

THE IMPORTANCE OF THE FLEXIBLE FORMS OF EMPLOYING

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Abstract: *The major task of paper is realisation of actual trend analysis in employment policy at european labour market in regard to exercitation of flexible models of employment and labour management relations between employers and employees. The writers are trying to answer a question of problems that employers have to cope with because of such unstable and constantly changing climate of european labour market. They are also explaining which flexible forms of organisations and forms of management, used in companies, employers are responding to these challenges and further more what are the requirements for the employees and their acceptance of flexible employment relationship (preparedness to respond to changing requirements of labour market and job positions).*

Key words: *Flexible Labour Relations, European Labour Market, Trends in Employment Policy.*

1. Introduction

In order to increase their economic effectiveness and competitiveness, the West-European companies are moving towards more effective use of employee's working time, implementing of flexible forms of employment and managing the personal work. The issue of the flexible labour relations is not a new feature neither in the employment policy on European labour market nor in the academic researches. Present managerial practice believes that the success of organization is determined by its flexibility, mobility of labour power and the readiness of all units of production process to accept the labour market requirements and react on the changes in the organizational practice and in the labour relations. Only the creative and flexible people can build up the flexible forms of job organization and corresponding organizational structures. The present character of job organization and up-to-date management methods requires not only well educated workers capable of learning new specific knowledge and acquiring the needed skills, but the workers, who are skilled and personally and psychologically ready for changes as well.

Texible labour relations are caused by certain economic trends and corresponding changes on the labour market. Therefore, it is important to know, what they mean for a company and its management and which problems or tasks these rather new features in the job organization solve. The other side of employment relations – employees is also the part of these restrictions and employment policy. It is important to know, how these elements of employment strategies are seen by employees themselves, how they correspond with their interests and requirements, how they understand, evaluate and accept them. Enterprise can succeed only when its employees accept its goals.

2. Flexible labour relations in the policy of employment

Structural changes and the mobility of labour power are under the influence of technological innovations and re-structuralisation of the economy. They are the subject of the scientific analysis and exploration on labour market [9]. State of unemployment in the West-European context is the result of the qualification differences within the job and labour power structure, what means, that low-qualified people do not employ themselves and thus those high-educated

can easier get a job and therefore the risk of unemployment decreases [2]. The emphasis in the employment policy is given on education and effort to keep the most of population in the educational process. From this point of view, the increasing of the mobility and opportunities for workers' employment on labour market are expected [4, 5]. This is mainly caused by realisation of one of the serious social functions and partly by state policy of employment – to offer job to those, who look for them.

Enterprises concentrate on the problems, which are immanent for them. For example the global trends in the world economy development like the production and capital concentration, which is provided in processes of national enterprises merging into the big worldwide multinational corporations, internationalization of production, sophisticated production development or shortening of the products life cycle on the market contributing to strengthening of the competitive pressure on producers. Development of sophisticated production and up-to-date technologies leads to over-employment both from short and long point of view. When enterprise changes productions character, technologies and corresponding ways of job organization, it forces it to change the structure and number of employees as well. These are the main elements obstructing such an act.

On the other hand, the needs of structural and production reorganization of enterprises lead to the short-term over-employment. Connection of the need to maintain the market position in the conditions of tough competition and the need to provide the production or organizational enterprise re-structuralisation regularly leads to the need to decrease production costs and number of labour power. Discharging of employees does not solve a problem because of marginal financial costs.

What does it mean for the enterprise when it perceives the over-employment and due to the high financial costs it has no opportunity to discharge? One of the solutions could be shortening the labour expenditures. Discharging is not acceptable because it increases the financial costs and also the problems for enterprise. Decreasing of expenditures is possible when work time of employees is shortened and adequate decrease in wages provided. In such case the enterprises transfer own financial problems on employees.

The form of such actions after pre-agreements with labour unions and labour offices are so called labour quotas, shortened labour duration, labour contract on restricted period, etc. Realisation of these labour relations allows the enterprises to decrease production costs, to solve own actual problems and to maintain or even to strengthen market position [11]. Similar level is advantageous for enterprises when labour capacity has to be maintained. Labour rationalization is provided by standard but also by shortened form of employment in order to keep full labour capacity and thus to decrease total labour costs.

