

# Unleashing the potential – Flexibility in recession



Since the start of the recession in 2008, European enterprises have faced a significant decrease in demand that has required the development of new strategies to survive the crisis and return to growth. Across Europe, the specific strategies employers chose depended on the severity of the business decline they experienced and their expectations of the future, and on institutional factors such as the legal framework around employment, collective agreements and the national industrial relations context.

In many cases, companies did not apply single, isolated measures but a combination of various instruments. In general, these measures were neither new nor specific to the current crisis. What is striking, however, is that anecdotal evidence shows a good level of solidarity between employers and employees, resulting in joint efforts to find acceptable solutions for both parties that at the same time fostered the sustainability of the firm and job security for the workers.

## Examples of firm-level flexibility measures to cope with the crisis:

- cuts or delays in investment;
- pay freezes or pay cuts (in basic wages, bonuses or both);
- external numerical flexibility, such as dismissals, voluntary redundancies, early retirement, non-prolongation of fixed-term and temporary-agency work contracts;
- internal numerical flexibility, such as working time accounts, career breaks or sabbaticals, and short-time working;
- external functional flexibility (employer pools, temporary redeployment between companies);
- internal functional flexibility (redeployment).

## Internal flexibility on the rise

Although the decline in employment was certainly extensive in the current recession, data show that it was relatively low compared to the recessions of the 1980s and 1990s, given the massive fall in GDP. Since then, the framework conditions have changed in many Member States. Legislators and social partners increased the room for manoeuvre to implement flexibility measures within the firm. Numerous companies took advantage of that, with the intention of 'hoarding' labour to be prepared for the upswing. This led to a higher use of internal flexibility instruments compared to previous crises.

In 2009, the UK law firm Norton Rose extended its 'Flex Scheme', offering its employees a sabbatical of four to 12 weeks while receiving 30% of their wage. The reduction in salary could be spread over a six-month period. In departments where it was not practical to offer sabbaticals, the employees were encouraged to adjust their working time flexibly as the current workload fluctuated (for example, having a day or two off if the workload was low, while working full time if it was high).

By far the most significant job retention schemes implemented with the onset of the recession were measures to reduce working time. In general, companies' first reaction to the slack periods resulting from lower demand was to maximise the use of working time accounts (reduction of outstanding time balances or accumulation of negative working time) and holiday entitlements. When those measures were



no longer feasible, many European companies placed their employees on short-time working or offered them career breaks and sabbaticals in order to avoid dismissals.

A new feature emerging during the recent downturn was a shift from a rather passive approach to working time reduction towards a more active one. Attempts to use non-worked hours in a meaningful way resulted in the promotion of training during the reduced hours. This facilitated the internal restructuring of the firm, while at the same time enhancing workers' employability in the external labour market should dismissals eventually become necessary.

During the crisis, the steel manufacturer ArcelorMittal set up a 'skill pool' for employees whose jobs were no longer available due to a permanent halt in operations. These employees had their skills assessed and were encouraged to take up vacant positions within the company after receiving training preparing them for new jobs. The transfer process took between one day and two months, depending on the requalification requirements. For three months, employees received the same salary as for their previous jobs.

Several companies also engaged in functional flexibility. They redeployed staff whose workloads were insufficient to other tasks for which there was lack of labour or which had been insourced during the crisis. As redeployment was in many cases combined with reskilling, this also improved workers' general employability.

## What options for employees?

When the financial situation of companies was threatened, employers opted for (collective) dismissals to cut costs. However, this seems to have been the last resort for many employers, and at least for some countries, data show that redundancies of core staff were less common than in previous recessions.

A comparatively widespread 'softer' strategy was to refrain from prolonging fixed-term contracts and to release temporary agency workers. Also, voluntary severance packages were offered to staff, with several companies trying to find solutions to assist redundant employees in the transition to new jobs. These solutions were either financial support to bridge the time until workers found new employment or non-financial support fostering their employability.

The Austrian Plansee company, in consultation with the works council and the regional public employment service, set up a jointly funded labour foundation in 2009 to provide substantial outplacement services to redundant employees. After an orientation, participants were trained on a full-time basis for up to three years.

## Further information

This fact sheet forms part of the Eurofound resource pack *Unleashing the potential – Flexibility in European companies*. The pack explores the flexibility strategies used at national and company level and their impact on employees.

For a copy of the pack or for further information on this area of activity, please email [flexibility@eurofound.europa.eu](mailto:flexibility@eurofound.europa.eu)

To view the resource pack online and all other Eurofound materials on this topic, please visit [www.eurofound.europa.eu/resourcepacks/flexibility.htm](http://www.eurofound.europa.eu/resourcepacks/flexibility.htm)

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European Foundation for the Improvement of Living and Working Conditions

Wyattville Road, Loughlinstown, Dublin 18, Ireland

Telephone: (+1 353) 204 3100 Email: [information@eurofound.europa.eu](mailto:information@eurofound.europa.eu) Website: <http://www.eurofound.europa.eu>