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Employee-oriented corporate culture boosts companies' economic success

A recently published study commissioned by the Federal Ministry of Labour and Social Affairs shows that the commitment of employees to their company is positively influenced by an employee-oriented corporate culture. Most companies have already recognised the importance of the link between employee commitment, corporate culture and economic success. However, a great deal of employee potential remains to be exploited by employers.

Corporate culture can be defined as the whole system of fundamental beliefs, norms and values that influence the effective behaviour of employees. Companies' main challenge is how to make best use of their employees' skills and abilities. In this context, many enterprises have already realised that an employee-oriented corporate culture is essential for encouraging employee commitment and thus also boosting economic success.

Nonetheless, a study commissioned by the Federal Ministry of Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) shows that companies' current efforts to establish an employee-oriented corporate culture still allow for ongoing improvement.

About the study

In February 2008, BMAS published the report of a research project it had commissioned, Organisational culture, quality of work and employee commitment in companies in Germany. The main aims of this project were to:

- analyse the current situation in Germany concerning corporate culture, quality of work and employees' commitment to their employers;
- examine the link between corporate culture, quality of work, employee commitment and business success;
- develop recommendations concerning the establishment of a corporate culture that enhances companies' economic competitiveness, increases their employees' commitment and promotes the health and well-being of their workforce.

Employee and management surveys

To this end, a sample survey was conducted from April to October 2006. Altogether, 68,151 employees in 314 companies were asked to complete a standardised questionnaire as part of an employee survey, and a total of 37,151 persons complied. This corresponds to a response rate of 58%. Overall, 12 economic sectors – characterised by the highest numbers of companies or employees – were chosen to be part of the survey. In these 12 sectors of economic activity, about 18.5 million employees were working in approximately 195,000 companies in 2001. From this sample, potential participants were chosen at random; the candidates received a written invitation to participate in the survey or were contacted by telephone.

In addition, a senior executive or a department manager in each of the sample companies was interviewed to provide a management survey. Managers received their questionnaire after the employee survey was finished. They were granted four weeks to complete the online questionnaire.

The questionnaire for the employee survey focused on fundamental issues concerning the corporate culture, the company's commitment to its employees and the employees' commitment to the company. Employees were asked to review their workplaces, the development of their working situation and their company's management. The management survey meanwhile focused on issues such as the human resource management (HRM) tools currently implemented and business success.

A total of 122 small companies with 20 to 99 employees participated in the survey, as did 132 medium-sized enterprises with 100 to 499 employees and 60 large companies with 500 or more employees. The 12 fields of economic activity included in the sample comprised: the food processing industry, the chemicals industry, the metalworking industry, mechanical engineering, the automobile industry, construction, wholesale and retail trade, transport, financial services, business services, public administration, and health and social welfare. The number of employees surveyed from each industry corresponded approximately to the actual distribution of employees across these fields of economic activity nationwide.

Employee-oriented corporate culture

Employee-oriented values and measures can be regarded as a precondition for employees' commitment to their companies. The study

analysed the following factors, all of which are deemed crucial for the establishment of a strong corporate culture:

- clear communications;
- leadership competence;
- integrity of the management;
- promotion of professional development;
- involvement of employees in decision making;
- interest in employee welfare;
- fairness;
- a team spirit;
- identification with the company.

The results of the study show that the majority of respondents felt that their physical safety (85%) was safeguarded at their workplace and that they were treated fairly with respect to their nationality (86%), disabilities (81%) and their sex (80%).

About half of the workers surveyed gave a positive assessment of the leadership abilities of their company's management, promotion of professional development, team spirit, fairness and the involvement of employees in decision making.

On the other hand, certain other issues were assessed critically, such as: companies' commitment to the promotion and implementation of measures to improve work-life balance or healthcare matters, praise for good work and the consultation of employees concerning topics that affect their work. For example, only 24% of the survey respondents felt that they received a fair share of their company's profits. Another 38% of the survey participants believed that benefits such as wages and promotion were commensurate with their efforts.

