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Employment Restructuring and Flexibility in Austrian and Danish Banking

ABSTRACT ■ The literature on the impact of new competitive forces on 'traditional' industries in Europe tends to emphasize a rather unidirectional line of development. Concentration of capital will pave the way for structural adaptation leading to rationalization and redundancies. In contrast, this cross-national study of the Austrian and Danish banking industries, which have very much in common in terms of their contextual characteristics, indicates rather diverse approaches to pressures for change. Even though competitive pressures are similar, differences in employment restructuring and flexibility prevail between the two national sectors.

Introduction

Debates about the changing character of the employment relationship often centre on the assumption that there exist very few options for development, and perhaps only 'one best way'. Capital will eventually concentrate, and the implications for employees are inescapable. Much of the literature has focused on the restructuring process in what used to be highly regulated sectors and has centred around deregulation and increasing competition as the motor driving change. A breakdown of the bureaucratic employment model is often portrayed as a natural consequence of these economic developments. The aim of this study is to uncover, on the basis of a cross-national sectoral study, how the conditions of white-collar employment are developing under these circumstances. Hence our main research question is whether the same industries in different European countries are changing in a predetermined manner.

Banking is a particularly interesting sector to study because, as Regini et al. argue (1999: vii), 'although changes have swept through most industries,

few examples can match the profound transformation of retail banks from stolid, strictly regulated organizations epitomizing lifetime employment to highly competitive enterprises with fragmented career structures and a new focus on sales and performance'. It is widely suggested that financial services around the world experience an intensification of competition and face a more complex and uncertain environment. This is supposed to be the result of market saturation, 'disintermediation' (the process whereby banks are no longer the intermediary channel between borrowers and savers), changing technologies, as well as deregulation and internationalization of financial markets (Andersen, 1997; Canals, 1997; Dicken, 1998: 399–405; Muller, 1997b).

It is suggested that, as a result of the opening of the internal market for financial services in the early 1990s and the current introduction of the euro, these developments are particularly pronounced in Europe. For example, the single market allows financial services to flow freely through the EU and financial service firms to operate anywhere in the countries of the EU (Dicken, 1998: 405). Therefore it is not surprising that for more than a decade many observers have predicted a rapid convergence, in terms of products and employment relations, within the European finance industry (Bertrand and Noyelle, 1988; Botten and McManus, 1999: 15; Canals, 1997: 120; Dermine, 1990; Hiltrop, 1991: 37). European banks are advised to increase efficiency (i.e. reduce costs), become more flexible and to invest in new products and extended geographical markets. For example, rationalization and restructuring are suggested to increase efficiency by reducing employee numbers. Mergers and acquisitions serve the same purpose, but could also be used to open up new geographical markets. Contingent pay and outsourcing of service functions are supposed to increase flexibility. An approach more oriented to marketing and sales, the distribution of insurance products, a segmentation of customers, a standardization of products, the use of sophisticated technologies (the internet) and the introduction of profit centres aims to increase profits (Muller, 1997b). However, at this point it is important to differentiate between investment and retail banking. Whereas the former has already become a global sector, the latter continues to have a primarily national basis (Quintanilla, 1998). This study will concentrate on retail banking, which in terms of employment is still predominant.

Considering the strong national foundations of retail banking, it is surprising that in the current debate about the restructuring of the banking sector little notice is taken of cross-national differences. Over the last decade a body of research has emerged suggesting that, more generally, there are nationally distinctive institutional arrangements, which are a powerful barrier to the application of universal models of employment relations and management (Berger and Dore, 1996; Hansen et al., 1997; Katz and Darbishire, 2000; Lane, 1989; Muller, 2000; Whitley, 1994).

Differences in the role of the state, corporate governance and vocational training systems, or the nature of product and capital markets have an impact on the employment relationship and lead to differences between European countries (Ferner and Hyman, 1998; Locke et al., 1995; Muller, 1997a; van Ruysseveldt and Visser, 1996).

