workers taken on by successful bidders sometimes choose of their own accord to leave the company, since they consider the working conditions unfavourable.

For example, when Citypendeln took over the Stockholm commuter trains, Palm (2001a) claims that this triggered conflicts with the trade union regarding the adoption of collective agreement provisions and workforce issues. Out of 630 engine drivers formerly employed by the company, 140 did not want to join Citypendeln, which led to a restricted operations start-up. Citypendeln claimed that the temporary service bottleneck was also due to a lack of SJ AB-trained engine drivers.

To achieve the service quality and frequency stipulated by the public transport authority, Citypendeln finally concluded an agreement with 70 engine drivers. This agreement obligates the drivers to postpone their holidays and to work overtime if necessary. In this context, SEKO has warned of substantial health hazards for drivers and passengers and notes that these regulations are illegal, as they are not covered by any collective agreement (Palm 2001a).

In 2002, Banverket, the company charged with track network upkeep, employed 6,399 workers with a female share of 15.8 percent (Banverket 2002). Since 1997, the workforce of Banverket was reduced by approx. 1,000 persons. Yet the number of workers who annually leave the company is much higher because, as Banverket informs, many new employees were recruited. Between 2000 and 2002, the number of

workers was cut by a total of 263 persons, while 702 new workers were recruited in these years. As a result, the number of workers who left Banverket in that period alone is probably around 965.

3.2.2. Effects on working conditions

SEKO emphasises that the massive staff retrenchment measures have heightened work-related stress and deteriorated working conditions and employment relationships. The trade union makes explicit reference to impaired retirement pensions, job security, influence on production processes and work environment. As long as the railway sector was state-owned and the trade union able to conclude public-service collective agreements, career public servants working for the Swedish railways were granted up to 36 days of annual vacation and were entitled to retire at age 60. The newly recruited staff of the privatised companies no longer enjoys such privileges. While workers transferred to Citypendeln have a right to 28 to 34 days of paid annual vacation, the new recruits come under the legal provision stipulating only 25 days.

Traditional working-hour regulations, too, were modified, as company managements criticise short working times, the Austrian Schienen Control GmbH notes (2002). The SJ Annual Reports for 1997 and 1999 (The SJ Group 1997-2001) likewise draw attention to the introduction of flexible working-hour models and annualised-hours schemes. For this purpose, an IT-based personnel planning system was introduced to reduce working times that do not contribute to value creation, since customers do not pay for these “idle” periods.

The trade union claims that the deteriorating working conditions compromise the availability of skilled personnel.

An interesting indicator of worsening working conditions in the railway sector is contained in the annual reports of the SJ group, which for several years recorded a marked increase in sickness leave of its staff. Since the staff turnover rate is low (3.7% in 1999), however, the SJ AB management assumes that the workers’ job satisfaction must needs be high.

3.3. Role of the trade unions

After protracted conflicts, the Swedish trade unions decided to co-operate (more or less) in the liberalisation and privatisation process. This was accompanied by a change in their strategic orientation. Instead of remaining a company union that also addressed transport policy issues and felt accountable to society at large, SEKO became a sector union for services and communication that mainly focuses on the employment conditions of its members. As the biggest trade union in the railway sector, SEKO has more than 20,000 members active in this field.

In addition to SEKO, ST (Statstjänstemannaförbundet, the Swedish Trade Union of Civil Servants) likewise deserves mention here. ST Lok unites 1,200 engine drivers; ST

Järnväg has 1,200 members working for Banverket. SACO Förbundet Trafik och Järnväg (Swedish Federation of Professional Associations) has another 4,600 members in the sector; 1,200 working for Banverket and 1,200, for SJ. There exists another, very small trade union which, however, is not recognised by the umbrella organisation LO. Yet SLFF (Svensk Lokförarförening, Trade Union of Swedish Engine Drivers) tries to win influence by means of particularly ambitious demands felt to be excessive by other trade unions (EIRO 2001), which generates inter-union conflicts.

Collective agreements are principally concluded for a period of several (usually two or three) years.

Even if the SJ annual reports highlight that the co-operation of trade unions is always sought before embarking on restructuring measures, observers have noted a certain weakening of the unions (Ruiter/Mast 2000).

SEKO (no date) demands sufficiently large workforces, improvements of the work environment, protection of the existing working and pay conditions and job security. Since the short-term character of the contracts awarded to successful bidders have implications for long-term quality assurance and investment activities in the railway sector, SEKO demands that contracts be concluded for longer terms to promote skill building and that employment issues be given space in competition tenders.

