Labour Education and Training Research Network

From Austrian Labour Foundations to Job Transfer: Training Strategies Under Three Labour Relations Regimes

by

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This paper describes the genesis and development of “labour foundations.” In Austria labour foundations have become one of the most effective responses to the threat of mass unemployment and occupational obsolescence.1 The labour foundation model, developed in response to the “steel crisis” of the mid-1980s has since been adapted for a variety of industries, regions, populations, and countries.

Over the years the labour foundation model has undergone modifications and has been exported to Germany, Italy, Slovenia, Spain, the Czech republic, Hungary, Croatia, Russia, and Greece. In the process the model had to be adapted to different labour relations regimes. This study focuses on the development of the model in Austria and notes its transformation toward a “job transfer” model in Germany and Italy. These three jurisdictions have been chosen because the differing levels of concertation in each one provide an illustration of the effects of labour relations regimes on one (re)training strategy.2

Training and Labour Relations Regimes

Training and retraining are among common state and organized labour response to structural unemployment. Training or retraining, however, are affected by labour relations. These relations, in turn, are shaped by dominant ideologies as expressed in existing legal frameworks and state structures. In what follows I draw on Slomp’s (1992) work on labour relations and Lehmbruch’s (1984) insights about concertation.

Slomp (1992) distinguishes three systems of labour relations in Europe: the British model (United Kingdom, Ireland) – characterized by decentralization and non-formalized labour relations; the South European model (France and the Mediterranean countries) with its traditional tendency towards the politicization of industrial conflicts; and the North European model (Germany, Scandinavian countries, the Benelux countries, Austria, and with some reservations, Switzerland) with its long tradition of tripartism. Within the last group the centralization of Austria’s trade unions is exceptional even by European standards.

Lehmbruch (65-66) identifies a continuum of concertation that runs from pluralism to strong corporatism. He argues that

Pluralism is characterized by the predominance of ‘pressure-group’ politics and the lobbying of government agencies and parliament by fragmented and competing interest groups, and by a low participation of unions in policy making. The second class of the scale, weak corporatism, is distinguished by the institutionalized participation of organized labour in the formation and implementation of policies only within certain limited sectors of policy or by its
participation only in specific stages of the policy process – for example, consultation or implementation. […] Medium corporatism, the third class of the scale, is characterized by sectoral union participation similar to that of ‘weak corporatism’ … The fourth class, strong corporatism, is then characterized by the effective participation of labour unions (and organized business) in policy formation and implementation across those interdependent policy areas that are of central importance for the management of the economy.

Following Lehmbruch (1984, 66), Austria provides an example of strong concertation, while Germany and Italy are representative of jurisdictions with medium level and weak concertation respectively. While Slomp and Lehmbruch help us to classify labour relations regimes, their taxonomies tell us little about the reasons why Austrian, German, or Italian labour relations should have turned out the way they did and what impact these relations have on training regimes. We shall see below that the peculiarities of each nation’s labour relations are the outcome of concrete historical processes and that training strategies are shaped and constrained by the same processes.

**Austrian Concertation – Strong**

In post-war Austria the inter-war experiences of open conflict and the suppression of free trade unions, coupled with the extreme weakness of capital after the war, led to the creation of the *Sozialpartnerschaft* – social partnership – in which labour became a partner with government and employers in the reconstruction of the nation. The vehicles to bring these actors together were the reconstituted old federal pre-war “chambers” and the Austrian Trade Union Federation (ÖGB). Although there are numerous chambers the most important ones are the Chamber of Commerce, the Conference of Chambers of Agriculture, and the Chamber of Labour. These chambers, together with the ÖGB are powerfully represented at all levels of government. No piece of legislation can be submitted to the federal legislature before it has been presented to and has been evaluated by the social partners.

While the ÖGB has consistently followed a policy of wage restraint, it has done so in exchange for the federal government’s commitment to a full employment policy. In brief, the post-war decades of cooperative wage policies rested on the philosophy of “Austro-Keynesianism” that reached its zenith in the 1970s. In 1971, the OECD (1971, 23) reported that “the system of social partnership has been the most important basic factor enabling Austria to achieve a postwar economic and social development that compares favourably with that of any other country.” This development rested on a tightly woven pattern of demand management policies that required the active participation and cooperation of all social partners. One outcome was the hegemony over the labour market that was, and to a lesser degree still is, exercised by the social partners.

Austria’s huge proportion of state-owned enterprises – 49 in all – that manufactured virtually all of the nation’s raw materials and a large part of its industrial output (OECD 1971, 74) was due to the Allies’ takeover of these industries after the war. In response to
the Allies insistence to treat these enterprises as German property, the Austrian government nationalized them, fearing that these properties would eventually fall into U.S., Soviet, British, and French hands. Heavy government investment in these enterprises assisted the post-war reconstruction. Of particular interest is the fact that Voest-Alpine A.G. (VOeST), Austria’s largest steel producer, received fully one third of all Marshall Plan aid between 1948 and 1951. The nationalized sector became thus extremely important in the post-war years: it accounted for more than 20 percent of the GNP in the period between 1948 and 1965; productivity doubled and product value trebled. By 1960 the nationalized sector accounted for one third of all exports (OECD 1971, 74).

Of all state-owned industries, the steel sector was, without question, the most important. In 1969 it contributed almost half of Austria’s industrial turnover and employed 55,681 men and women out of 105,301 for all nationalized enterprises (ibid, 76). When, a decade later, the world market for steel slumped and Austria’s technological advantage had evaporated the first major test for the social partnership had arrived. The second test, currently being played out, was Austria’s accession to the European Union in 1995. How would the social partnership fare under these conditions? What labour market policies would be found to deal with the crisis?