Moreover, the study highlights that only about 60% of the respondents recognised a homogenous corporate culture in their company. This is viewed as a critical factor, since the authors of the study hold that a corporate culture with a high degree of employee-oriented values encourages greater employee commitment and is therefore a significant determinant for the enterprise's success.

Employee commitment

The employee responses indicated a high stability with respect to their job satisfaction and commitment to their companies (60%). Employees' commitment was measured by the degree of pride in their companies ('say'), their willingness to exert themselves on the company's behalf ('serve') and finally their wish to remain with their companies in the future ('stay').

In this context, the study reveals that almost two thirds of the employees were proud to work for their current company (63%). Another two thirds of the respondents were prepared to put in extra effort for their employer (63%). However, the proportion of employees who can be regarded as highly committed with respect to all of these three dimensions (say, serve, stay) totalled only 40%.

As Table 1 indicates, considering all dimensions together, the employees surveyed can be divided into four categories with regard to their commitment to their company: content but passive (37%), actively committed (31%), dissatisfied and demotivated (18%), and uninterested with little commitment to work or career (14%).

Employee characteristics	Content but passive	Actively committed	Dissatisfied and demotivated	Uninterested – little commitment to work and career
Proportion of surveyed employees	37	31	18	14

Source: BMAS, 'Organisational culture, quality of work and employee commitment in companies in Germany', 2008

It should be noted that no significant gender differences existed. Younger and older workers were more often content with their company than middle-aged workers. Medium-skilled and low-skilled workers tended to be less content than high-skilled personnel. Nevertheless, 62% of the respondents reported that the stress they suffered at work had increased in recent years.

Employee-oriented corporate culture and economic success

The BMAS study reveals that the proportion of content and committed employees – who are most beneficial for employers – is highest in companies with an employee-oriented corporate culture (45%). In these companies, only 10% of the staff can be classified as ‘dissatisfied and demotivated’. Only 8% of the staff in such companies were ‘uninterested’, showing a generally low commitment to their work and career.

To measure the economic success of the individual enterprises participating in the survey, the study constructed an integrated ‘Success Index’ that comprises a self-assessment of the company’s development and success, as well as factual indicators. Factual data include the compilation of company earnings before interest and tax (EBIT) for 2003, 2004 and 2005, data on employee turnover and the number of staff on sick leave. The analysis highlights that, when comparing the most successful companies to the least successful ones in the survey, no significant differences arose with regard to the number of employees falling into the categories of ‘uninterested’ or ‘content but passive’ employees.

Employee types	Most successful companies (Top 30)	Least successful companies (Bottom 30)
Content but passive	36	37
Actively committed	34	24
Dissatisfied and demotivated	14	21
Uninterested – low commitment to career and work	17	17

Source: BMAS, 2008

Nonetheless, as Table 2 shows, the most successful companies in the survey had a greater share of ‘actively committed’ employees (34%) compared with the proportion of such employees in the least successful companies (24%). Furthermore, only 14% of the staff working for the most successful enterprises fell into the category of ‘dissatisfied and

demotivated' employees. This compares with 21% in the least successful companies.

In this context, it should be noted that very successful companies assessed the commitment of their employees as the most important competitive factor, whereas less successful companies identified cost as being most important.

Support measures

Generally speaking, the authors of the study believe that most companies are aware of the importance of creating an employee-oriented corporate culture. Nevertheless, the above research results indicate that a great deal of employee potential remains to be exploited by employers, for example concerning issues of employee participation.

The study therefore asked managers for their views on measures which would be helpful in supporting their efforts to establish an employee-oriented corporate culture. The response included the following suggestions:

- identification and publication of examples of best practice in corporate culture;
- support for the establishment of networks to enable organisations and companies to learn from each other;
- preparation and publication of studies on unresolved issues in the field of corporate culture;
- provision of workshops and training courses to improve corporate culture.