This suggests that employment relations in European banks may not necessarily develop in one direction or converge, but that there are likely to be different national reactions to similar pressures for change. We would therefore expect the inner logic of white-collar industrial restructuring to be at least modified by national institutional arrangements, given that many cross-national and to some extent sectoral comparisons document that contradictory pressures and distinctive national influences exist. Our aim is therefore to provide a more balanced scenario than often presented in the business and management literature. This article is based on empirical findings from two national banking sectors.

The Austrian and Danish Banking Sectors

A comparative assessment of employment relations in Austrian and Danish banks is a particularly interesting basis to test the universalist stance adopted by most of the literature on industrial relations convergence, both generally and in banking in particular. At least until the late 1980s both countries constituted almost the same ideal type. Both Austria and Denmark are smaller economies in the European Union (EU), with a very large majority of small and medium-sized companies (Hickson, 1993), and they are both characterized by a long-term business orientation and by a stable political and institutional regime (Regini, 1994: 6). Only a decade ago, the financial sector in both countries consisted of several hundred banks, most of which were small and medium-sized. The branch network in Austria and Denmark was dense, and both countries were considered over-banked. Austria and Denmark both have universal banking systems; in other words most banks offer the full range of banking services. Although investment banking has become more important over recent years, retail banking still predominates in the two countries. In other words there was a rather similar point of departure for the industry in both Austria and Denmark, before increasing competitive pressures emerged.

Similarly, industrial relations in both banking sectors have been characterized by a high level of institutionalization, with comprehensive collective bargaining arrangements, supported by a high density in employers' associations and trade unions (Andersen, 1997; Muller, 2000). Furthermore, over the 1990s there was an 'organized decentralization' (Traxler, 1995) of bargaining functions from industry to company level in the two

countries, which resembles similar developments in other sectors of the Austrian and Danish economies (Scheuer, 1998; Traxler, 1998). However, despite these similarities it appears that over the last decades Danish banks have been more open to many of the universalist banking prescriptions outlined above.

During the 1990s, the Danish banking sector was transformed. The financial crisis which affected Danish banks in the late 1980s and early 1990s was the main trigger for change (Andersen, 1997; Sundbo, 1997). As a result of increased bank debts and falling margins, profits fell to a low level and in 1992 the before-tax profit of Danish banks was actually negative (Table 1).

This crisis, and the advent of the single European market for financial services introduced by January 1993, led to recommendations by the government and advisory bodies for structural rationalization and the formation of large-scale financial operations. This had indeed already been occurring at company level: in 1990 six banks combined to create Denmark's two largest banks, *Den Danske Bank* and *Unibank*. Although there are still more than 200 banks in Denmark, these two plus *BG Bank* and *Jyske Bank* today control almost 90 percent of the Danish market. Hence there is a relatively high concentration of capital in Danish banking (Table 2).

In parallel to this concentration, the branch network was also reduced significantly by the merging banks, signalling to the rest of the sector that economies of scale based on rationalization and redundancies were a

TABLE 1. Staff Costs and Profit before Tax in Austrian and Danish Banking (Percent of Average Total Balance Sheet)

	Staff costs		Profit before tax	
	Denmark	Austria	Denmark	Austria
1987	1.46	0.90	0.35	0.65
1988	1.46	0.91	0.96	0.72
1989	1.32	0.92	0.28	0.44
1990	1.27	0.99	-0.27	0.40
1991	1.49	1.03	-0.01	0.41
1992	1.56	1.06	-1.20	0.34
1993	1.54	1.09	0.65	0.49
1994	1.52	1.02	1.00	0.42
1995	1.57	1.04	0.14	0.39
1996	1.35	1.02	1.23	0.43
1997	1.19	0.97	1.05	0.43

Source: OECD, 1999.

TABLE 2. Concentration Rate of the Danish and Austrian Banking Sector (Percent), Measured by Aggregate Balance-Sheet Total, 1998

	Two largest banks	Next six banks	Others
Denmark	60.0	27.0	13.0
Austria	28.5	25.2	46.7

Source: *Finanstilsynet, 1998; Oesterreichische Nationalbank, 1999.*

possible way out of the crisis. Furthermore, today there are no material differences between types of banks. Sectoral demarcations between commercial banks, savings banks and cooperative banks have largely disappeared in Denmark. In addition, a parallel concentration took place among employers' associations and trade unions. Today there is only one employers' association (*Finanssektorens Arbejdsgiverforening – FA*), one trade association (*Finansrådet*) and one trade union (*Finansforbundet*) covering all banks. The response to increasing competitive pressure at company level was thus combined with a strengthening of sectoral institutions.