Transferring the responsibility for bad state on employees or sharing the expenditures by employees in the process of crisis solution is common in present economic practice. Firms are only willing to solve current problems and strengthen market position and thus to avoid bankrupt or cancelling the enterprise. In the case of short-term period of solution the problems, firms return to standard labour forms of employment – to tariff duration of working time, standard labour contracts, evaluation criteria etc. Enterprise can save the structure of labour places, principles of organisation, management and personal.

Firm can obtain several advantages: it can strengthen own market position and increase competitive position. For example, cost relevant and short-term flexible personal management allows to increase the competitive ability and orientation on customer by shortening and homogenisation of supply periods, to improve overview of the short-term working time

capacity, to avoid short-term employment, to increase certainty of labour place, to protect employee on a basis of objective customer-oriented criteria. In this case firm must calculate with higher planned expenditures to determine suitable labour time system (the need to plan personal).

Despite of avoiding discharging of personal in the period of bad entrepreneurial climate, it is not useful for the firms; these processes are usually evaluated by non-entrepreneurial subjects in practice (e.g. scientists, labour union representatives, state or scientific administration) as a way of unemployment solution. Even enterprise management generally agrees with this evaluation because it contributes to their authority and image. Two main functions of flexible acts – solution of economic and market difficulties and solution of unemployment are obvious part of the scientific analysis and publications. Solution of certain difficulties of firms usually moves ahead solution of unemployment problems. Effective enterprise functioning, increasing of turnover and performing on attractive and prosperous markets requires higher production capacities, capital and human resources. Temporal decreasing of human capital usage in the period of economic difficulties contributes to unemployment problems solution, though. If we have a look at the period of economic difficulties, they are often solved by non-standard employment strategies loading the employees - a human capital.

3. Searching for the reserves in the effectiveness and ways of the economic problems solution

Implementing of the flexible labour relations in the strategies of employment of the West-European firms and companies occurs at the end of 1960's and at the beginning of 1970's. Successful after-war development of the West-European economies was at the end. Further economic development requires imperfection of labour quality in all spheres of the economic activities – in new products, in new technologies, in new marketing conceptions, methods of communication with customers, in new organisational structures and management styles. Competitive tension increases and thus firm difficulties become risky for it to stay on the market. Firms try to avoid the economic difficulties (such as decrease of sale, lost of market segment, increase of input prices) by implementing the flexible elements in the labour relations and thus transfer the risk of existence on employees.

As the first and mostly spread flexible acts firm applies reduction of working time on one working day, working week, working month or year. The most common is capacity per week. Firms apply their requirements on flexibility after discussion with labour union representatives in a form of time quotas. The application of flexible labour relations grew since 1975 till 1991 in the European union countries from 3 to 26 per cent. In 1991 in the countries as The Netherlands, England, Denmark every fifth firm applied time working quotas or reduced working time. In Germany it was only at the level of 7 per cent [6].

In next years to come the other new forms of flexible actions within job organisation and labour relations between employers and employees were announced. For example, at the beginning of 1970's German enterprises perceived statements such as “two-week delivery date”, “now in October”, “full employment at the year-beginning” as impossible. The main task of firm management was to provide homogenous delivery dates for the whole year and thus to avoid significant fluctuations as temporal discharging, shortened working time, etc.

Progresses in the questions of job organisation and realisation of labour relations in the countries with developed economy have changed significantly. Certain organisational changes at work and in forms of employment were connected with creation and application of tele

working (job outside the working place). The assumption for creation of such labour forms was development of communication technologies which allowed immediate connection and communication of worker with working place and if it was necessary, also delivery of results by phone, fax, Internet and other communication tools. Worker can stay at home, nearby customer or supplier, market partner etc. The forms of tele working are home tele working (working place in the household and working place at once), mobile tele working (most of the working time spent outside job – business trip, visits of customers), tele working in SONOs (small office, home office).