3.4. Summary

- The liberalisation and privatisation of the railway sector forced SJ to reduce its staff by more than 50 percent between 1994 and 2000.
- As a rule, successful bidders take on the SJ staff although they are under no obligation to do so. The transfer of the former staff and the working conditions offered by private operators frequently entail conflicts with the trade union, e.g. in the case of Citypendeln, the private commuter-train operator of Stockholm.
- Liberalisation and privatisation have impaired working conditions. This negative impact concerns retirement pensions, job security, workers' influence on production processes and the work environment. Private companies in particular recruit new employees at inferior terms than those enjoyed by "veterans", who as a rule may continue working under the conditions applying to public employees. In the opinion of management, working times are too short and not flexible enough. Consequently, SJ AB has introduced a flexible working-time model with working-time accounts and an annualised-hours scheme. The objective lies in reducing non-value-creating times, i.e. times for which customers do not pay.
- After protracted conflicts, the Swedish trade unions decided to co-operate (more or less) in the liberalisation and privatisation process. These changes force the unions to modify their strategic orientation and to transform themselves from company unions into sector unions. Principally, the trade unions in this sector appear somewhat weakened by recent developments.

4. CASE STUDY: SWEDEN – PUBLIC TRANSPORT (PT)

4.1. Background information

The liberalisation of Swedish public transport was carried out in the late 1980s on the basis of a tender model (municipalities tender the provision of PT services). The task is handled by 24 regional Public Transport Authorities (PTAs), 50 percent of whose shares are held by the municipalities. The public bus operator Swebus was sold to Stagecoach in 1995 and later to Concordia. According to the trade union Kommunal, all but eleven of the formerly municipally-owned companies were then privatised. Fewer than five of the PT bodies still operated by municipalities are financially successful, Kommunal adds. In the course of privatisation, close to 500 private, often very small bus operators sprang up but frequently join forces in “umbrella organisations” to be able to participate in tenders.

It is maintained that liberalisation has increased the scope of PT services by 15 percent, lowered fares and improved customer satisfaction (ÖGPP 2002); at the same time, this development was accompanied by concentration processes. Cost coverage of PT services has risen from 30 to 50 percent. The positive development of PT is attributed to state aids, which were significantly increased in the course of the liberalisation process. It seems that the effects of market trends in PT have not been analysed since 1999 (Hellery/Hagman 2000), as public transport is expected to evolve according to its own conditions in the future.

Contracts with successful bidders are concluded for a period of four years (Hellery/Hagman 2000). The PTAs try to control competitive tendering by stipulating certain quality standards for working conditions, as this is viewed as having a direct bearing on the quality of a bid. Companies awarded contracts often take on the old staff, although courts have ruled that they are under no obligation to do so (for more details cf. 2001a).

The regional PTAs – with the exception of Storstockholms Lokaltrafik – do not obligate bidders to take on the existing staff. Since employment trends in the sector are generally viewed as rather negative, the possibility of a shortage of 8,000 drivers in coming years has been brought up. To deal with this situation, the social partnership institution KOLLEGA was established to recruit and train potential PT workers.

4.2. *Development of working and employment conditions in PT*

4.2.1. *Employment trends*

The available data are not very informative regarding employment trends in PT. According to Kommunal, staff was mainly reduced in the fields of administration, repair and maintenance. These cutbacks were to help reduce production costs, which seems an essential prerequisite for successful bidding in tenders. In the opinion of Kommunal, staff reductions were carried out in a socially hardly acceptable manner.

Due to deteriorating working conditions and a growing sense of insecurity, many persons – particularly women – have moreover left the sector. Kommunal also notes an inflow of migrants into the sector. According to Kommunal, there was a tendency to lay off older workers, while younger staff left the sector because of dramatically deteriorating working conditions triggered by the tender procedures. The average age of workers is therefore around 50 years.

Companies awarded a license for a specific route following a second tender round are not obligated to take on the existing staff, as Kommunal mentions, citing an ECJ ruling and adding that this has caused difficulties regarding the rehiring of persons with health problems or of union activists. However, the growth of the PT sector did entail an increase in the overall number of PT drivers, it is contended. Kommunal even emphasises the current personnel shortage – a lack of approx. 5,000 drivers – in PT. This has led to new employment relationships in PT (see below).

4.2.2. *Changes in employment relationships*

However, Kommunal adds that the lasting changes brought about by the tender procedures did not negatively impair pay and working times all around. The sector is still regulated by a number of collective agreements for PT. Moreover, the trade union was able to conclude a new, uniform collective agreement for the whole PT industry in February 2003. This agreement detaches the classification of workers into wage brackets from their affiliation to a company and instead ties it to the duration of their employment in the sector. This new collective agreement will come into force with the next tender round. According to Kommunal, all workers of all companies are now subject to the same conditions; remaining differences boil down to “who is wearing what tie”, as it were.

4.2.3. *Atypical forms of employment in the Swedish PT system*

Due to a lack of personnel in the sector, a new atypical form of employment has evolved; Kommunal calls this “employment on a hourly basis”. It concerns bus drivers hired as “self-employed workers” or “day-workers”, who e.g. perform weekend shifts if required. According to Kommunal, these workers enjoy more or less the same social

security cover as regularly employed bus drivers but do not receive sickness benefits. Many workers in this category have been subject to such contracts for the past 10 or 15 years. Kommunal criticises this form of employment because it has a deleterious effect on employment relationships. Due to the general personnel shortage, bus drivers working under these conditions find themselves in a relatively good position vis-à-vis companies. They are able to gear their shifts and working schedules to their needs, which means that they sometimes block profitable routes and easy shifts, which Kommunal deplors. Regularly employed bus drivers cannot do so, as they are subject to directions in their work. This flexibilised personnel deployment is also reflected in the use of temps and their pay. In 1997, the Swedish Transport Workers' Union (EIRO 1997) concluded an agreement on the pay of temporary workers, according to which these workers must be remunerated in keeping with the respective company's average pay for its workforce. Before this, temps were paid only 50 percent of the respective remuneration levels.