In contrast to Denmark, the Austrian banking sector is still, like capital in general, rather fragmented (Traxler, 1998: 252). In 1998, Austria had 971 independent banks: in other words, about one per 8200 inhabitants, whereas the comparable figure for Denmark is one per 27,100 (Mayer, 1998). As Table 3 indicates, Austrian banks are divided into five categories or sectors according to their legal status. Each has its own employers' association. Hence there are separate collective bargaining agreements for the the 666 rural credit cooperatives (*Reiffeisenbanken*), the 72 savings banks (*Sparkassen*), the 63 commercial banks (*Aktienbanken und Privatbankiers*), the 71 industrial credit cooperatives (*Volksbanken*) and the 9

TABLE 3. Shares of Individual Sectors of Austrian Banking by Aggregate Balance-Sheet Total and Number of Banks in Each Sector

	Number of banks	Percent of aggregate balance sheet total
Savings banks	72	38.5
Commercial banks	63	27.5
Rural credit cooperatives	666	24.1
Regional state banks	9	5.5
Industrial credit cooperatives	71	4.4

Source: *Oesterreichische Nationalbank, 1999: 42.*

regional state banks (*Landeshypothekenbanken*) (*Oesterreichische Nationalbank*, 1999). Although there are today few differences in activities between these five sectors, the traditional institutional structure is still in place.

As in Denmark there have been some large and several small mergers during the 1990s. In 1991, two savings banks merged to create the largest Austrian bank, *Bank Austria*. In 1997, the new bank acquired the government's share and independently held capital in *Creditanstalt-Bankverein*, the second largest bank in Austria. In 1997, Austria experienced a second big merger between two other major banks, *Erste Bank* and *Giro Credit*. Furthermore, the government-owned postal savings bank (*Postsparkasse*) was transformed into a joint-stock company, 49 percent of which was sold to BAWAG (the third largest bank in Austria) in Summer 2000. At about the same time a cross-national merger took place between the largest Austrian bank, *Bank Austria* and the third largest German bank, *Hypo Vereinsbank*. This merger was accompanied by a loss of codetermination rights on the supervisory board for the works council of *Bank Austria*. Therefore at the beginning of the negotiations the merger was blocked by the employee representatives until they obtained concessions which provided for job security for *Bank Austria* employees.

So far, however, mergers and acquisitions have not significantly changed the Austrian banking landscape. For example, in contrast to Denmark the number of banking locations in Austria has remained more or less stable over the last 10 years (*Oesterreichische Nationalbank*, 1999: 47). Whereas in Denmark the introduction of the Single European Market acted as a major stimulus for change, Austria's membership in 1995 (much later than Denmark, which joined in 1973) has not had such an impact. However, as in the case of the debate in the Danish financial sector in the late 1980s and early 1990s, important actors such as employers and the state have strongly suggested that Austrian banks should increase their consolidation efforts. Over-banking is suggested as a reason why Austrian banks are not amongst the most profitable in the EU (*Oesterreichische Nationalbank*, 1999: 48). To be economically successful in the European market, many bank managers, and also representatives of the Ministry of Financial Affairs suggest that large banks are capable of servicing very large corporate customers, but that for this it will be essential to bring down unit (labour) costs. Thus, key actors in the sector seem to subscribe to a one-dimensional perspective, i.e. that capital concentration will lead to improvements in competitiveness through economies of scale and economies of scope. Although one might speculate about future developments, so far – as Table 2 indicates – it appears that in terms of sectoral structure, Austrian and Danish banks have reacted differently to global pressures for convergence. In the remainder of the article we examine whether this also applies to employment relations.

Employee Numbers, Profits and Numerical Flexibility

There are increasing pressures on banks to become more efficient. One of the most popular prescriptions to achieve this is to increase economies of scale by mergers and subsequently to reduce the level of employment. To what extent have Austrian and Danish banks followed this line of development; and if they have, how have they achieved their aims?