Larger companies furthermore stated that corporate culture audits and certification would clearly be useful.

The study concludes that the development and implementation of such supportive measures would be a suitable field of action for ministries, employer associations or other public organisations concerned with improving the quality of work and corporate efficiency. However, an employee-oriented corporate culture needs to be implemented at individual establishment level.

Sandra Vogel (IW Köln)

Part-time work and parental leave widen gender pay gap

The gender pay gap, widely discussed in Germany, has been calculated at 28% in 2006. Further analyses, however, reveal that the difference between the hourly wages of female and male employees decreases to 6% when circumstances such as economic sector and occupation, job tenure, skills level, working time and parental leave are factored in. Investment in childcare facilities could reduce the pay gap, by enabling women to return to work and to work full time.

On 9 June 2008, in the daily newspaper *Die Welt*, the European Commissioner for Employment, Social Affairs and Equal Opportunities, Vladimír Špidla, criticised the fact that the hourly wages of female employees fell notably short of the corresponding wages for male workers in Germany. According to a study on the Gender wage gap and family policy by the Cologne Institute for Economic Research (Institut der deutschen Wirtschaft Köln, IW Köln), published on 29 May 2008, the average difference in hourly wages amounted to a gender pay gap of 28% in 2006. However, the study also showed that this simple comparison ignores the fact that women and men vary significantly in their labour force participation patterns.

Gender differences in employment

The distribution of female workers across occupations and economic sectors differs from that of male employees. The sector employing the largest segment of the male workforce is manufacturing (26.7%), while female employment is primarily concentrated in services sectors, such as health and social work, education and industrial cleaning (44.9% of all female employees).

Furthermore, in 2006, only 26.3% of all female workers held a university degree or comparable educational qualification. This proportion was significantly lower than that for male employees, amounting to 34.2%.

Moreover, a greater proportion of female employees work part time (37.2% in comparison with 4.4% for men) or in 'marginal' or 'fringe' jobs (16.6% compared with 5%) than do their male counterparts. Marginal jobs (*geringfügige Beschäftigung*) are thus described because they consist of less than 15 working hours a week and may be considered on the margins or fringes of employment. Women with children are particularly likely to be involved in such forms of atypical work: the corresponding quotas are 54.5% for part-time work and 21.2% for fringe jobs.

Finally, only a very small minority (3.4%) of male employees with children interrupt their careers to raise their offspring. By contrast, almost every female worker with at least one child (94%) has taken parental leave.

Wage differences determined by different work patterns

Pay differentials on the basis of a range of work patterns, 2006	
	Pay differential
Female employee without children, compared with male employee	-12%
Female employee with at least one child who was on parental leave for less than 12 months, compared with male employee	-6%
Female employee with at least one child who was on parental leave for a period of one to three years, compared with male employee	-10%
Female employee with at least one child who was on parental leave for more than three years, compared with male employee	-14%
Effect of one additional year of education on pay	7%
Effect of one additional year of work experience on pay	4%
Effect of one additional year of job tenure on pay	3%
Part-time work, compared with full-time work	-18%
Fringe job, compared with full-time work	-47%

Notes: Calculation includes sectoral and occupation 'dummy' variables, as well as the company size and location in western Germany as control variables (results not documented here). The pay effects of one additional year of education, work experience or job tenure apply to both women and men. However, the latter are more likely to benefit from these positive effects, due to fewer career interruptions.

Source: IW Köln

The bulk of the gender pay gap can be explained by the different patterns of labour force participation of female and male employees (see table). Working part time or taking on a fringe job reduces the hourly

wage by 18% and 47% respectively, compared with a full-time job. Although this holds generally for both women and men, the former are more often affected. Due to more frequent as well as longer career interruptions for child-raising, female workers cannot benefit from skill, experience and job tenure premiums to the same extent as male employees.