4.2.4. *Effects on working conditions*

The available material and information show that the effects on workers most strongly concern the changed working conditions. Kommunal describes the working conditions before liberalisation as good and secure medium-skilled jobs that offered the perspective of a lifelong employment relationship. This made working in PT particularly attractive for women and single parents.

Kommunal admits that the development of wages and salaries as well as of collective agreements in Swedish PT cannot be likened to genuine social dumping and that working hours have not been lengthened. However, due to the necessity for companies to participate regularly in tender procedures – as PT licenses are granted for five years only –, job insecurity in the sector has augmented dramatically. Workers can no longer expect that their enterprise will still exist five years into the future. Moreover, pay and working-time regulations are often not observed in smaller companies, it is argued.

Kommunal notes that work has significantly intensified due to new ways of working-time management; work intensification was inter alia achieved by reducing breaks, turnaround and repair times. Moreover, reduced communication and consultation opportunities are deplored, resulting as they do from a cutback in middle-management staff and the downshifting of responsibilities and tasks.

Interventions in traditional working-hour regulations entailed vehement conflicts between trade union and companies. Thus in 1999, 16,000 bus drivers went on strike (EIRO 1999, Lindgren 1999), as working-time regulations practically precluded short breaks, e.g. to use the WC. This action, aptly called the “pee-break strike”, ultimately led to the conclusion of a new collective agreement provision. Working-hour regulations regarding short breaks are now determined in decentralised fashion. If no regulation is arrived at, the base agreement applies.

Kommunal communicates that overtime has likewise mushroomed and that a relatively high number of workers were only used for peak hours until 1999, i.e. that their working time was capacity-oriented and hence variable. In 1999, it was agreed that daily shifts were not to exceed 13.5 hours; the 2003 collective agreement provides for paid breaks.

According to Kommunal, the intensification of working conditions has also affected the health status of workers and augmented stress phenomena. The sickness quota is very high, and many workers are forced to choose early retirement. The growing strain on workers has likewise increased accident hazards in PT. Moreover, it is claimed that young drivers who have acquired their driving license in a seven-week course are almost instantly deployed to work regular schedules, a consequence of the manpower shortage. In the past, drivers had undergone additional in-house training and were sent to work only simple routes or routes already well-known to them. Since the licensing system obligates companies to pay penalties if bus schedules are not served regularly, little attention is paid to whether these young drivers already dispose of the necessary experience and reliability to actually run a service.

4.2.5. Industrial relations

According to Kommunal, the trade union was able to protect its position within the sector, although the situation has become much tougher. Membership is still above 80 percent but has decreased somewhat in recent years. For this reason, it has become more difficult to get demands implemented on a basis of social partnership. “Self-employed day-workers” are less frequently unionised because many of them have another job or jobs and do their PT work only “on the side”. Migrants, too, are less often union members. The precarious character of the companies participating in tender procedures creates additional problems for trade unions. Frequently, it proves quite difficult to develop adequate staff representation in newly licensed companies since relevant experience is scarce.

In PT as in other sectors, confrontations with management have led to conflicts between trade unions.

4.3. Summary

- Starting in 1989, local PT in Sweden was progressively liberalised and largely privatised by means of tender procedures. Companies awarded such contracts are granted a five-year license.
- While the liberalisation and privatisation of PT did not affect the frame conditions for working times and pay laid down in the collective agreements, the tender procedures have triggered substantial feelings of insecurity in the sector, since workers can no longer expect that their enterprise will still exist five years into the future.

- The Swedish PT sector was affected by a far-reaching reorganisation of employment relationships. Staff cuts involved administrative, maintenance and repair personnel. Moreover, many workers (this is mainly true of women and young workers) left the sector due to deteriorating working conditions. According to Kommunal, this has created a significant personnel shortage.
- Numerous PT drivers today have to work for several enterprises as a kind of self-employed day-workers. Due to the personnel shortage, this seems to be a quasi-permanent option for many of them.
- According to Kommunal, the restructuring of PT due to the liberalisation and privatisation process has substantially intensified work, which is e.g. reflected in reduced breaks and turnaround times. As a result, this problem became the issue of strikes. Moreover, capacity-oriented, variable working times have emerged, since enterprises want to use drivers above all during peak hours.
- Work intensification has led to a deteriorating health status of workers, stress phenomena and augmenting accident hazards. This is also a consequence of the companies' using young drivers who, despite a lack of practical experience, are made to work their own routes almost immediately after obtaining their driving license.
- The trade union was able to protect its position within the sector, although it is not easy to canvas new members amongst migrants and self-employed day-workers. In 2003, it was possible to get a collective agreement accepted which no longer ties the classification of workers into wage brackets to their affiliation to a company, but rather to the duration of their employment in the sector.