Table 4 gives an overview of trends in employee numbers in Austrian and Danish banks over the last decade. The table illustrates that between 1987 and 1999, the number of bank employees in Denmark *decreased* by 22 percent, whereas in Austria it *increased* by 9.6 percent.

In Denmark, the largest banks were the 'motors' driving the changes in the dominant employment model in the sector. *Den Danske Bank* (the largest bank) introduced its first large redundancy programme in 1991 and later followed up with some minor rationalization rounds, ending up with a decrease of 4500 people, which equals about 25 percent. *Unibank* (the second largest bank) implemented three rationalization rounds during 1992 and 1993, ending up with approximately 2500 fewer full-time employees (about 20 percent). In Denmark, as in other more liberalized banking sectors in Europe, for many categories of employees lifelong employment is now a thing of the past. Traditional forms of employment security, which seemed to be one of the foundations for good employment relationships in the banking sector, have been eroded (Andersen, 1997). Besides 'compulsory' redundancies, the reductions were achieved by an almost complete halt in the recruitment of trainees. If there was still

TABLE 4. Number of Employees in Austrian and Danish Banking

	Austria	Denmark
1987	67,612	53,411
1988	70,169	53,578
1989	71,480	52,902
1990	74,597	51,429
1991	75,979	51,098
1992	77,132	49,253
1993	76,162	45,905
1994	76,630	43,923
1995	76,257	43,004
1996	75,716	41,078
1997	75,244	40,433
1998	74,846	41,657
1999	74,775	41,787

Source: *Finanssektorens Arbejdsgiverforening, 1999; Oesterreichische Nationalbank, 1999.*

an excess of staff, early retirement programmes were introduced, especially for old and low-skilled staff (Andersen, 1997: 33). However, Danish banks have also tried to create opportunities for those already made redundant, in order to maintain the picture of the good employer right to the end. For example, in close cooperation with the local branches of the trade union, HR managers created 'job banks' to help former employees to find new jobs.

Table 1, which shows the staff costs and profits before tax in Danish and Austrian banks, indicates that the reduction of employment levels may have contributed to the steep increase of profits after 1992, but has had no immediate impact on staff costs. In other words, cutting jobs is not necessarily followed by a reduction of costs in the short-run, especially if the banks have used large incentive packages, and if the employees staying (and being recruited) are the most expensive ones (Andersen and Hjalager, 1998: 259). Similarly paradoxical relationships are observable for Germany and France (Baethge et al., 1999: 9). In contrast to Denmark, employment in Austria increased until 1992 and since then has declined only modestly (Table 4). Even those banks which have reduced employment have so far been able to do this through natural wastage and early retirement schemes. *Bank Austria* and *Creditanstalt Bankverein*, for example, have reduced their total staff numbers by 15 percent (2400 employees) since 1991, but have not needed to impose any involuntary dismissals. For the future, no change in this no-redundancy policy is envisaged. In 1995 *Creditanstalt Bankverein* started a rationalization programme called 'Fit for Europe'. Within three years the bank reduced the number of staff by 1000 without any dismissals. This was mainly achieved by a generous early retirement scheme open to all women over 50 years of age and men over 55; the bank paid the difference between the early retirement pension and the regular state pension. Similar early retirement schemes have been implemented in other Austrian banks.

Another way to reduce employment costs without dismissals is to increase part-time employment, perhaps through job-sharing. Table 5 indicates that over the 1990s the ratio of part-time employment has increased significantly in Austrian banks. The opposite trend for Denmark until 1994 could indicate that Danish banks did not depend on this form of employment to achieve numerical flexibility due to their weak legal provisions against dismissal. However from 1994 onwards it seems, that in both countries part-time employment has become a means to increase flexibility. A question remains to what extent it should be seen as a short-term attempt to gain flexibility or a longer-term structural adjustment based on implicit strategic product-market considerations.