The immediate problem in the mid-1980s was the spectre of mass layoffs in regions that had been dominated by iron and steel production for as long as anyone could remember. Of the six locations (Linz, Eisenerz, Donawitz, Zeltweg, Vienna, and St. Aegyd) where VOeST operated, Linz and the metal and steel-producing region of upper Styria were the most affected. The proportion of those employed in the iron and steel industry dropped by 35 percent between 1980 and 1988 although with 26,000 employees in 1988 it was still one of the largest industries. In 1981, fully one quarter of the 91,000 employed in upper Styria worked either for VOeST or one of its subsidiaries. Between the first half of 1981 and the first half of 1986 approximately 3,700, or 16 percent, lost their jobs. As the crisis deepened, another 1,600 were laid off in 1987, reducing the number of those employed in the Styrian iron and steel industry to about 15,400. Although the outlook for the industry had by then brightened, the reorganization of the company then already underway was certain to contract the number of employees even further.

While steel was very important to the economy of Linz, the Styrian iron region was almost entirely built on the fortunes of the industry. In 1988 the unemployment among those in the iron, metal, or electrical occupations in Leoben, the largest urban centre of the region, reached 16 percent – four percent above the provincial average. The depth of the problem could be seen by the proportion of the long-term unemployed (50 percent as compared to 40 percent for the province). To this picture must be added the above average unemployment among women and youth. The economy of Linz, the provincial capital of Upper Austria, and the surrounding region while severely affected by the job losses at VOeST was rather more diversified. But even in then, between 1986 and 1987 in Upper Austria the number of unemployed in the ferrous industries reached 2,305, a jump of 70 percent.
By then it had become clear that the traditional re-employment strategies as they were being applied in Great Britain, the Federal Republic of Germany, the U.S.A., Sweden, and elsewhere were insufficient instruments to quickly reintegrate those who had become the victims of industrial restructuring. A new way out had to be found.

**Labour foundations in Austria**

*Beginnings*

We have already noted how the peak of the global steel crisis of the 1980s posed a serious problem for VOeST, Austria’s largest and then still state-owned integrated enterprise. A disastrous investment in a minimill in the U.S.A. (Bayou Steel Corporation) deepened the crisis for the company. The company’s first response was to call for consultant’s report on how to deal with the crisis. The consultant, McKinsey, made it clear that, compared to its competitors, VOeST had up to 30 percent more employees than necessary. The company’s next step was to offer an early retirement package (the cut-off for women was to be 50 years of age and over; for men 55 years).

This was made possible by the passage of special legislation. The media, however, whipped up popular sentiment against “the special treatment” these workers were to receive and politicians were forced to abrogate the legislation at the end of 1987. Much of the vitriol expended by the media fell on receptive ears: the role of nationalized industries in Austria had by then become a popular target of conservatives of all stripes. The immediate result was paralysis. There seemed to be little that could be done to soften the blow for the thousands of workers who were about to lose their jobs. The situation was also aggravated by VOeST’s inability to “spend its way out” because of popular hostility toward state-owned enterprises. Without further investment to modernize and rationalize its operations the number of jobs that were going to be lost would rise even further.

It was against this background that the company, unions, and government struggled to find ways to “soften” the descent into unemployment and to develop strategies that would facilitate reintegration into the labour market. As for the employees who would lose their jobs, there were, of course, early retirement for some and unemployment benefits for others. It was plain, however, that these programs would only serve as partial solutions to the deeper problems following in the wake of rationalization.

Borrowing the idea of the “Stahlstiftung” from a program developed in the German Saar region, VOeST management and labour had jointly developed their own version of the “Steel Foundation” by 1987. Despite its appellation, the foundation in Canadian terminology resembled a charitable organization, rather than a foundation. That model, however, despite early criticism has proved so successful that it has since been broadened to include industries from all sectors and led to amendments to the Austrian Unemployment Legislation. It is distinguished from most other programs by its dual reactive–proactive orientation, and most importantly by the active involvement of all three social partners.
Like most passive strategies aiming to reintegrate the unemployed into the labour market, the foundation model also seeks to direct job seekers toward existing vacancies. The emphasis here is on vocational reorientation. In this respect, the work of the foundation, as in all passive programs, is primarily in the interest of the former employer: after all, it is the employer who in the process of rationalization wants to shed “surplus” employees. The former employee becomes an involuntary job leaver. In Austria, as in Canada, the separation from the job is in part “softened” by the temporary provision of income assistance. Under these programs the employer bears no responsibility for the former employee. Given the rapid transformation of the labour market, these purely passive strategies have become recognized as being of limited value and are now often supplemented by more activist re-training programs. But, as with the purely passive approach, the employer’s responsibility for the former employee is extinguished at the moment of lay-off.

The labour foundation model, while in many respects superficially similar to the traditional approaches, differs fundamentally in that the employer continues to shoulder some responsibility for former employees. VOeSt as the erstwhile employer became an active actor in the steel foundation. In its “Foundation Declaration” (Voest-Alpine 1988, 111-112) VOeST committed itself to the “Voest-Alpine Stahlstiftung.” The company contributed ATS 10,000,000 toward the establishment of the “Steel Foundation for the furtherance of vocational re-integration.” Any other funds that might be raised would not affect these moneys. In addition, VOeST would provide, free of charge, personnel, facilities, workshops, machinery, and tools that might become necessary for retraining.