Changes in working conditions in the Swedish PT and railway sectors

An interesting overview of the way in which the changes in working conditions are perceived by Swedish employees is provided by a study by Eveline Ruiters and Remko Mast (2000) on the effects of market forces on PT employees. Unfortunately, the paper does not distinguish between the railway sector and PT. The study was conducted in Sweden, Denmark, Great Britain and France and is based on a questionnaire survey involving 2,400 workers in these countries.

What is especially remarkable is the extremely high share of critical statements levelled at working conditions and their deterioration since the liberalisation push. As the authors show, this is in marked conflict with information furnished by public administrations and managements. In particular, it should be noted that more than three fourths of workers in this field expressly state that working conditions and employment relationships have deteriorated after liberalisation.

Table 4-1: Working conditions in Swedish PT according to Ruitter and Mast

Employment conditions	Lower pay	38.00%
	Shift interruptions	56.90%
	Increase in irregular shifts	54.10%
	Fewer breaks	55.10%
Working conditions	Dissatisfied with current working conditions	49.30%
	Deterioration after liberalisation	75.40%
	Increased workload	85.00%
	Increase in physically taxing work	60.20%
	Some physical complaints	49.60%
	Stress	58.10%
	Inferior equipment quality	78.70%
	Inferior safety regulations	49.20%
	More dangerous situations	51.10%
	Deterioration of internal communication flows	63.90%
	Fewer contacts with management	50.70%
	Dissatisfied with working conditions	52.20%
	Dissatisfied as compared to pre-liberalisation	76.70%
Character of tasks	Less interesting tasks	39.90%
	Less influence on daily work	41.30%
Training	Lower training and skill levels	32.60%
	Reduced skill upgrading possibilities	46.00%
Job security	Perceived staff retrenchment	57.50%
	Reduced job security	57.88%
	Increasing number of temps and contract workers	66.20%
General employment situation	Dissatisfied with overall situation	31.80%
	Less satisfied than with previous situation	67.90%
	Dissatisfied with liberalisation	56.30%

Source: Ruitter/Mast (2000).

For example, more than 50 percent of Swedish PT workers complain about changes in working hours (increase in irregular shifts, shift interruptions) and regulations for breaks (cf. Table 4-1). More than 75 percent of workers state that working conditions have deteriorated after liberalisation. This mainly refers to the increased workload, which 85 percent of respondents complain of, but also to inferior equipment quality since the onset of liberalisation. More than 76 percent of respondents are therefore dissatisfied with the changed working conditions in Swedish PT after liberalisation, and over 63 percent add that internal communication flows have likewise deteriorated.

The questions relating to reduced job security likewise resulted in very high scores. More than 57 percent of workers noted that staff retrenchment had occurred and related this fact to growing job insecurity, while 66.2 percent mentioned an increase in atypical types of employment such as temporary or contract work. In view of these results, it is hardly surprising that over 67 percent of workers are dissatisfied with the general employment situation in the companies as compared to the pre-liberalisation period (cf. Table 4-1).

5. *CASE STUDY: SWEDEN – POSTAL SERVICES*

5.1. *Background information on the liberalisation and privatisation of postal services in Sweden*

The liberalisation of the Swedish postal sector, sometimes referred to as “the big bang approach” (The Strategia Group, no date), occurred gradually (PriceWaterhouseCoopers 1997, ILO 2002a). Thus the corporate objectives were already redefined in 1985, with added emphasis on service quality and economic efficiency. In 1987, the company was first authorised to become active in capital markets, and instruments to analyse customer satisfaction were introduced. According to ILO, actual liberalisation began in 1991, when the private operator City Mail was granted market entry in Stockholm. In 1992, Sweden Post was authorised to fix its prices independently, albeit to a limited degree. In 1993, the transport monopoly of Sweden Post was abolished; in 1994, the public undertaking became Posten AB, an independent enterprise owned by the state. Since Posten AB dominates the market, the company is obligated to provide universal postal services without receiving compensation (ILO 2002a).

Liberalisation triggered the emergence of several new providers – various sources mention 60 to 80 –, many of which were established shortly after liberalisation. Since many of these companies initially receive state aid, their long-term competitiveness is difficult to assess. In a study developed for the EU Commission, PLS RAMBOLL (2002) thus specifies the number of private providers as 20 to 22, most of which have only three to five employees. Post&Telestyrelsen (2002) assumes that most private providers are one-person operations.

The biggest provider beside Posten AB, which in the mid-1990s still controlled over 95 percent of the various market segments (Price Waterhouse 1999), is City Mail with approx. 1,500 employees (of whom 1,100 handle letter-mail services) (PLS RAMBOLL Management A/S 2002).