A further strategy to avoid redundancies in Austrian banks is redeployment. A good illustration of this is the introduction of the Euro. There are several types of banking jobs directly affected by this, such as

TABLE 5. Part-Time Employment in Austrian and Danish Banking: Percentage of Total Employees

	1990	1991	1992	1993	1994	1995	1996	1997	1998
Denmark	13.6	13.5	13.7	12.0	12.0	12.7	12.8	13.0	13.4
Austria	9.2	10.4	10.4	10.8	11.3	11.4	11.7	12.0	12.5

Source: *Gewerkschaft der Privatangestellten*, 2000; *Finanssektorens Arbejdsgiverforening*, 1999.

foreign exchange cashiers and banking staff employed in the administration and processing of foreign exchange transactions. Most of these jobs are expected to be abolished once the Euro replaces national currencies (FIET, 2000). The Austrian white-collar trade union GPA has negotiated an agreement with the five banking employers' associations, which contains clauses that no employee will lose his/her job because of the Euro. This is based on the assumption that before, during and after its introduction, there will be extra demand for advice from staff because 'Austrians are uncertain about losing their Schilling', and thus the demand for information will increase and will mainly be handled by the banks. Former foreign currency specialists will undergo a retraining programme and will be assigned to other jobs such as front office advice. This special training can be seen as a job enlargement exercise and should result in more skilled (flexible) employees (Mayer, 1998).

There are two possible explanations for the fact that Austrian banks, unlike Danish banks, have so far avoided compulsory redundancies. First of all, the scale of reduction has been much smaller in Austria. Nevertheless, the example of the two biggest banks suggests that even if major redundancies are required, Austrian banks tend to avoid compulsory measures. Thus a better explanation appears to be differences in employment protection regimes. Denmark has one of the most liberal legal provisions in terms of the protection of employees. It is neither expensive for the company, nor is it necessary to have a reason to make employees redundant (Scheuer, 1998). This is different in Austria and in particular in banking. There are special provisions for protection against dismissal in Austrian savings banks. Employees with seniority of more than 10 years have the right to switch to an interminable employment contract. These contracts make it practically impossible for banks to make such employees redundant. Joint-stock banks have another provision stated in the collective agreements, a so-called *Administrativ-pension*. In the case of compulsory redundancies, employees with seniority of more than 15 years have the right to a monthly pension, if they are too young to qualify for a state pension. Hence banks encounter serious problems if they want

to dismiss long-service employees. In contrast, the formal rules for redundancies makes it relatively easy for Danish banks to reduce the number of employees.

All in all, it appears that labour law provisions regulating dismissals and the terms of collective agreements have a major impact on the way rationalizations are handled in Austria. However, extensive scope for various forms of flexibility could function as a supplement or an alternative to rationalizations and redundancies. Do Austrian banks possess more flexibility than Danish banks in relation to their employees in key areas such as pay and working hours?

Pay and Working Time Flexibility

Pay and working time have traditionally been bargaining themes in both countries, and at the same time been a central focus of the flexibility literature. These are therefore critical issues through which to explore the extent of institutional persistence (on the side of employers' organizations or trade unions), company level pressures for transformation, and hence the dynamics of convergence or differentiation.

Starting with pay, systems in both countries are built on industry-wide collective agreements, and they are highly structured and work through meritocratic mechanisms (Scheuer, 1998; Traxler, 1998). Collective bargaining regulates salary levels, bonuses, weekly working hours, holidays, sickness provisions and pension schemes. The basis for remuneration is in many respects the same in each country: according to their length of service and professional qualifications, employees are placed in a specific salary grade.

However, a more detailed comparison demonstrates that there are important differences. Whereas in Austria all employees with the exception of executive staff are covered by the same sectoral agreement, in Denmark there are sub-agreements for bank clerks, other employees and executive staff, leaving room for more specialized demands from employers as well as employees. In addition, Austrian bank employees are paid on an incremental scale and receive an automatic annual salary increase, which rewards length of service. The overall remuneration system for the banking sector is thus mainly based on seniority. Monthly salary is paid up to 16 times a year for all employees, to include extra salaries (*Urlaubsgeld*) and 'Christmas salaries'. This is an achievement won by the trade union and is not universal in Austria. Another distinctive feature is that Austrian collective agreements determine the annual increase in all salaries and not only minimum pay rates. This provision limits the scope for employers to offset industry-wide mandatory increases against their own higher in-house-rates (Incomes Data Services, 1996: 16). By contrast,

the Danish system is somewhat more differentiated and seniority is less important than in Austria.