The government’s interest was exercised from the outset through the Labour Market Service (AMS) whose functions resemble those of Human Resources Development Canada (HRDC). Reflecting the still widespread satisfaction with, as well as the political power of the social partnership, a senior AMS administrator told me in 1999 that “the AMS writes the legislation” while the ÖGB and the other social partners have the right to propose new legislation or seek changes to the intended one.  

**The Austrian Foundation Model**

As already indicated, one distinguishing hallmark of the labour foundation model is the ongoing involvement and financial participation of the former employer. In the preface to its 1988 publication (Voest-Alpine) Dr. Strahammer, the company’s CEO wrote that:

> VOEST-ALPINE has found an exemplary way in the shape of the steel foundation. On one hand it is able to implement its market-oriented savings program according to plan, and on the other hand it is able to give real support to those personally affected by that crisis situation in their lives (5; my translation).

While this statement indicates the company’s commitment to its former employees it also send a clear message that this plan is linked to a “market-oriented savings program.”
From their very inception, therefore, Labour foundations have been regional, time-limited organizations based on a partnership between the Austrian Labour Market Service, the enterprise, the Social Partners, workers who remain employed, and those who are facing job loss. Labour Foundations are designed as bridge projects from old to new workplace and are financed by the groups just mentioned.

Participants in a foundation have the opportunity to complete training programs that may last up to four years. While the types of support measures offered to participants are similar to those offered in Canada, they are made within the network of the original enterprise. The foundations provide a “soft” departure from the familiar working environment and a landing in the external labour market.

Participation in the foundation is voluntary. Employees may choose to avail themselves of other AMS services and draw unemployment benefits. For those who do opt for participation in the foundation the first phase after admission is a six-week orientation. The goal is to gain acceptance of job-loss and to develop a clearer perspective on future occupational goals.

As members of a support group participants are assisted by trainers and advisers to take stock of their personal situation, to explore their career options, and to develop concrete plans for the future. On completion of career orientation, a process that may last from six weeks to three months, each participant presents his or her action plan. That plan has to be approved by the AMS to assure financial support. Depending on their plan participants may then choose from a variety of options.

- **Active job search**
  Those who have sufficient skills and want to immediately reenter the labour force are helped in carrying out an intensive, targeted job search. Assistance is given in identifying job markets, resume preparation, assessment of results, and other services that might be required.

- **Basic and advanced training**
  As stated above, participants may complete basic or advanced training programs. These programs range from internal skills training, to apprenticeships, to university studies. Participants are therefore given the opportunity to take their careers into entirely new directions.

- **Launching a new enterprise**
  Those who wish to go into business on their own are assisted in planning as well as the development and implementation of their plans. In such a case the foundation generally brings outside business consultants and provided equipment and facilities (rooms, phones, faxes, computers, etc.).
Organizational Structure

Although a bipartite (employer–labour) board has responsibility to guide the steel foundation, the day-to-day responsibility for the running of the foundation falls on the director. Given the breadth of its goals and the various types, the foundation structure can rapidly become quite complex. The basic labour foundation elements as shown in Figure 1 (page 8) are common to all types.

Financing the Foundation

Since the moneys for the entire period of training flow through the foundation, the question of financing is significant. The steel foundation was first implemented in Eisenerz in October 1987 and subsequently registered as a non-profit organization in 1988.9 In that first model the VoeST startup contribution of ATS 10,000.000 was augmented by a solidarity contribution of 0.75 percent from the wages and salaries of those still employed. The company then added 50 percent of the solidarity contribution to the total.10 The third, but indispensable, pillar enabling this project was a change in the unemployment legislation (§ 18 of the Arbeitslosenversicherungsgesetz 1987). This legislative amendment extended the right to unemployment benefits for foundation participants to 104 and, in special circumstances, to 156 weeks.

On entry into the foundation, participants contribute 50 percent of the interest on their legal separation pay (up to a limit of ATS100,000); they receive the actual separation pay when they leave the foundation. The financing of the foundation model, therefore, rests on the concertation between employer, labour, and the state (and in some cases regions and municipalities) (see Figure 2, page 9).

Foundation participants receive a monthly stipend of ATS 5,000 in addition to their unemployment assistance up to a limit of 80 percent of their net pay in the last year of employment.11 Sole income earners receive an additional ATS 1,000, and ATS 500 for each dependent child. The total received (unemployment assistance plus stipends cannot exceed 100 percent of the net income of the last year of full employment. Longer-term foundation participants are also, as every other Austrian worker, entitled to five weeks of paid vacations per year.
Figure 1:
Basic Labour Foundation Model (Enterprise Model)

Vocational Orientation
6 weeks, Full-time Training, Career Plan

Enterprise Foundation
Coaching
Market Analysis
Concept Development

Fit for the Labour Market
Active Job Search
Max 16 weeks (under 50s)
Max 24 weeks (over 50s)

New Workplace

Self-employed

Training, Further Education
Courses, Practica
Apprenticeship
Higher Education
Retraining

In the very early developmental phase of the steel foundation VOeSt offered training through its own personnel. It became quickly apparent, however, that this approach was going to be of limited usefulness since the skills passed on by most internal trainers were already available to the company or else so company-specific that they had only little transferability. Very quickly, therefore, other providers of training and re-training were drawn into the foundation program. Although many of these providers are private they are as a rule contracted by one or the other institutional stakeholders. In recent years the Austrian Labour Market Service has become the major contracting agency.