Tele working does not cause problems of its acceptance by employees like the other flexible labour forms. The most of employees judge it positively and find it acceptable. According to the results of empiric research, tele working allows 72% of responders to optimally join occupation and private life, 50% can save time, 37% can better organise leisure time and vacation, 21% save travel costs, 3.6% solve health problems, 1,1% can further educate themselves and 0,7% can avoid unemployment [7, S. 74-83].

Job Sharing-model became one of the flexible form of job organisation in 1980's. Its nature is voluntary division of work place and capacity of working time and also of the responsibility between two managers [10]. Managers see the attraction of this model in an opportunity of avocation, usage of leisure time for different activities, for life-long education, for solution of health problems and for widening the individual time space. Next, divided working time allows to work with a pleasure, concentration and engage what brings success and full use of own skills. But the major lack of dividing working time between two managers is an absence of opportunities to prove and to do something [12].

More difficult to organize job in practice is when enterprise uses different forms of shortened working time. In research provided in 1998 on a sample of 252 895 employees from various branches of industry and services, the shortened working time was also positively evaluated. 56,1% of responders said that shortened time allowed them to focus on different jobs, firms and technologies; 18,1% could avoid the unemployment; 12,8% could get different job position, working place or move ahead in the carrier; 9,4% could provide flexibility/mobility; 8,1% could retire or get new social contacts; 6,4% could become independent; 3,1% saw shortened working time as a chance to seek for new opportunities [14, S. 84-85].

Realisation of timely shortened forms of occupations often faces difficulties with its acceptance from the side of employees and from the side of labour unions to avoid agreed tariffs, though. Mentioned negatives from provided research can be summarised as follows: financial losses face 44,2% of responders, 26,1% do not prefer flexibility concerning working place and activities of colleagues, shortened vacation (8,6%), bad image (4,7%), few work activities (3,6%), absence of special and professional growth (3,6%), and negative influence on leisure time use (2,8%) [15, S. 169-171].

On the other hand, acceptance of shortened working time and further reduction of employees' salaries is not easy. The experiences of Volkswagen are concrete example of survival without mass discharging of employees. In 1994, due to the decrease in car sales and lower revenues, the enterprise found itself in financial and economic difficulties. Traditional approach in solving of these situations could not avoid mass discharging and production reduction. In this case the automobile management chose different way of solving the economic difficulties. Basic decision of management was to avoid mass discharging. After the agreement with labour union management proposed to shorten working time from 35 to 28,8

hours per week. These restrictions affected 35 thousand workers. Despite of sceptic assumptions, most of the employees accepted this proposal to shorten weekly working time. 49% of VW workers agreed with this restriction and only 16% disagreed. In the category of employed women, even 58% proclaimed agreement [13, S. 35.].

Shortening of working time from 35 to 28,8 hours per week was only one of the restrictions to be made. Improvement in the organisation and labour management increased its intensity, efficiency and they excluded unnecessary work positions. In fact, almost reduced number of employees did original production. There were no actions taken to reduce the economic production. It meant that lower number of workers (in fact the same number of workers with shortened working time) was doing the original range of planned hours. No doubt these actions were successful. The scientific and general entrepreneurial public called these actions as “28,8 hour week”, “four-day week”, “new unpredicted working time”, “oriented on market rhythms”, and “the first effective tool to beat crisis” [3, S. 79.].

The results of this managerial innovation were clear not only in the theoretical level. Automobile company avoided mass discharging and maintained the employment in original level. Solution of this problem in concrete critical situation increased credit of such managerial decisions as flexible forms of employment and labour relations. The automobile company constantly handled with the economic and financial difficulties within two years. Even in 1996 working time in Wolfsburg and Kassel increased to 31, in Emden to 33, in Salzgitter to 34 and in Hannover to original 35,5 hours. More than 3 thousand workers were admitted one year later [1, S. 141.].

Similar practices are applied at the same time on the labour market in France and other estereuropean countries, where the working time is being reduced to 35 hours per week (14, S. 132-133).