5.2. *Employment trends*

5.2.1. *Staff retrenchment*

In the past decade, the Swedish postal sector was affected by massive staff retrenchment not compensated by the newly created jobs offered by private operators. In particular, it seems that the former public undertaking Posten AB was badly prepared for the restructuring of the sector. According to information furnished by the trade union SEKO (2003), the number of workers in the postal sector has decreased by close to 17,000 persons since 1990 and now attains 40,000. Similar data as well as information

about staff cutbacks are also given by other studies, e.g. by PriceWaterhouse and PLS RAMBOLL. However, both studies use a wider definition of what constitutes postal services, which results in higher overall employment figures.⁵² While SEKO therefore specifies staff reduction in the postal sector as being around 30 percent, the data compiled by PLS RAMBOLL contend that slightly over 22 percent of jobs were cut since 1990. ILO as well as PLS RAMBOLL emphasise that staff retrenchment in the Swedish postal sector is one of the most notable within the entire EU.

Although there are indicators that attempts were made in the postal sector to reduce staff in a socially acceptable manner, the rights of former state employees embodied in employment contracts were not formally protected (ILO 2002a, 2002b). In contradiction to this statement, PLS RAMBOLL claims that the share of career public servants working at Sweden Post increased from 8.7 to 14.5 percent between 1995 and 2000. With the staff retrenchment measures, the share of persons active in personnel-intensive areas (letter carriers) rose from 64.4 to 68.8 percent between 1990 and 1995 (PriceWaterhouse 1999). Conversely, the share of workers handling financial and counter services in the postal sector dropped from 35.6 to 31.2 percent in the same period.

Although no detailed analyses are available, atypical forms of employment (temporary and part-time work) seem to be on the rise, above all among private operators. Furthermore, it appears that the share of female workers in the core areas of the universal service provider is on the decrease. According to PriceWaterhouse, however, the share of female employees of the universal service provider increased from 13 to approx. 17 percent between 1990 and 1995.

It is moreover striking that, despite the wider definition of what constitutes postal services in the last-mentioned studies, both ILO (2002a) and PLS RAMBOLL give comparable values for the number of newly created jobs in the private sector. ILO claims that their number is 1,500; according to PLS RAMBOLL, the number of new workers at private providers (competing postal operators) has increased from 14,867 to 16,114 since 1995 (a plus of close to 1,250).

⁵² Definition of the postal sector by PWC: “Postal operators are companies that have their core business in the collection, sorting, transportation and delivery of physical mail items weighing up to 20 kilograms either on an expedited or on a normal basis” (p. XXI). PWC chose this definition for practical reasons and points out that the data situation is unsatisfactory, even if the definition is kept very general. Moreover, it is claimed that this definition is coherent with NACE Codes 64.11 – activities of public postal operators (without financial services) and 64.12, which comprises the collection, transport and distribution of letters and parcels conducted by private companies.

Definition according to PLS Ramboll: PLS Ramboll has enlarged the definition of postal services. The traditional definition is based on postal items and their delivery (PLS Ramboll 2003: 30 ff). The definition was enlarged in order to address the evolution of the sector. The enlarged definition by PLS Ramboll also extends to electronic postal services, non-standard postal services such as express services, the delivery of unaddressed mail, if the infrastructure of the postal sector is at least partly made use of, as well as messenger services and document exchange services (p. 32)

Table 5-1: Employment trends in postal services according to SEKO

1985	54,000	
1990	57,000	
1993	Posten AB: 50,000	City Mail: 250
1998	Posten AB: 42,000	City Mail: 750
2002	Posten AB: 39,000	City Mail: 1,100

Source: SEKO (2003).

Table 5-2: Employment trends in postal services according to PWC and PLS RAMBOLL

	PWC	PLS RAMBOLL
1990	64,223	
1995	51,507	
Reduction in %	(-19.8)	
1996		55,722
1997		53,178
1998		51,793
1999		50,174
2000		49,986
Reduction 1995-2000 in %		-10.29

Sources: PWC (1997), PLS RAMBOLL (2003).

Several sources emphasise that job cutbacks must be expected for the coming years as well, since Posten AB has decided to discontinue its financial services and close down even more post offices (EIRO 2000).

As already said for other enterprises, it seems that Posten AB, too, has instituted an internal job exchange and training facility (Posten Futurum) to safeguard the employability and market value of “surplus” workers (CSR 2002).

5.2.2. Changes in working conditions and reasons for staff retrenchment

SEKO underlines that growing cost pressures caused by the liberalisation of the postal market constitute a key reason for continued staff retrenchment. This is accompanied by changes in working conditions and work organisation. Tasks are decentralised, paralleled by increased control by the head office. Earlier demands for greater influence of workers on everyday routines led to the decision by top executives to eliminate middle management levels. Changes in control mechanisms are to boost efficiency.

SEKO moreover criticises that workers are more and more often confronted with manpower shortages, which condenses their work and renders it more stressful. It seems

that this also influences the pay level in the long run, since protection against pay dumping is a key demand of SEKO. Since 1995, newly recruited workers of Posten AB are also granted fewer days of paid vacation than workers with a longer work record, SEKO claims (ILO 2002b).

Tasks at work are increasingly fragmented, which deskills workplaces. Skill upgrading is limited to core workers.