Recent Developments

From its beginnings as the steel foundation, the foundation model spread to other ailing enterprises, industries, and regions.\textsuperscript{12} In the process it developed a number of organizational forms that reflect specific regional or local labour market conditions. Thus, a scant ten years later there are now four labour foundation types: enterprise, subsidiary, insolvency, and regional foundations.\textsuperscript{13}
Yet another development are foundations that focus on the needs of special population or occupational groups. Of particular interest are the women’s foundations that are (or have been) functioning in Carinthia, Burgenland, and Lower Austria and the foundations for peasant/farmers in Carinthia and Styria. Similarly, the plight of industries that are being pushed into obsolescence by technological changes and/or moves to foreign labour markets has given rise to foundations. Thus there is a foundation for textile workers, coal miners, tire manufacture workers, and workers in a number of other transnational enterprises that have relocated their manufacturing plants outside the country. As mentioned above, the common denominator in all these foundations is the joint involvement of former employers, the AMS, former, and remaining workers. In addition there are numerous “foundation-like” organizations.

The “new” foundation models emerged because the original (steel) foundation model was tailored to the needs and capacities of a large employer. Since most Austrian firms tend to be small the social partners in those enterprises lacked the institutional and financial means to form their own foundations. Regional and industry specific foundations could pool the resources of numerous small employers or serve the needs of workers in declining industries. While these foundations are fully integrated into labour market policies and have legislative backing they do constitute a break from with the original model. Without the former employers’ direct involvement in “their” workers’ future aspirations and plans an integral labour foundation element is removed. This has opened the door to further changes.

In the past few years, the boundaries between various foundation types have become somewhat blurred and regional differences have led to location specific developments in both typologies and approaches. Overall there has been a weakening of the initially strong reliance on labour market forecasts. Initially, foundation participants were strongly encouraged to pursue retraining in occupations that were thought to come in demand. In a number of foundations the emphasis has shifted to develop participants’ interests and entrepreneurial potential. Another suggestion code-named “Toronto Foundation” draws on ideas mooted at an 1988 international congress on global warming held in Toronto (Canada 1988) and would see labour foundations operate on ecological issues.

Labour foundations are only one of numerous programs supported by the AMS. The AMS does, however, have considerable influence since much of the public funding for the foundations flows through the AMS. Because of the involvement of former employers, regions, or municipalities, labour foundations are not entirely the creatures of the AMS. Typically, the AMS will work through WIFI (the Institute for the Furtherance of Commerce, a conservative People’s Party (ÖVP) organization), BFI (Institute for Vocational Furtherance, a Social Democratic Party (SPÖ) organization), the ÖSB (Austrian Study and Consultancy, a private business consulting organization), or a number of similar organizations. Although these organizations do have training and consultancy capacities, the bulk of their work lies in organizing and contracting out for training services. Not surprisingly the past decade, Austria, as in Canada, has seen the rapid growth of a private sector “training industry.” The ÖSB, for example, is a private firm that has gained broad experience in support and consultancy services for foundation
participants who wish to launch their own business and has in recent years been involved in setting up labour foundations in Germany and former East-bloc countries.

Austria’s 1995 entry into the European Union (EU) lent new urgency to labour market policies. It was plain that EU entry would mean large-scale job losses. The best estimates were that between 1994 and 1995 about 20 percent of the 90,000 employees in the food distribution industry would lose their jobs. The labour foundation AUFLEB, planned in advance for this major restructuration in the food industry, would probably have to serve about 6,000 or one third of the future 18,000 unemployed. Not counting the cost of unemployment assistance that would arise, ATS 450 million was made available from other sources. 159 million ATS came from the European Social Fund, an equal amount from the AMS, the provinces contributed 59.5 million and the Chamber of Commerce 72.5 million ATS.

Cartage was the other major industry that was expected to suffer major employment losses. AUSPED, the foundation for this industry was slated to serve 1050 former employees, beginning January 1, 1995 the moment of Austria’s entry into the EU. Estimating an average of 14 months in the foundation and in some cases participation over three or even four years 109 million ATS would be needed. The major contributors were the European Social Fund (38.8 million ATS) and the AMS (23.3 million ATS) while the remainder was to be raised from solidarity contributions.

Given the fairly large investments into the foundations each of the social partners had certain expectations: To the unions, foundations were always “a second-best solution” – a job being number one. The Federal Chamber of Commerce stressed swift and efficient reintegration into the labour market with an emphasis on cost efficient (new) models and structures. While these sentiments are well known to North Americans those of Austrian industry representatives may sound decidedly odd in the era of neo-liberalism. Saurug, et al (1998, 11) report that employers felt that “without the foundation, the reputation of the industry would have suffered” and that they thought the foundation was a good medium to bridge the transition. In fact, some of the former employers paid an “extra” stipend to their former employees. How long such sentiments will prevail against the dictates of New World neo-liberalism is anybody’s guess.

German Concertation - Medium

The German post-war experience, although it resembled Austria’s in some respects, was defined by Germany’s de facto division into two separate states. In the West (the former Federal Republic) a Sozialpartnerschaft similar to the Austrian one assured German unions real influence on labour market policies. In the East (the former Democratic Republic) trade unions became integrated into the state and party structures. Although this suggests highly centralized labour/state relations, German concertation became more loosely centralized than Austria’s. One reason for the lower level of concertation may also be found in Germany’s federalism. Germany’s 16 Länder (states) enjoy considerably greater autonomy than their Austrian counterparts. Another reason may be the somewhat
different pre-war conditions of Germany’s unions and their later reconstitution after
WWII.

