

FLEXIBLE FORMS OF EMPLOYMENT

IN THE METAL, ENGINEERING AND TECHNOLOGY-BASED INDUSTRIES

CEEMET Summary of a country-by-country overview of 2011 on the evolution of labour arrangements and flexible forms of employment for metal, engineering and technology-based (MET) industries.

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Council of European Employers
of the Metal, Engineering and
Technology-based industries

FLEXIBLE FORMS OF EMPLOYMENT IN THE MET INDUSTRY

Evolving economy, evolving employment arrangements

Over the past 20 years, the environment in which European companies in the metal, engineering and technology-based (MET) industry operate has changed significantly – and it keeps on developing. Global trends have created huge competitive pressures as well as major opportunities for European manufacturers. With changes such as rapid technological development, the intensified globalisation of markets, lean manufacturing, as well as an increased focus on work-life balance and attempts to increase the share of women in the workforce, European labour markets and employment arrangements have also evolved, allowing companies to respond to changing market circumstances and to seize new opportunities.

This survey focuses on the importance of the evolution of labour arrangements and flexible forms of employment for MET companies in order to be able to meet the challenges that come with technological development, globalisation of markets and meeting employee needs. The survey is based on a survey conducted among CEEMET members regarding the usage of flexible employment contracts in the MET industry over the past 20 years and comes, in part, as a contribution to the debate at European and national level concerning the alleged precariousness of the most common forms of flexible employment such as fixed-term contracts, temporary agency work, and part-time work. It looks at how companies use these contracts and why this flexibility is important to manufacturers.

KEY FIGURES:

- The level of fixed-term contracts in the MET sector in Europe ranges between 1.6 and 7% (where figures are available) with an average level of 4.3%.

- The level for temporary agency work is similar, with an average of 5.4% in the MET sector, based on the responses received.

- Regarding part-time work in the sector (as surveyed), the average is also around 5%, depending on gender (mostly women) and job type (production/non-production).

- The survey shows that of the 13 million people in direct employment that work for the 200 000 companies, most of which are small and medium sized, that CEEMET represents, an overwhelming majority are on open-ended contracts.

FLEXIBLE FORMS OF EMPLOYMENT:

EFFECTIVE TOOLS FOR ACHIEVING THE EUROPE 2020 GOALS OF COMPETITIVENESS, GROWTH AND EMPLOYMENT

Flexible employment to deal with market fluctuations

Most companies today are faced with market uncertainties and volatile business cycles. In fact, MET companies deal with a congested market and while many companies continue to operate in what could be termed as traditional as well as 'predictable' seasonal and cyclical markets, they are also making progress in a range of emerging markets which provide them with growth opportunities.

These markets are not only geographically diverse, but also extremely dynamic. Consequently, companies have to be able to quickly adapt and respond. Hence, manufacturers work in fast moving global markets, where success is based on the capacity to swiftly provide solutions, exploit niches and respond to a growing and dynamic customer base. And as manufacturers constantly strive to do things better against shifting economic conditions, a flexible and adaptable workforce is crucial in achieving this.

Flexible forms of employment allow employers a flexibility margin to deal with fluctuations in demand, providing for the possibility of speedy and efficient deployment of rightly skilled workers for periods when orders diverge from 'normal'. Companies cannot step out of the business cycle and it is evident that fluctuations and shocks cannot be predicted. A flexible workforce is a key enabler in being responsive and successful in this environment.

Manufacturers can achieve the flexibility they need through cooperation with their employees. Fluctuations and structural changes have to be managed between employers and employees and a wide variety of tools need to be available to this end.

Companies use a range of practices to achieve day-to-day flexibility, the particular mix of which will vary depending on factors such as their market or size. Ultimately, anticipation and regulation cannot control for uncertainties and market fluctuations. Therefore, a regulatory environment which facilitates company flexibility rather than inhibits it by imposing a one-size-fits-all approach is required to maintain a competitive industry in Europe.

Lessons from the economic and financial crisis

In the survey, CEEMET members have also been asked to comment on the effects of the financial and economic crisis on different employment contracts.

Generally, during the crisis, fixed-term contracts were not renewed and temporary agency workers were the first to go in the MET industry. However, without this flexibility margin, many companies would not have been able to adapt to the situation, which could have led them to run into essential difficulties with even worse effects on the economy and eventually unemployment. Further, the importance of the ability of employers and employees to tackle shifting economic conditions was amply demonstrated during the crisis when many employers worked with employees and their representatives, in particular at company level, to help keep companies afloat, reducing the need for job losses and helping to retain key skills through, for instance, short-time working.

Overall, the importance of flexible forms of employment for companies is very clear, especially in times of crisis. For companies it is simply a necessary flexibility margin in managing the labour force. Hence, countries with strong limitations on external flexibility also fared worse during the crisis.