The above table shows that, among female workers, those who return to work from parental leave within 12 months suffer the lowest negative wage difference, at 6%. This differential is even lower than that for childless female workers (12%). Such a remarkable result implies that the former may be sending a clearer signal to their employers of their willingness to work and their interest in pursuing a career than the latter.

Importance of childcare facilities

In 2006, early childcare was available to only about 14% of children under three years of age. Therefore, additional investment in such facilities would enable women to balance work and family life more effectively and might contribute significantly to narrowing the gender pay gap. Female workers would not only be able to return from parental leave more quickly but also be in a better position to work full time when they did so.

Oliver Stettes (IW Köln)

New wage agreement for ground staff at Lufthansa

In August 2008, Lufthansa, the largest German airline, reached a compromise with the United Services Union on a new collective wage agreement for the company's ground staff. After several days of strike action leading to many flight cancellations, the social partners agreed to a total pay rise of 7.4% to be implemented in two steps, initially on 1 July 2008 and then on 1 July 2009. The agreement affects about 34,000 employees at Lufthansa.

In April 2008, the United Services Union (Vereinte Dienstleistungsgewerkschaft, ver.di) called for pay increases of 9.8% for 12 months affecting about 50,000 cabin and ground staff at Germany's largest air carrier Deutsche Lufthansa. Ver.di also called for the further development of the existing agreement on a profit-related pay scheme for employees at the company. Ver.di's chief negotiator, Erhard Ott, reinforced the trade union's demands by claiming that the company had earned major profits in 2007, while positive earning trends were anticipated for 2008.

After several bargaining rounds, Lufthansa countered ver.di's demands with an offer which included a pay increase of 4.6% to take effect on 1 July 2008. The company offered a second pay rise of 2.1% which would follow on 1 July 2009. However, ver.di declined this offer by Lufthansa.

During the bargaining rounds, ver.di organised token strikes. Strike action was taken at German airports for five days at the end of July and beginning of August 2008 before the social partners finally reached an agreement. As the German daily *Frankfurter Allgemeine Zeitung* (FAZ) noted in an article on 2 August 2008, around 5,000 ver.di members took part in the strike, causing several hundred flight cancellations.

Results of 2008 bargaining round

In a press statement on 1 August 2008, Lufthansa announced the results of the 2008 bargaining round. The final pay agreement foresees a pay rise of 5.1% backdated to 1 July 2008 covering both employees and trainees on the ground. Another pay increase of 2.3% will be implemented from 1 July 2009. Additionally, ground staff will receive a one-off payment of up to 2.4% of their annual wages. This one-off payment includes a performance-related component depending on the business segment in which employees are working. The collective agreement was set for a duration of 21 months, therefore ending on 28 February 2010.

Lufthansa stated that a similar offer for its cabin crew was to be presented to the Independent Flight Attendants' Union (Unabhängige Flugbegleiter Organisation, UFO). However, UFO has already indicated in a statement to the press that it will not accept conditions outlined in the pay agreement negotiated by ver.di. The current pay agreement between UFO and Lufthansa expires on 31 December 2008. It should be noted that three trade unions – ver.di, UFO and the German Airline Pilots' Association (Vereinigung Cockpit, VC) – are all represented at Lufthansa.

Views of social partners

In the press statement on 1 August, Lufthansa's Director of Human Resources, Stefan Lauer, stressed that the new collective agreement for Lufthansa ground staff represented a compromise well beyond the pain threshold. For Lufthansa, it was only acceptable due to its 21-month duration and the agreement on the one-off payment. Higher costs were to be compensated for by higher productivity. The airline was to resume flight operations quickly to ensure its customary reliability and quality of service.

Ver.di's chief negotiator, Erhard Ott, stated in a trade union pamphlet that the final agreement could be considered a reasonable result. Higher wages and a fairer profit-related pay scheme were now assured for employees at Lufthansa. Talking to FAZ on 2 August, Mr Ott made clear that the pay rise of 7.4% had only been achieved with the support of the striking employees.

Sandra Vogel (IW Köln)