In Hamburg, one month after the war flyers announced the foundation of free trade
unions. Activists hoped that it would be possible to form one peak organization for
workers in all four occupation zones. This turned out to be a forlorn hope. In the East,
occupied by the Soviet Union, the post-war struggle between the Socialist and
Communist Parties was settled in favour of the communists. In 1948 at its conference in
Bitterfeld the Free German Trade Union Federation (FDGB) dissolved itself and was
replaced by enterprise unions. Thus by the end of 1948 it had already become clear that it
would not possible to have one Trade Union Federation for all of Germany. In the West,
efforts to form one peak organization finally foundered in 1949 when the white collar
workers’ unions decided to form their own peak organization – the Deutsche
Angestelltengewerkschaft (DAG) and leave the German Trade Union Federation (DGB)
to represent all other workers. Although both federations established strong linkages with
the West German state they never became as closely tied to the state as the ÖGB. But as
in Austria, the trade union peak organizations and the federal employers’ association
(Bundesvereinigung Deutscher Arbeitsgeberverbände, the BDA) became the primary
social partners.

The economic downturn of the eighties exacerbated the strains between the social
partners. In 1989 the East German state (DDR) collapsed and was incorporated into West
Germany (BRD). A year later the complexities mounted. The structural consequences of
reunification were aggravated by the global changes in production relations.

The Federal Republic, now expanded to 16 Länder (states), contained the five eastern
ones whose ideological, political, social, and economic structures had been shaped for
more than forty years by soviet socialism. After a very short economic boom and an
attendant drop in the Western unemployment rate growth stagnated and then dropped in
the wake of the 1992 recession. The economy recovered again but never again reached
the pre-unification levels. The instability in the eastern Länder was higher still. There the
economy gyrated up, dove down and displayed all symptoms of massive structural
readjustment. These developments also had marked effects on trade union and
employers’ federations. The DGB lost 3.2 million or a quarter of its membership between
1991 and 1997 (Silvia, 76) while the BDA struggled to cope with similar membership
loss and recruitment difficulties.

The old post-war period the problem of one peak trade union organization arose again in
a somewhat different guise. The east German FDGB was seen as a party mass
organization and the DGB refused to simply incorporate it as it was but suggested a
formula that allowed each FDGB member union to join the DGB. By the end of 1990 the
FDGB had ceased to exist.

In 1995 the federal government, employers’ federation, and trade union peak
organizations agreed that a national plan was needed to combat unemployment. The
agreement reached in autumn of the same year contained plans to reduce unemployment
by creating 100,000 new jobs. 10,000 of these jobs were to go to long-term unemployed. State elections early in 1996 turned out very successful for the conservatives (CDU) who immediately moved to implement austerity budgets. Labour felt betrayed, as the German GDP had risen about 30 percent between 1980 and 1995 while wages lagged at 0.9 percent for the same period. This sense of having been cheated was likely a major factor in the defeat of the CDU in the 1998 federal elections. The new social democratic/green coalition government moved quickly to have the new “Agreement on Work, Training, and Competitiveness” in place by July 1999.

While the new agreement paves the way for numerous strategies to reduce unemployment and foster training, particularly among youth, labour foundations do not fall easily under its ambit. In fact, there appear to be just three labour foundations operating in Germany – in Berlin, Hamburg, and Dresden. These foundations represent the attempt to implement a variant of the Austrian model within a less tractable labour relations and legislative regime.

**Labour Foundations in Germany**

Some German states like Hamburg have made it possible for labour foundation-like models to operate by providing some funding. One major stumbling block for the implementation of the fully fledged labour foundation model is the limited time for the receipt of unemployment benefits and a reluctance of employers to be committed to potentially long-term financial responsibilities for former employees. In addition, the DGB, German’s major labour peak organization is not at all involved in German labour foundations although the DAG is.

The few existing labour foundations are engaged in a variety of interesting projects. The foundation in Hamburg started in 1997 and closely emulates the Austrian model. The foundation is one of the many retraining projects sponsored by Hamburger Arbeit, an agency designed to train and (re)integrate long-term unemployed into the labour market. The Hamburg Labour Foundation promotes the idea of the enterprise foundation and seeks its financing from the same sources as its Austrian counterparts (see Figure 3, page 14). This should come a no surprise given some of the similarities in German and Austrian concertation and the direct link between Hamburger Arbeit and the ÖSB. We can see, however, that Hamburger Arbeit’s focus on long-term unemployed and others who have specific difficulties in finding employment distinguish its work and its Labour Foundation from the original Austrian model.
Figure 3: Proposed Financing of German Labour Foundation

Private Sources
- Employers’ Contribution
- Activated social security contributions
- Solidarity contributions of workers remaining employed
- Financing from other receipts

Enterprise Labour Foundation
- Management Administration Materials
- Training Vocational orientation
- Qualification
- Livelihood

Public Sources
- European Union Contributions
  - European Social Fund (ESF)
- State Contributions
  - Economic promotion
  - Supplement to ESF
- Contributions of the Federal Labour Office
  - Short-term work
  - Further occupational training
  - Training measures
  - Various legislated labour market sources
One of the first and most remarkable projects of the Hamburg Labour Foundation is a small hotel to train long-term unemployed or social assistance recipients in all aspects of the hospitality industry. The hotel AquaSport, located in Dulsberg one of the poorest and economically depressed districts, continually employs about 30 people for up to a year. The funding from the project comes from the state government’s social assistance program. The Hamburg Labour Foundation is in this respect similar to the Austrian insolvency foundations rather than an enterprise foundation. Quite apart from being part of a legislative and labour relations regime that differs from the Austrian in some significant details, the Hamburg Foundation’s focus on long-term unemployed and social welfare recipients also differs from almost all Austrian foundations’ focus. As we have seen, the Austrian model seeks to provide a “soft” transition from employment to (re)employment. Indeed, when we turn to Berlin (and later to Turin, Italy) we observe that this core idea has been taken up to create models and strategies that are somewhat distinct from the Austrian labour foundation.