Furthermore, while temporary agency work declined during the crisis, the demand for such workers increased in the first half of 2010. As we move out of recession, companies without the confidence to yet expand the number of full-time employees have taken on agency workers, often as a gateway to them becoming permanent employees. Consequently, flexible employment contracts have been an important tool in overcoming the crisis as well as in creating new employment opportunities.

Rigidity of labour markets a challenge – companies need more flexibility

The CEEMET survey clearly shows that high levels of protection against dismissal in most European countries with consequent expensive down-sizing processes plays a role in the usage of flexible employment contracts.

In some countries, fixed-term contracts or temporary agency work are used for an extended trial period because of rigidity in labour legislation. In other countries, a high level of employment protection makes it difficult for employers to keep skilled labour during redundancies due to shortage of work, because of the 'last in, first out' principle. Therefore, it is sometimes more advantageous from a labour law perspective for employers to use flexible employment contracts. This is true not least with regards to temporary agency work. Despite the fact that, in most cases, it is more expensive to hire temporary agency workers, the cost efficiency simply comes with the flexibility that this type of employment contract offers.

Nevertheless, this does not solve the issue of market uncertainties and dynamics and the need for flexible employment contracts for companies to be able to adapt. There is simply no scope for companies to offer open-ended contracts to all employees that are needed to fulfil temporary orders or project work. Further, redundancy lay-offs are generally fairly complicated and costly to carry out and therefore it is easier for employers to have flexible contract employees when times are uncertain.

As it stands, labour regulation in many countries around Europe makes it a rather complicated procedure to hire employees on temporary contracts. (According to the CEEMET survey, the usage of temporary or part-time contracts has remained more or less the same throughout the decades.) Therefore, companies consider that there is a need for more flexibility in the use of flexible forms of employment to improve competitiveness and the prospect of finding the right competence.

The possibility to employ workers on a fixed-term or temporary agency work basis creates jobs in the MET sector which would not be offered otherwise. Results from the labour markets in Europe show that countries with more flexible labour market arrangements have lower unemployment rates.

Innovative employment arrangements for work-life balance

Employers are highly concerned about keeping competent employees (as was evident during the economic and financial crisis when, despite often massive and unexpected sharp drops in orders and their negative effects on productivity and unit labour cost, short-time working and other solutions were chosen instead of dismissals). It is clear that a skilled workforce is at the heart of the European MET companies' competitiveness. Manufacturing employers simply do not want to risk losing their skilled workers and their competitive edge. Thus, as unfilled vacancies rapidly rise in the MET industry, the efforts to keep employees will only be strengthened.

Flexible employment contracts are not only required by companies in the MET industry to remain competitive in today's market. Increasingly, these companies also find that employees want more flexibility (working arrangements) for work-life balance to meet childcare needs, care for dependants, personal fulfilment etc. Therefore, in this debate, we also need to take a closer look at employee needs for flexibility. Flexibility is often a case of give and take between employers and employees.

Precisely because of the skilled and specialist tasks many manufacturing employees undertake, companies are often willing to accommodate different working arrangements.

Employers are taking actions that are delivering positive outcomes for their employees by, for example, providing flexible working arrangements or investing in training opportunities. These actions will contribute to the wider social objectives such as opening up employee opportunities for a range of employees or improving family life.

However, policy makers must also respect the limits to which it can place responsibilities on employers to achieve the work-life balance objectives. In many cases, unnecessary regulatory intervention is likely to produce unintended consequences and impede the ability of employers to provide flexible working arrangements for their staff, create jobs and future prosperity. Instead, employment legislation must facilitate the flexible work arrangements, both externally and internally, that are increasingly being sought by both employers and individuals.

Further, as noted by the OECD, strict employment protection legislation does not reinforce a feeling of security in workers about their employment situation (OECD, Employment Outlook 2004, Chart 2). As well as employment stability, measured with the duration of the tenure of a job with the same employer, this does not necessarily equate to a perceived sense of security (P. Auer, Protected mobility for employment and decent work: labour market security in a globalised world, Employment Strategy papers, 2005, ILO).

KEY RESULTS

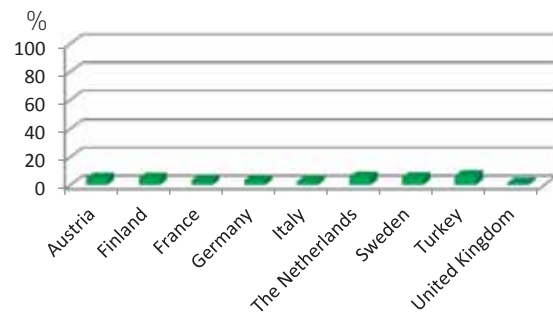
Innovation in products, service and processes, investment in modern machinery and the ability to tap into new export markets are cornerstones of competitiveness. However, as manufacturers constantly strive to do things better against a background of shifting economic conditions, a flexible and adaptable workforce is crucial to achieving this success.