Publicity of mentioned restrictions within the entrepreneurial and scientific community did not reach an adequate level. Both enterprises and firms with similar problems, nor specialists from advisory agencies searched for the experiences from experiment provided by Volkswagen. Since the euphoria from unique managerial decisions was gone, several doubts against them arose. First, the economic difficulties were not conquered by implementation of flexible labour restrictions only. Their share in a structure of another restrictions and their role in solution of the economic problems of German automobile company cannot be measured precisely.

Second, these restrictions are different and even contradict to each other [8]. While another actions in this model belonged to the area of labour intensification, organizational structure and management methods, working time reduction was connected with using of one of the most important production sources – a labour power. Since this is only a mechanic reduction of labour power and is not part of implementation of more productive technologic actions or innovative organizational and management elements, it can be hardly part of progressive economic actions.

Third, suitable and effective managerial experiences for the economic conditions of Volkswagen Company should not succeed in the other conditions, in another time and in another firm. The presence of economic difficulties connected with unfavourable situation of German economy, high rate of Euro, slowing down of growth in the automobile industry with low interest for new model Golf that was supposed to become the main source of revenues and profit does not motivate the automobile company to follow the same restrictions taken in the past. According to saving plan “For Motion” to obtain profit at least in the level of 2003 (net

profit dropped from 2597 mill. Euros in 2002 to 1118 mill. Euros in 2003) concern is to restrict the production and operative costs, to simplify production processes, to support sale and to discharge 5000 employees. These restrictions should save 2 billion Euros. Next 600 mill. Euro should be received after retirement of employees [16].

The results of the research of using of the flexible forms of employing in the automobile factories in Slovakia and Germany, which was made in 2007 within research project supported by the academic agency of Germany DAAD, are almost the same as the datas stated above and acquired more than ten years ago. There have been used different forms of flexible labour relations in researched factories, even under the conditions of the drop of unemployment. For example, nonfixed working time quotes were used by 83% of the asked factories, adjustable salary tariffs – 63%, overtime work - 98%, workers hired in personnel agencies - 75%, time limited labour contracts - 73%, labour contracts for a part time work – 48%, temporary labour contracts -32%.

In most automobile factories in Slovakia within the years 2005-2007, the using of the nonfixed labour time quotes rose to 20%, time limited labour contracts to 28%, workers hired by personnel agencies to 26%. These data are in a quite tigh correlation with the drop of the level of unemployment in Slovakia within these years. This can mean, that a high amount of employees gained their labour contracts with limited working time or the labour contracts for definite period of time and that is why they were not registered by the labour office. This fact shows the positive influence of the flexible forms of employing on the level of the unemployment.

All actions of saving plan “For Motion” were supposed to save about four billion Euros by the end of 2005. These restrictions also faced VW Slovakia. It means that present management sees the main outcome from present economic difficulties in reduction of employment costs. This fact allows to anticipate that flexible labour relations might have not been dominant element in saving the financial capital, nor in decreasing total operation costs. Or, on the other hand, it was not determined whether realized flexible actions were the main source of savings and solution of former concern economic difficulties. Therefore, present management considers as the best way of solution of problems to discharge the employees. Liberal approach of state and labour unions to strict rules of discharging the employees in conditions of current economic situation in Germany is helpful. Implementation of similar actions and their economic effectiveness maintain open questions of organizational system and labour administration between employees and employers.

4. Conclusion

Labour relations as a source of solution of economic difficulties and unemployment problems are still considered by entrepreneurial and scientific community and they are subject of managers’ decisions. Cases of effective managerial decisions connected with implementation of flexible labour relations did not become suitable experience for the application in the other firms and in the other economic conditions. These experiences even showed that flexible actions were not always the effective tool in solving the unemployment problems and firm economic problems. These flexible actions still remain an open question of the economic practice and the subject of theoretical thinking, empiric researches and managerial decisions. Firm management understands that success of any organisation can be determined by the labour force mobility and readiness of firm to accept and flexibly react on labour market requirements.

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