From Labour Foundation to Job Transfer

The “Job Transfer” models are predicated on the conviction that early and enterprise centred measures are essential preconditions for successful transition from the old job to the new one. In this sense the labour foundation model is a job transfer model albeit “the most complex” (Horejs 1998). Its success (an average 80 percent reintegration) has made it into a standard element of Austrian labour market policy.

In Berlin, the SPI Servicegesellschaft has acquired experience in forming job transfer programs that retain many labour foundation elements within the German legislative and labour market context. Because job transfer programs unlike the Austrian labour foundations have no standing in law, financing is a problem that must be repeatedly solved on a case by case basis. Another problem is the time needed to set up a program tends to extend beyond the final lay-off date for many workers. Workers may therefore already be unemployed, vitiating the requirement for early intervention. The major difficulty, however, is to assure workers of some income while they are being retrained.

To enable workers to receive wages after their lay-off SPI sets up a “catchment society” that becomes lay-off workers’ new employer for the duration of their retraining. Workers, however, have to quit their employment with their current employer. The catchment firms are publicly funded from a variety of sources: primarily the federal employment office, the state government, and the European Social Fund. This enables workers to receive wages and unemployment benefits of up to 80 percent of their former income.

German job transfer models, having started in 1997, are relatively new and it is too soon to assess their success with certainty. The difficulties of establishing programs for small or medium sized firms whose workers are facing unemployment will also have to be tackled if job transfer is to be of use to the majority of workers. They are, however, an imaginative response to the problems of job loss in a labour relations regime with medium concertation.
While levels of concertation are macro socio-political concepts, they do appear to have a measurable impact on individual workers’ perceptions of (re)training programs. Austrian labour foundations appear to be accepted by all social partners on institutional as well as individual levels. German job transfer models are less well accepted and participants tended to use the catchment firm as a means to receive wages as long as possible rather than as a spring board toward a new job.

It is, of course, risky to draw conclusions on the basis of so few instances and without a thorough consideration of specific, concrete situations. In Berlin, for instance, many workers were immigrants and had only a limited grasp of German although they had worked for years for their employer (SPI n.d.). A related problem was the age and seniority of the work force coupled with limited skills and hitherto excellent working conditions.

**Italian Concertation – weak**

Italy, unlike Austria, Germany and Canada, is a unitary state. Its provinces are not combined in a federation and, given Italy’s history and diversity this fact alone has enhanced regionalism. Other longstanding sources of factionalism within the Italian labour movement are the Catholic Church, political allegiances, and occupational segmentation. While these difficulties are to some degree common to all labour movements, “they were exacerbated by Italy’s overly politicized, poorly institutionalized system of industrial relations” (Martin and Ross, 220).

The rise of Italian fascism under Mussolini ultimately resulted in the creation of a corporatist state. The 22 corporations along sectional lines that were created dissolved existing trade unions and placed workers as well as employers into one of the corporations. As the corporations were under the control of the state workers were not able to legally organize any resistance to the state. Abse (158-161) argues that the post-war disjuncture between the social democratic trade union ideology and the underlying working class culture of *sovversivismo* helped to make the communist CGIL the strongest trade union federation before the catholic CSIL and the socialist UIL.

The existence of three major peak federations masks the enormous complexity of Italian industrial relations (Regalia and Regini 1997). Many unions are outside the peak federations (sindicati autonomi), there are rival workers’ organizations at the plant level (COBAS) and numerous employers’ federations (apart from Confidustria, the peak employers’ organization). In addition, by 1995 about one third of Italian workers were self employed (Lotte 1998) and there is still a sizable agricultural sector. Industrialization is extremely uneven and regionalized. All this is further complicated by the precarious legal position of unions until very recently.Labour market policies reflect this fragmentation. Many policies are only applicable to certain regions (including variations in social security contributions for the long-term unemployed).
Two major crises shook the Italian labour relations regime after WWII: the social and political crises of the “hot autumn” of 1969 and the economic crises precipitated by the oil shocks of 1973 and 1979. The spontaneous workers’ militancy of the Italy’s hot autumn upset established unions’ complacency and the effects of the oil shocks convinced Italian governments that some buffering mechanisms had to be introduced to soften the impact of large scale job losses. Both series of events served to draw organized labour and government closer together to protect their own interests. By acting on the political level, labour peak organizations had become remote from the rank and file in a workplace centred labour relations regime. The 1970 Workers’ Statute reflected “the dramatic shift in power relationships … and was intended to stabilize Italian industrial relations within a new institutional framework” (Regalia and Regini 1998, 463). As in the past, however, legislation developed by accretion and exacerbated the problems of an already complex labour relations regime. In the 1990s the rapidly but regionally fragmented changing labour market, very high unemployment in some regions and sectors, and Italy’s desire to achieve the European Monetary Union convergence criteria necessitated a degree of concertation. In 1991, Law 223 attempted to give some coherence to the myriad of responses to the crisis situation. Alas, as so often, legislation, while helpful to some (manufacturing, construction, and trade), excluded others (those in enterprises with fewer than 200 employees).  

