

## **Summary of joint conclusion on adaptability and flexible forms of employment**

**Joint views on adaptability and flexible forms of employment developed by the work group on “Competitiveness & Employment” of the MET social dialogue committee during its meetings in 2011 and 2012**

### **Introduction**

The metal, engineering and technology-based industries make up the largest industrial sector in Europe. They also have to cope with the challenges and transformation processes linked to globalization, international competition and technological changes that have significantly accelerated in recent years, intensified by the economic and financial crisis.

A central motivation for the MET social dialogue therefore is to search for joint approaches that may contribute to increasing the ability of companies and their workforces to meet the challenges and adapt to change.

During 2011 and 2012 the workgroup on “Competitiveness & Employment” of the MET sectoral social dialogue committee discussed the topics of adaptability and drivers for change (in 2011) and flexible forms of employment (in 2012). The reason for this approach was that the group found it important to understand what drives adaptability needs, as adaptability needs are often cited as an important reason for the use of flexible forms of employment.

industriAll Europe and CEEMET rate it as a success that in their discussions they have been able to reach some common understanding on a potentially sensitive topic. The present paper summarizes the joint conclusions that have come out of the discussions. It provides the basis for further discussions, particularly regarding ways to minimize for both sides possible drawbacks of flexible forms of employment.

### **Adaptability**

Companies must be able to adapt to a fast changing global business environment, cycles and recurring economic shocks. There is at the same time a need for all workers to have decent jobs and working conditions, adequate social security, education and workers’ rights.

## Drivers for flexibility needs

A discussion on the drivers of flexibility needs should distinguish between short-term and long-term drivers as well as predictable and non-predictable drivers as different types of drivers call for different tools.

Long-term drivers relate mainly to the process of structural change that has become a permanent feature of industrial development as is recognised as well in the Treaty on the Functioning of the European Union (Art 173). These include the ever faster pace of technological change, the penetration of ICT, the need to meet the sustainability challenge, demographic change and others. They are also, to an extent, predictable drivers. Short-term non-predictable drivers can however also have considerable effects for MET companies.

Long-term drivers of change require a more qualitative approach such as innovative work organisation, developing skills and communication etc. Numerical flexibility such as working time flexibility might provide solutions to short-term market changes.

Generally, there is a shared perception that the pace of change has significantly increased and that this represents an adaptability challenge for companies and their workforces.

The workgroup has identified a number of main drivers for adaptability, instruments to handle adaptability needs and benefits and drawbacks of use of such instruments (see annex for full list).

## Flexible forms of Employment

The figures presented in the 2012 CEEMET survey on the evolution and extent of flexible forms of employment in the MET sector shows that fixed-term contracts are used at a level of around 4.3%, temporary agency work (TAW) at around 5.4%, and part-time work at around 5%. Whereas industriAll Europe accepts the figures in general, there is however substantial variation between industries, companies and regions. There has been an increase in the use of TAW as this is a relatively new type of flexible employment. The usage of fixed-term contracts and part-time work has been relatively stable over the years.

Part-time work is not perceived as a major problem in the MET sector and occurs often at the request of workers, for example to reconcile work and family life. Prospects of promotion tend to suffer however for part-time workers.

Fixed-term work is mostly connected to specific needs (apprenticeship, maternity replacement etc.). Rigidity of open-ended contracts in some countries has led to an increase in fixed-term contracts. By and large, there is equal treatment in terms of working conditions between workers on fixed-term and open-ended contracts. A fixed-term contract can be a stepping stone into a permanent contract.

There exists less common understanding with regard to temporary agency work between the social partners. The triangular relationship between worker, user-company and agency is seen as particularly problematic by trade unions as this impacts on conditions, collective bargaining coverage and union membership. Unions also contest the use of TAW to execute core tasks over long periods of time as this contradicts the notion of temporarily absorbing periods of high demand. Some companies have negotiated agreements with trade unions to limit the use and length of TAW.

In addition to a European Directive, there exist different rules regarding TAW in EU Member States, in some countries TAW is regulated by collective agreements.

## **Benefits and drawbacks of flexible employment**

Main drivers for the use of flexible employment are cited as:

- companies' flexibility needs
- the wish to avoid effects of rigid regulations regarding dismissals
- the need to find specialists
- employee needs such as work/life balance (e.g. in case of part-time work)

Cost advantages of hiring temporary agency workers (TAWs) are likely to disappear when the EU Directive on TAW is fully implemented.

The use of flexible employment can pose challenges to maintaining a company's skills base.

Trade unions emphasize that most workers would prefer an open-ended contract. Flexible employment can lead to financial insecurity, difficulties in life-planning and other disadvantages such as problems in obtaining loans.

## **Possible ways to minimize the drawbacks of flexible employment**

Considering that part-time work is often a response to employees' needs and wishes, Member States could improve facilities for child care and care for the elderly thereby reducing the need for part-time work.

Furthermore, companies could ensure that flexible working time arrangements and job designs correspond to employees' needs as far as reasonably possible. This may also reduce the need for part-time work.

In cases of job sharing, it is necessary to ensure complementary skills.

As regards fixed-term employment, some countries have embarked on reforms of their employment legislation. This might reduce the need to resort to fixed-term employment as a way of avoiding effects of rigid regulations related to open-ended contracts.

In most countries there are limits to the duration of fixed-term contracts. In some cases, where there is a joint interest to limit an excessive use, not least to prevent the erosion of a company's skills base, social partners at company level have agreed collectively on the extent of the use of fixed-term work. Such decisions should in general be made at as local a level as possible.

The operation of regional employment pools can reduce the need for fixed-term work.

The non-discrimination principle regarding working conditions and pay must be respected and enforced. It is however also acknowledged that job insecurity for workers on fixed-term contracts, especially during times of crisis and high unemployment levels, is problematic for the worker and divisive for society. Solutions to this are not necessarily in the hand of companies.

As regards temporary agency work, it is concluded that equal treatment of temporary agency workers in terms of pay and conditions should be ensured by the EU Directive once fully implemented.

Companies have an own interest on deciding on realistic and requisite levels of TAW to prevent unnecessary costs and maintain the company's skills base.

The trade unions underlined that it was necessary for TAWs to be covered by collective agreements.

There is agreement that smart preparing can to a certain extent help companies to deal with fluctuations in demand stemming from normal business cycles. This includes the optimization of work organization, the development of skills and competences through training and the use of flexible working hours.

In times of crisis, it is necessary to develop, as appropriate with the support of public authorities, temporary mechanisms to prevent negative employment impacts.