In addition, Austrian collective agreements provide for bonuses, which are guaranteed until the employee is promoted to a higher salary bracket. The extent and value of these bonuses increases with the hierarchical level. For example, the management bonus in one of the Austrian banks studied by Muller (2000) depends on the qualifications of a manager's subordinates. However, the bonuses are not only designed as an incentive, but also and in most cases as a means to fill the gap between minimum pay rates and market requirements. In addition, HR departments have the possibility of rewarding a particular achievement with a special lump sum. Performance-related pay was recently demanded by all six employers' associations and was an issue during the last negotiating round, but so far no agreement has been reached with the trade union.

In this respect Denmark again appears to follow more closely 'universalist' prescriptions for individual performance-related pay systems. Since 1997 Danish banks have had the option to negotiate salaries at company level. The new system meets employer's demands for salaries related to individual, unit or company performance (FA, 1997: 2). Hence Danish banks possess not only the possibility to decentralize pay completely to the company level, but also the opportunity to introduce a highly performance-related pay system. Whereas Danish bank managers were for some time reluctant to introduce this new system negotiated on their behalf, at the end of 1999 two of the largest banks adopted it, bringing half the employees in the sector within the scope of new pay criteria.

Comparisons with other countries such as Sweden and Germany have shown that the Austrian collective bargaining system is particularly rigid (Muller, 2000), and this finding is reinforced by the present comparison with Denmark. Austrian bank managers enjoy less flexibility in defining pay arrangements for their employees than do their counterparts in Denmark. However, pressures from the employers' associations may lead towards more performance-oriented pay systems in Austria in the future.

Considering working hours, both Austrian and Danish employers seem to have increased flexibility in recent years. As is the case in other sectors, the working week of Danish bank employees is 37 hours (Scheuer, 1999). This is less than in Austrian banks, where the collective agreements prescribe 38.5 hours. Both the Austrian and Danish agreements enable firms to operate flexitime arrangements at company level. It appears that many Danish and Austrian banks have introduced such systems. For example, core working time, when every employee must be present, may be between 10 am and 3 pm, with work schedules outside these hours to be negotiated at workplace level. Some Austrian banks, such as *Erste Bank* and a regional savings bank, the *Tiroler Sparkasse*, have

gone one step further, adopting a system without any core working hours and no formal system to measure attendance. Employees come and go according to their and the bank's demands. In this case, line managers have taken over responsibility for the coordination of their employees' working hours.

In most European countries the opening hours of bank branches have traditionally been highly regulated, as a result of pressures both from within the sector and by national legislation. In most banks, the issue of opening hours has consequently been dominated by a combination of collective agreements and national legislation (Andersen, 1998: 9). This is also true for Austria and Denmark, though it is interesting to note that the bargaining parties are given more autonomy in Denmark. Since 1997 the collective agreement allows up to five percent of branch employees to work on Saturdays between 8.45 a.m. and 4.15 p.m. This has to be agreed with the staff organization or the shop steward. However, Danish bank employers had to concede a sixth week holiday (optional, employees can take extra pay instead, should they so wish) to obtain the option of Saturday opening. Nevertheless, so far the demand from customers has not been large enough to justify opening branches on Saturday. In contrast, in Austria, Saturdays are not considered working days, except for bank employees working on shifts and in some tourist regions.