The legislation is important in that it includes the concept of mobility or so-called labour flexibility after job loss. Although the legislation included a mechanism (mobility lists) that would facilitate work force reduction for companies in difficulty and provisions for the re-employment of workers on such a list the law has been ineffective. This failure convinced many observers, including trade unions, that any solution had to include provisions that would include the retention of employees while re-employment strategies were put in place. It was also agreed that it was imperative to avoid the sudden rupture between individuals and their work. To achieve these goals massive investment in training and vocational re-qualification as well as political readjustments would be required.

Italy’s desire to become part of the European Monetary Union contributed to reforms that required fundamental changes in Italy’s policy-making machinery. It is claimed that the result was “the most comprehensive type of social partnership on the continent, involving trade unions, employers' associations, and interest groups in political decision-making, thereby ensuring a wide social consensus for government policy” (Mancini 2000). In addition, the social partners (government, Confidustria, and the trade union federations signed on to the “Patto per il lavoro” that deals among other issues with vocational training (article 17). What has not changed, however, are regional disparities and loyalties, and a confused legislative situation.
Job Transfer - Turin

Given the complexities of the Italian labour market and varying rates of industrial change within the country an Austrian style labour foundation model is currently not envisaged, nor likely to develop. Some regions of Italy are highly industrialized, while others are still predominantly agricultural. Urban/rural contrasts within regions make for a complex pattern of economic, social, and political development. Interestingly however, Italy’s pronounced regionalism may be setting a pattern for much of Europe as the importance of national boundaries declines and the emphasis on regions as “economic engines” rises. The importance and dominance of certain regions’ industries gives Italian employers the advantage of easy access to a skilled labour force and suppliers.

My focus is on Italy’s industrial heartland, as there the structural changes wrought by post-industrialism highly pronounced. Turin has always been the industrial capital of Italy. The economy of the province of Turin in the northwest of Italy is defined by the huge manufacturing concerns in the eponymous capital. Turin, the second largest Italian city, is the home of FIAT and numerous related industries. Industrial expansion has brought massive immigration from the South and “the city spread like an oil slick” in an utterly unplanned fashion.

In Turin CODEX is working on a number of strategies to deal with the job loss consequences of structural change. One of these is job transfer. Although CODEX is sponsored by the Turin Chamber of Commerce CODEX’s work is closely linked with IRES “Lucia Morosini” a trade union (CGIL) research institute. Job transfer models come into play when job loss is already inevitable. The key problem is the “transfer” of the laid off worker into a new job. Although job transfer models may be regarded as being related to labour foundations, their connection is not close.

Job transfer models tend to use a variety of strategies to ease the transit of workers from former to new jobs. One often cited example administered by CODEX and IRES concerned the imminent loss of jobs in a Piedmontese car factory. After the lay off of more than 100 workers and the shortening of the work week, internal company discussions began on how to soften the imminent massive downsizing. All workers signed a “Solidarity Contract” (Contrato de Solidarietá) as a first step. The goal of the solidarity contract was to avoid lay offs by shortening every workers’ work week. The attendant loss in income was to some degree ameliorated by the addition of public funds to the wage packets.

Initially the solidarity contract was to run for six months. The average work week was now 22.5 hours, a 44 percent reduction. This avoided lay-offs, particularly those of older workers. The continuing dearth of orders and the need to reorganize meant that the solidarity contract was extended for another six months. At the same time an additional strategy – outplacement – was introduced. About 80 workers were “lent” for three months to another firm that during the same period experienced labour shortages. In this instance the choice of “loan workers” was based on voluntarism, age, and the requirements of the borrowing firm.
This “solution” brought divided satisfaction. The former employer was satisfied: workers were placed without violating the collective agreement and without regard to seniority. The former workers were less satisfied: a new workplace meant new ways of doing things, the loss of the familiar workplace and the need to be resocialized. One advantage was that the new workplace, unlike the solidarity contract, offered a full wage.

Conclusion

In surveying the genesis, transformation, and transfer of the Austrian labour foundations model we have observed one highly successful response to the problems of job loss and reintegration into the labour market. But we have also noted that Austria’s social partnership and the ÖGB’s associational monopoly assure very high levels of concertation. Curiously, Austria’s accession to the European Union may weaken the consensus between state, employers and labour. The formation of a conservative (ÖVP)/right wing (FPÖ) federal government is already pushing the nation’s political and economic orientation towards neo-liberalism thus weakening the ties between the social partners. More than other training and job reintegration strategies, labour foundations are critically dependent on political consensus.

In Germany where the level of concertation is somewhat lower, labour foundations have been established using the expertise of a private Austrian consultancy agency (ÖSB). Germany, a major economic power and founding member of the European Union, has had to cope with the problems of incorporating the former East German states into a common German federation. Although there are two peak labour organizations, the DGB is by far the larger. The DGB, however, evinces little interest in the labour foundation idea and is pursuing a number of alternative training strategies. It is likely that this reflects a pragmatic adjustment to the prevailing labour relations regimes and the difficulties in bringing about legislation that would extend income support to participants in labour foundations or similar strategies. Moreover, the inclusion of the five eastern states has sharpened differences in regional economic development.

Italy, more than either Austria or Germany is a nation of regions. Although Italy unlike the other two nations is a unitary state, the influence of the central government is uneven across the country. Like Germany, however, Italy was among the European Union’s founding nations and recently surprised observers by being among the first group of nations in the European Monetary Union. The existence of three peak labour foundations that are sometimes in uncertain alliance with each other and a labour relations regime that tends to shift much responsibility on firms and individuals makes for a highly complex pattern of power relations. Thus it makes little sense to attempt an encyclopedic review of the Italian situation in the context of a brief paper.