While internal solutions such as flexible working hours and performance-related pay schemes contribute to this flexibility, it is clear that they alone cannot provide the level of flexibility required to flourish in today's competitive markets. The CEEMET survey shows that external flexibility is imperative for companies in the MET-sector to be able to adapt swiftly to changes and to compete on a global market. It has also been found that companies that use a combination of external and internal flexibility are the ones experiencing the strongest financial results and highest labour productivity. (Eurofound, Flexibility profiles of European companies, Survey 2009).

If Europe is to retain and further develop a productive industrial basis we must safeguard against any attempts to decrease the diversity of labour contracts and also improve existing regulations to facilitate adaptability.

Fixed-term contracts (FT)

1. The level of fixed-term contracts in the MET sector in Europe ranges between 1.6 and 7% (where figures are available). Based on responses received, the average level of fixed-term contracts in the sector is 4.3%.
2. Fixed-term contracts have fluctuated slightly with business activity over the past 20 years but overall the levels have stayed stable.
3. Companies use fixed-term contracts to fulfil temporary orders, project work etc.
4. These contracts are furthermore used because of the uncertainty about the future, because of fluctuating demand for labour and because of rigidity in legislation concerning dismissals.
5. There is no significant increase envisaged in the level of fixed-term contracts. However, employers would prefer better regulation around these types of contracts to improve flexibility and competitiveness.

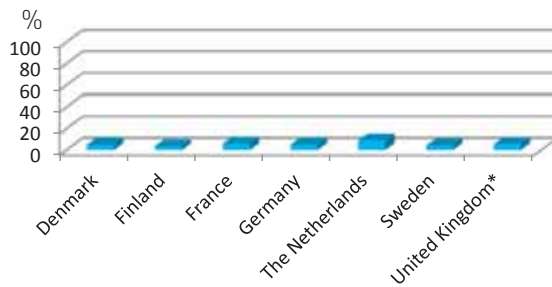


Countries where sector specific information was available

| | |
|----------------------|------|
| Austria..... | 5.0% |
| Finland | 5.0% |
| France | 3.4% |
| Germany..... | 3.3% |
| Italy..... | 2.5% |
| The Netherlands..... | 6.0% |
| Sweden..... | 5.5% |
| Turkey..... | 6.7% |
| United Kingdom..... | 1.6% |

Temporary Agency Work (TAW)

1. There is on average 5.4% TAW in the MET sector (based on responses received – see graph).
2. The increase in TAW over the past 20 years is largely and simply due to the fact that it generally did not exist before.
3. TAW decreased during the crisis but increased in the aftermath for the same reasons as FT contracts with the potential of being converted into open-ended contracts in the metal, engineering and technology-based industries.
4. TAW is vital for quick adaptation to changes in production rates etc, which are occurring to an increasing extent.
5. The cost of hiring a TAW tends to be higher than the cost of employing someone would be, though naturally dependent on skill level. The cost efficiency for the company comes from the flexibility which is afforded with a TAW solution that allows for swift adaptation to changes in circumstances.
6. TAW can serve as a stepping stone on to the labour market and provide job opportunities for groups which otherwise have a weak position on the labour market, e.g. low-skilled workers.



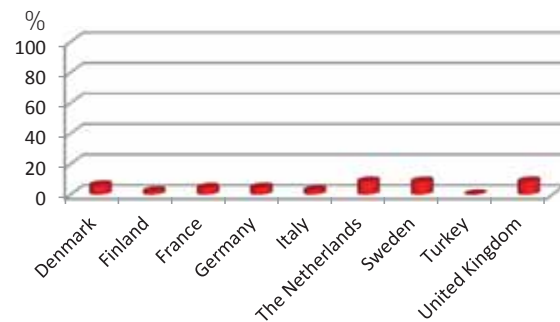
Countries where sector specific information was available

| | |
|-----------------|------|
| Denmark | 5.0% |
| Finland | 3.5% |
| France | 5.8% |
| Germany | 5.0% |
| The Netherlands | 9.0% |
| Sweden | 4.0% |
| United Kingdom* | 5.3% |

*Please note that the UK figure of 5.3% is an averaged formulation. Agency workers in the UK comprise between 4.5% and 6.2% of the total workforce, thus this average figure is used to approximate the number of agency workers in the MET sector.

Part-time work

1. Overall, part-time work still plays a minor role within our industry.
2. The average level of part-time work in the MET sector (as surveyed) is around 5%.
3. Part-time work is mostly a result of employee requirements.
4. Companies use part-time work in particular when needing a specific skill that does not require a full-time position.
5. Part-time work can be a useful instrument for companies and employees to adapt the individual and/or collective working time to the respective needs.



Countries where sector specific information was available

| | |
|-----------------|-------|
| Denmark | 6.00% |
| Finland | 2.00% |
| France | 4.30% |
| Germany | 4.50% |
| Italy | 2.70% |
| The Netherlands | 8.50% |
| Sweden | 8.40% |
| Turkey | 0.05% |
| United Kingdom | 8.50% |

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