Temporary employment contracts are likewise on the rise, which furthermore increases general feelings of unease and fears about the future. With respect to augmenting health hazards, ILO mentions a study by the Institute for Environmental Medicine of Stockholm, which drew upon a sample of 3,000 persons and analysed the increasing anxiety and uncertainty experienced by workers due to workplace reorganisation, mobbing and growing stress.⁵³

It seems that the company has recognised this fact. Sickness leave is on the increase (CSR 2002). For this reason, the workers' health status was examined, and the results led to the development of 1,000 health action plans, while executives were additionally trained to deal with health-specific issues.

SEKO adds that this workers of the private operator City Mail are exposed to similar developments and work-related stress. The consequence of these developments is increasing staff turnover, above all in cities. According to SEKO, the annual turnover at City Mail is approx. 60 percent (SEKO 2003).

Other sources (The Strategia Group, no date, Post&Telestyrelsen 2002) arrive at somewhat different conclusions when called upon to define the reasons for staff retrenchment measures. They claim that staff retrenchment was not causally related to the liberalisation and privatisation of the Swedish postal market but resulted from automation and changed working methods.

Post&Telestyrelsen therefore maintains that

“the reduction of employees is mainly due to the introduction of new techniques in all lines of business and rationalising measures in the letter network – including the introduction of highly automated sorting centres – and in the post office net. This development started long before the letter monopoly was abolished. The mechanisation has taken place within the operators' own organisations as well as within their large customers', with pre-sorted computer mail, eliminating one step of the handling procedure.“ (Post&Telestyrelsen 2002:9)

However these interrelations may be judged, it was in any case possible to reduce labour cost in postal services from 61.1 to 52.1 percent (PLS RAMBOLL).

⁵³ Voss, M. (2001): Physical, psychosocial and organizational factors relative to sickness absence: A study based on Sweden Post; in: Occupational and Environmental Medicine (London, BMJ), No. 58, p. 171-184; quoted in: ILO 2002a.

5.2.3. *Position of the trade unions*

Roughly 79 percent of the workers in the sector are unionised (PLS RAMBOLL 2003). According to SEKO (no date), the trade union has 36,000 members in the postal sector; in big companies, all workers are covered by collective agreements.

For the postal sector, SEKO demands healthy working conditions, more influence of workers on their tasks (planning of working time) and improved career possibilities for workers through suitable skill building. Moreover, temporary employment contracts are to be transformed into regular employment contracts. With respect to pay policies, SEKO demands that the collective agreement be protected and that wage dumping be prevented by means of clearcut and transparent pay criteria.

5.3. *Summary*

- Liberalisation and privatisation entailed massive staff cuts by this former state monopolist. Studies assume that up to one third of the workplaces have been cut. In the 1990s, retrenchment proceeded relatively evenly; further reductions must be expected. Posten AB instituted an internal job placement and retraining facility to help redundant workers in finding new perspectives in the labour market.
- Liberalisation and privatisation have entailed inferior working conditions for employees. This is reflected in higher work intensity, fewer possibilities to influence organisational processes and increased control by the head office. In addition, stress phenomena are experienced by workers due to the insecurity of jobs in the postal sector.
- The trade union tries to (once more) improve working conditions and to preserve the guarantees embodied in the collective agreement.

6. *CONCLUSIONS: EFFECTS OF LIBERALISATION AND PRIVATISATION ON PUBLIC SERVICE EMPLOYEES*

Despite the different forms taken by the liberalisation and privatisation of services of public interest in various countries and sectors, a number of common trends are discernible on the basis of the case studies compiled by us. These changes or trends mainly concern the employment volume, incomes, working hours, working conditions and employment relationships as well as the representation of workers' interests and include the following:

Extensive staff retrenchment in all sectors

- In most sectors reviewed, staff retrenchment amounted to up to 50 percent in the first ten years after liberalisation/privatisation. This is e.g. true of the British electricity sector but also applies to the German railways. In Austria, the electricity sector takes a leading position in this respect (up to 40 percent of the companies' staff were cut back since 1996), followed by postal services and railways.
- Staff retrenchment may be effected in a "socially acceptable" manner, i.e. without redundancy layoffs. Instead, employees are encouraged by specific measures such as early retirement or severance payments going beyond legal requirements ("golden handshakes") to leave the company. Vacancies are not restaffed. Whether or not redundancy dismissals are avoided within a company depends on the power of the trade unions, the frame conditions applying in the country as well as the pressure created by public opinion. Yet it should be pointed out in this context that the degree of "voluntariness" is a highly relative one. The case studies have shown (e.g. for Deutsche Bahn and for postal services) that workers feel forced by the restructuring measures to leave the company, since family duties make it impossible for them (especially for women) to commute or move to another city. Moreover, some workers prove unable to withstand the rising pressures and frustration at the workplace. So far, staff retrenchment in Austria was largely handled in a socially acceptable manner.
- Staff retrenchment may also be carried out by means of redundancy dismissals; however, with the exception of Great Britain, this seems but rarely to be the case. Yet the threat of dismissing part of a company's staff as redundant is used quite frequently by management to obtain concessions and co-operation in restructuring measures from trade unions and employees. In Austria, redundancy dismissals were so far only effected in the postal division. In view of the raised retirement age, it is yet quite unclear how personnel can be reduced in the future without dismissals.
- Many companies (e.g. the Austrian and German railways, postal services in Germany and Austrian electricity suppliers) have significantly reduced the number of training places for apprentices. In the long run, this seems to be one of the most problematic consequences of liberalisation: in the past, apprentice training by public service

providers (such as railways) going beyond these companies' immediate requirements also fulfilled a function for the whole of society.