In conclusion, Austrian and Danish banks have similar flexibility in terms of working hours. Nevertheless, when considering the new possibilities in the Danish collective agreements for Saturday opening, it appears that the potential for working hours flexibility is higher in Denmark. The evidence presented so far suggests that the institutional environment limits Austrian banks to such an extent that in terms of employee numbers, pay and working hours they are less flexible than Danish banks. This might change in the future, as Austrian banks are increasingly using outsourcing to overcome these restrictions. Over recent years, outsourcing has become more and more popular in the Austrian banking sector. In this respect Austria is developing in a similar way to France, Spain and The Netherlands (Dressen, 1999; Miguélez et al., 1999; Visser and Jongen, 1999). The main fields of outsourcing in Austria have been electronic data processing, transaction of payments and sales. In respect of sales one important example in Austria is *mobiler Vertrieb* (mobile distribution). This means moving advice away from branches with strict opening hours towards individual service at whatever time the customer chooses. In most cases, employees are not working under one of the collective agreement for banks. Instead, they are embedded in other agreements, mostly in that for the retail sector, in which terms and conditions are less favourable for employees. Thus advisors can be paid a low basic salary with the option of a high commission. Another way banks have found to outsource sales are to open so-called 'bank shops'. These

outlets provide similar services to those in a normal branch office, but have the opening hours of the supermarkets and shopping malls in which they are located, for example 9 to 5 on Saturday. The employees are again not covered by one of the banking agreements, but by that for the retail sector.

Conclusions

This study illustrates how the same sector in two countries, which until the early 1990s in many respects had similar features, reacted to a somewhat similar external demand for change. The immediate reaction in Austrian as well as in Danish banking was to promote concentration. The logic that capital has to acquire size in order to become competitive, and that this can only take place through mergers, is probably more profound in financial services than in other sectors. Acquiring size has taken place either through larger merger waves as in the Danish case, or through more subtle and smooth processes, as in Austria. The implications for employees seem to vary significantly according to the two routes.

In the early 1990s, the Danish financial sector was confronted with large financial problems, the advent of the Single European Market and the expectation of increasing foreign competition. It reacted with large-scale compulsory redundancies. In Austria, the financial situation has been very stable over the last 10 years and labour turnover has always been at a rather low level. In Denmark, the combination of economic crisis, recent mergers between the largest financial institutions and very liberal legal provision in terms of employment security, seems to have acted as a mechanism leading to an extended use of numerical flexibility. In Austria the legal provisions make it more difficult to make employees redundant, and thus bank managers are looking for other solutions such as redeployment and early retirement.

The question is however whether the lack of flexibility in respect of numerical flexibility in the Austrian system could result in increased use of other types of flexibility. In terms of pay and working hours, the legal framework of Austrian industrial relations does not provide banks with more flexibility than Danish banks possess. Instead, recent developments in Denmark, such as the introduction of a decentralized, flexible and performance-based salary system and the option to open on Saturdays, seem to increase the flexibility gap between the two sectors even further. However, Austrian banks are to an increasing extent using outsourcing as an option to achieve more flexibility. For certain types of businesses, staff are employed who are not covered by one of the collective agreements for banks, but instead, for example, by that for the retail sector. The latter

provides less employment security, fewer restrictions on working hours and the option to pay a smaller basic salary.

It is tempting to argue that Austria is just a *late developer* (Dore, 1986), which implies that sooner or later the Austrian banks will follow the more typical 'European' developments (as in Danish banking). However, taking into consideration that outsourcing (or avoidance of insourcing) is already a widespread practice in Austrian banking, whereas this is not the case in Danish banking, it is necessary to provide a more complex model of development. This is a model where combinations of changes are taking place, where different types of flexibility are introduced at different levels, depending on situational factors as well as institutional features. It is therefore necessary to abandon any supposed automatic link between the changing competitive environment and internal employment conditions. Rather, we endorse the comments of Regini, who states (1999: 326) that 'markets, technology and institutions should be seen in an interactive way.

All in all, the case of employment restructuring and flexibility in Austrian and Danish banks refutes the notion of a one-dimensional line of development for traditional white-collar industries. Instead it supports those who suggest that convergence and divergence happen simultaneously (Katz and Darbishire, 2000; Muller, 2000). Hence our results challenge the proposition that there is a cross-national convergence taking place at sectoral level. However, speculating on whether this may differ from sector to sector, production integration seems to be an important factor. In the motor industry where there is a high integration of research and development, production and distribution, employment practices are becoming more similar across national borders (MacDuffie, 1995), as they are shaped by the nature of the particular business (Marginson, 2000: 19; Marginson and Sisson, 1994). In contrast, there is continuing diversity in a sector such as retail banking, which is still not integrated across borders.

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