In all three jurisdictions those who are working in the field of (re)training have used their place in the political and economic order very skillfully. Private agencies like the ÖSB in Austria, CODEX in Italy, and SPI and Hamburger Arbeitsstiftung in Germany have
forged ties with the relevant public agencies, employers, and unions to provide integrated models of job training and job reintegration strategies. Although the various strategies have succeeded thus far, some issues remain:

For trade unions and training strategies the European Union is both boon and peril. The EU through a multitude of programs has taken a proactive approach vis-à-vis the labour market consequences of restructuring. It has assisted economically underdeveloped and depressed regions through special programs and funds. The synchronization of European politics presents a challenge for European unions as unions have emerged and are acting on national and firm levels.

The provision of training is largely in private hands. This, coupled with the tendency to equate skill requirements with those of private sector employers threatens to undermine broader based government policies and actions. In brief, private sector priorities will tend to shorten training and skill development at the expense of national development. Of course, if training is primarily or solely thought of as a tool for reemployment short-term training may well be appropriate.

This last point returns us to the question of labour foundations under a variety of labour relations regimes. I do not believe that Austrian-style labour foundations could be established and maintained outside a strong corporatist labour relations regime. As we have seen, labour foundations represent a peculiarly Austrian response to the problems of structural change. While in some German states as Hamburg labour foundations can exist, the major defining characteristics – ongoing financial employer (or proxy) support and the possibility to engage in long-term training – are very difficult to attain. Under conditions of weak corporatism as in Italy and Canada the conditions for labour foundations are unfavourable. Attempts to transfer the idea into other jurisdictions indicate the need to change from the labour foundation to job transfer models. In addition, even under historically optimal conditions as in Austria, the global and European pressures towards change point toward a weakening of national concertation. Thus, the future for labour foundations is uncertain.
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Notes

1 The Austrian labour foundation has been singled out by the European Union as being among the 11 best European strategies to the problems of restructuring and training.

2 I prefer the term “concertation” to “corporatism” because of the potential for confusing the latter with the political order that arose in Austria, Germany, and Italy during the pre-WWII era. Corporatism has for most Austrian, German, and Italian citizens a disagreeable historical connotation. Tripartism is another term that is occasionally used when the state, labour, and capital cooperate to a greater or lesser degree but the tight braiding of the three actors in the Austrian case predisposes me to use the term “concertation.” It must be noted, however, that these term are frequently used interchangeably.

3 Although there is evidence in the Eisenerz region that iron was already being mined and smelted during Roman times (Sperl 1984a, 85), there is clear documentary evidence from the 13th century onwards (Weiß 1984, 46).

4 The term "minimill" refers to a relatively low-cost steel production facility that uses steel scrap, rather than iron ore, as its basic raw material. In general, minimills recycle scrap using electric arc furnaces, continuous casters, and rolling mills. The minimill, in LaPlace, Louisiana, which was owned and operated by VöSt-Alpine A.G. until it was sold in September 1986, includes a Krupp computer-controlled, electric arc furnace utilizing water-cooled sidewalls and roof, two VöSt-Alpine four-strand continuous casters, a computer supervised Italimpianti reheat furnace, and a 15-stand Danieli rolling mill.

5 Nigsch points out that even the foundation model is only a “second best solution.” He writes that “the best solution certainly is the one that prevents the problem in the first place.” (1991, 7).

6 The same respondent repeated the sentiment at the heart of the social partnership: “It’s better to sort out conflicts at the ‘baize table’ than in the streets.”

7 David Leadbeater and I argue elsewhere (Leadbeater and Suschnigg 1997) that exclusion of long-term training is one of the major shortcomings of Canadian labour market policies.

8 In the initial form of the model, there was a clear objective to harmonize the vocational goals desired by foundation participants with promising chances in the labour market. In some of the more recent models, foundation participants’ vocational or entrepreneurial preferences are given more weight than labour market forecasts.
Eisenerz, because of its location and history was no doubt the most difficult site for the foundation model. Eisenerz is situated in a valley enclosed by mountains and has depended on its iron deposits since the Middle Ages (Rainer 1984; Roth 1984; Sperl 1984b). It has been an archetypal single-industry town.

This was reduced to 0.25 percent or an average ATS 55.00 per month by November 1989.

Initially, this was ATS 2,500 and was raised to the current amount in May 1993. It is paid, as all wages in Austria 14 times per annum.

Among the very first applications was the terminally ill Austrian coal industry (Nigsch 1990).

In the case of insolvency foundations, the former employer is bankrupt and therefore in no position to contribute. In such cases it falls on the AMS to make available the required funds.

I have drawn on Saurug, *et al* (1998) for the information in the next three paragraphs.

For more detail see Stephen J. Silvia, in Martin and Ross (75-124).

Although Italy’s constitution contains two clauses giving workers the right to form union and to strike these clauses have not been enforced because of the fear that their implementation would give too much power to the communist CGIL.

In some respects this mirrors the legislative advantages given to mass production industries in Canada. By the 1990s, however, with the structural shift toward tertiary industry the shortcomings of this emphasis on secondary and primary industry had become apparent in Canada.

The argument that “strong regions make for a strong Europe” has been institutionalized since 1988 when Baden-Württemberg (Germany), Lombardy (Italy), Catalonia (Spain), and Rhône-Alpes (France) formed the “Working Partnership Four Motors for Europe). The importance of regions to the European project is also expressed in the Assembly of the Regions of Europe (VRE;www.are-regions-europe.org), a confederation of over 300 European regions.

The Contrato de Solidarité is in some respects similar to the French “Loi de Robien.”

The right to strike, for instance, is an individual right.
References


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