- Hiving-off parts of a company's activities is another form of staff retrenchment by former monopolists. As a rule, this leads to deteriorating working conditions offered by these companies, now independent market operators.
- In countries with a strong tradition of social partnership, "supernumerary" workers are put "in intermediate storage", as it were, in the company's own job exchange and training institutions, which serve to reorganise the internal labour market and to improve the internal allocation of resources. In combination with training measures, employees are also coached to embark on the external labour market. Yet assigning workers to such internal job exchange facilities also constitutes a dead-end where employees that cannot be laid off are made to "serve time" without doing productive work. Most workers experience this situation as extremely frustrating.
- As a rule, the employment growth offered by new providers cannot compensate for the loss of workplaces at the former monopolists. Moreover, both the permanence and quality of these new employment relationships are doubtful.

Reduction of labour cost through income cuts and changes in pay structures

- In many sectors, reducing labour cost is a key element of corporate strategies.
- Base-pay cuts are rare but do occur. For example, privatised British bus companies paid "bribes" to workers ready to accept new pay schemes that inter alia provided for pay cuts. Similar measures include dismissal for variation of contract, but also changes in pay-scale seniority (e.g. abolition of the promotion to upper pay brackets every other year) and the reduction of pay categories. In the long run, the creation of new pay categories as a result of introducing new job descriptions may also lead to pay cuts.
- Preferred measures to reduce labour cost moreover include cuts in bonuses and extra payments, (sickness) benefits and company pensions by termination of corresponding internal company agreements.
- Key elements to modify traditional pay structures include the decoupling of working hours and pay through longer working-time assessment periods and the introduction of working-time accounts, thereby imposing a cut on overtime bonuses, bonuses for working on weekends and during unsocial hours. Flat rates paid for a specific number of overtime hours – irrespective of the actual overtime worked (all-inclusive contracts) – should also be mentioned in this context.
- The introduction of performance-related pay components and the individualisation of pay structures are other typical elements of pay restructuring. Apart from the use of new, computer-based methods for measuring the performance of workers, such types of remuneration – mistakenly thought obsolete – as piecework pay (for letter carriers) or customer frequency-dependent pay (for counter staff) proliferate.
- A frequent measure used by companies to reduce labour cost is the recruitment of new workers at inferior collective agreements.

- New providers are often exempt from collective bargaining or – being classified as belonging to a different sector – may offer inferior collective agreements (e.g. postal services in Germany; this is partly also true of Austria). In particular, international corporations providing services of public interest in deregulated markets frequently pay their staff only according to their own internal wage scales (e.g. in the German water sector).
- The case studies have shown that wage dumping occurs in several sectors. Postal services (letter carriers), but also public transport and railways run the risk of becoming low-wage sectors.

Effects on working time: flexibilisation, condensation and lengthening of working hours

- One of the central strategies to increase competitiveness and productivity is the flexibilisation of working hours.
- Flexibilisation of working hours is e.g. achieved through a higher share of part-time work, longer working-time assessment periods and the introduction of working-time accounts. This is to widen the leeway for demand-oriented staff deployment and at the same time to reduce labour cost.
- Different working-hour regulations are introduced for different groups of employees, i.e. working hours are differentiated.
- In some largely work-intensive sectors such as PT, the shortening and deterioration of the conditions for breaks and rest periods in favour of extended “productive periods” have triggered vehement conflicts.
- In some sectors, additional working hours and overtime are on the rise to balance staff retrenchment as well as income losses. This increase in additional working hours and overtime may run counter to the objective of reducing labour cost if bonuses must be paid, which suggests that the productivity reviews applied in some sectors (e.g. on the basis of headcounts) are hardly consistent.
- In many areas, management tries to whittle down company-specific regulations for additional off-duty time (company-specific vacation schemes, additional days off). This has e.g. happened in the Swedish railway sector, where “veteran” workers are entitled to 36 paid days of vacation and retire at age 60, while the vacation and retirement rights of “newcomers” reflect the general regulations laid down in labour and social legislation.
- Company- or sector-specific pension regulations are gradually eliminated, which obviously results in longer working lives.
- The lengthening of operating hours (to improve the service range) likewise contributes to changing the working times of employees. Due to changed requirements and frame conditions in the various sectors (e.g. postal services), new shifts/shift systems have to be introduced.
- Key approaches to flexibilise daily working hours include extending the length of the (maximum) workday, but also the workload-related, capacity-oriented shortening of

daily working hours (to minimise hours for which customers do not pay). This is particularly frequent in areas where customer demand peaks at certain times of day, e.g. public transport or postal counter service.

- To support “efficient” personnel deployment and reduce “unproductive” hours (for which customers do not pay), computers are used to plan and control staff scheduling.

Flexibilisation and individualisation of employment relationships

- In the course of liberalisation and privatisation, uniform working and contractual relationships are increasingly called into question. Collective agreements are decentralised; in some cases (particularly in Great Britain), a transition to performance-based, individualised work contracts can be observed.
- A key element to flexibilise worker deployment lies in the recourse to precarious and atypical forms of employment relationships. These include above all part-time work, contract and temporary work, “new self-employment” and minimal employment.
- Outsourcing and hiving-off result in enterprises not subject to collective agreement regulations.
- The segmenting and fragmenting of workforces into different groups is exacerbated by the fact that provisions protecting the acquired rights of tenured public servants were successfully embodied in collective agreements (e.g. for German postal and railway employees and some municipal services in Austria), while both white- and blue-collar workers are subject to new, much inferior collective agreements.

Changes in working conditions

- For all sectors, the studies document that work intensity and performance requirements have been considerably stepped up, since more work must be done by fewer workers. This may be achieved by means of “job enlargement”, i.e. by downshifting responsibilities while increasing checks and controls by the head office (by way of performance monitoring and cost control), and by intensifying internal competitive and performance pressures, e.g. through benchmarking.
- In some areas, rationalisation and technicisation measures (letter-mail sorting) render the work more and more monotonous.
- The case studies moreover show a tendency to modify traditional job profiles and internal labour-division systems (thereby dismantling traditional vocational identities and patterns of identification with the company/service), due e.g. to the growing importance of customer orientation and the service concept as well as operational, managerial and marketing-oriented activities. This may increase the employment opportunities of certain groups (for example of women in customer-oriented business areas) and boost the role of workers assigned such tasks at the detriment of formerly dominant groups. An example of this development is the loss in standing suffered by engineers and electricians in the British (and, as it seems, also in the Swedish)

electricity industry in favour of commercial and business management staff. In some areas, the result is a deskilling of activities.

- Most sectors also report increased stress and more frequent sickness leave.
- Stress phenomena result from enforced internal mobility due to the concentration and shifting of locations. This poses problems above all for women; the question regarding possible consequential costs for individuals remains unanswered (e.g. in the German railway sector).
- Stress phenomena are equally triggered by constant organisational change and restructuring measures in companies.
- Feelings of uncertainty caused by fears of losing one's workplace, by unclear responsibility structures resulting from changing job profiles or the elimination of the middle management level or by the transfer of workers to new operators are likewise frequent.

Effects on personnel policy

- Many privatised public-service companies have introduced HRM (human resource management) practices, e.g. target setting in work organisation, personnel appraisal, employee motivation, symbolic remuneration, etc.
- In most privatised public-service companies, training possibilities and apprenticeships for young people are being dramatically curtailed and oriented solely according to the company's own requirements.
- Most sectors are moreover characterised by deteriorating basic and advanced training possibilities. Skill building options are limited to the core staff. Tasks are deskilled.
- Measures aimed at promoting women, such as those introduced by Deutsche Bahn with the motto "equal opportunities for women", are criticised as hardly useful to combat the discrimination of women (e.g. with respect to pay, skill building, etc.).

Deteriorating conditions for collective workers' representation

- In the countries and sectors examined, trade unions have decided to accept the liberalisation and privatisation of services of public interest. Where possible, they cooperate with management in order to have a say in the transformation process and to safeguard employment conditions for the workforce. This state of affairs was often preceded – albeit to varying degrees in the different countries and not necessarily in the sectors under review – by lengthy discussions and conflicts.
- Trade unions thus make concessions in order to render the transition more socially acceptable. The transition is regulated by so-called "alliances for employment" (e.g. for Deutsche Bahn).
- As a result of liberalisation and privatisation, industrial relations and collective bargaining systems are fragmented and decentralised in the various countries. While this trend seems more marked in Great Britain and Sweden, it should be understood in the context of the general development of industrial relations in these states.

- After privatisation, enterprises try to terminate collective bargaining processes or collective agreements in force or even refuse to recognise the unionised representation of workers' interests (e.g. in Great Britain).
- In many sectors, the collective representation of workers (e.g. works councils or personnel committees) was noticeably curtailed, i.e. workers may elect a smaller number of persons to represent their interests vis-à-vis management than before.
- Although the big trade unions and their leaders emphasise their success in avoiding dismissals and preserving collective agreements, growing conflicts within and between trade unions abound. Companies frequently try to play trade unions off against each other.
- Market deregulation and the emergence of new operators force trade unions to reorient their strategies and transform themselves from company into sector unions. It is moreover noticeable that trade unions tend to gradually abandon the pursuit of general political and social goals to ensure the delivery of specific services to the population in favour of a strong focus on the interests of their members in the respective sectors.
- Trade unions try to expand to new companies and providers and therefore must develop adequate forms of member canvassing and counselling.
- Another field of new tasks for trade unions is the training of members and activists, as these have to address changed conditions in the various industries.

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