Approaching the Age of Flexibility in Good Health

The introduction of more flexible workforces is one of the most significant consequences of the ongoing structural changes in the world of work. Increasing globalisation of markets means that companies must continuously improve their range of products and services, be able to react quickly to fluctuating demands in the marketplace and constantly adapt their decisions on locations to new political and economic circumstances.

Workers themselves are also changing. People are becoming more individual in their needs and wants, with very varied lifestyles.

Politicians recognise that companies need greater flexibility in the labour markets in order to survive and prosper and are restructuring social security systems to reflect this. They and employers believe it is the only way to maintain conditions for economic growth and competitiveness and avoid or reduce mass unemployment in Europe.

The key question is whether more flexibility – including shift, part-time and temporary working – inevitably means reduced security and less social protection for workers. We also need to understand the impact of radical changes in employment contracts and social security standards in key areas such as health, job security, income and pension levels and the protection of people in need of care. Are we at risk of exchanging one set of problems for another?

Flexible concepts

“Flexibilisation” is the term being used to describe a number of different corporate and non-company strategies aimed at creating a better match between the supply and demand of labour in the new world of work. Traditionally, the economics of employment are influenced by wage levels, hours worked, productivity and qualifications. However, the flexibilisation process is based more on labour, collective bargaining and social legislation. In practice, it involves a combination of approaches:

- Numeric flexibilisation is the process by which companies control the size of their workforces through redundancies/recruitment, fixed-term contracts and temporary agency work.
- Working time flexibilisation relates to an employee’s total contribution in hours during a day, a week, a year or during his/her lifetime with the company.
- Functional flexibilisation is the collective term for the adaptation of company structures, departments, sections, qualifications etc.
- Reward flexibilisation means the variety of elements which make up wages and salaries.

The three key influencers in flexibilisation are state action, collective bargaining negotiations between the social partners, and the markets (including national laws, collective agreements and individual contracts).

Market forces or government policy?

There are two fundamentally different views regarding flexibilisation: one regards market mechanisms and competition as the best driving factors for economic growth, employment and affluence. However there is an argument that maintaining high social security standards will jeopardise sustained economic growth and eventually lead to high unemployment.

By contrast, supporters of a state-promoted, active labour market policy, believe that high standards of social protection can work alongside flexibilisation, pointing in particular to strategies which include a focus on continuous qualification.
Flexible Working Practices

Greet Vermeylen (European Foundation for the Improvement of Living and Working Conditions, Dublin) presented information on the European Working Conditions Survey and commenced by defining the main indicators of quality of work and employment:

- Career and job security
- Competence development
- Combining working and non-working life (Work life balance)
- Health and well-being.

The European Working Conditions Surveys

By using a variety of methods including surveys, the European Working Conditions Observatory and dissemination activities, the Foundation is able to access information throughout Europe and obtain a snapshot of working conditions at any one time. The research presented here is drawn from data collected in 2001/2002 with the next round of data collection being in 2005.

The survey of workers covers approximately 1500 employed and self-employed people from each EU country. It covers a wide field of themes such as the demographics of employees, exposure to physical risks, working time, work organisation, income level, health outcomes etc.

The impact of the surveys so far has been to draw attention of policy makers to particular trends e.g. the increase in time pressure for employees, working conditions, stress etc while also contributing to policy debate and providing impetus for further research.

The main findings of the surveys are as follows:

- There are no automatic improvements in working conditions.
- Physical risks such as exposure to noise and heavy loads are still prevalent.
- Work has intensified with a faster pace and tighter deadlines.
- There have been improvements in job control and autonomy of work.
- There is extensive use of flexible working and work organisation patterns.
- Gender segregation still persists.
- Temporary workers report poorer working conditions.
- The workforce is ageing.

Labour Market Flexibility

The survey has demonstrated some significant differences between the accession countries and the existing member states in terms of labour market flexibility. These include, for the accession countries, a higher activity rate for women, more small companies, different distribution between job categories and a clear correlation between temporary work and poor working conditions. In addition, there has clearly been an increase in temporary work – both fixed term and in temporary agency work and there are clear differences between quantitative and qualitative and external and internal flexibility in the different countries. Spain it appears leads the way in having the highest number of non-permanent contracts.

From the data, Greet Vermeylen suggested that there are about 2 million temporary workers in Europe accounting for 1.3 percent of the working population. This demonstrates a huge increase over the last few years but it is difficult to draw generic conclusions from the data because of the variety of different situations which exist across Member States. In most countries the majority of temporary workers are men and are in industry or in the construction sector. However, in the Scandinavian countries the majority of temporary workers are in the service sector while between 20 – 50 percent of temporary workers are below the age of 25.

Employment Status and Working Conditions

More temporary workers are exposed to potentially harmful working conditions such as noise, vibration and physical risks while they also have less control over the pace of work and fewer opportunities for training.

There also appears to be a clear link between temporary agency work and precarious employment with short-term contracts, limited control over working time, some evidence of bad working conditions and many indications of illegal working practices being highlighted. However, there is also a more positive side with some better temporary contracts for highly skilled workers where they have good working conditions and high degrees of flexibility.
As well as working conditions, further training and development opportunities were poorer for temporary workers as there were few incentives for employers to invest in training for non-permanent workers. This is at least partially due to the different working relationship that exists between temporary workers and the organisation in which they are based.

Other work benefits such as sick pay, holiday pay, bonuses etc were also poor but conditions generally were better where contracts had been negotiated with Trade Unions. Wages were also poorer and were regarded as a burden to employers despite the importance of equality within the workforce. In the UK for example, temporary agency workers are earning 68 percent of the wages paid to a permanent employee. However, there were some specific circumstances where temporary workers receive on average 25 percent are temporary agency workers and 16 percent on indefinite contracts.

On the subject of part-time work, there were enormous differences between the Member States with the Netherlands at the forefront of best practice. Part-time workers are predominantly female with 28 percent of part-time workers on fixed term contracts, 25 percent are temporary agency workers and 16 percent on indefinite contracts.

The concept of “decommodification” – which means being able to maintain the same standard of living when not working, by offering temporary income to protect people from precarious situations – could be a new way forward for flexi-security.

Flexibility and Social Protection/"Flexi-Security?"

In discussing the link between flexibility and social protection, Greet Vermeylen emphasised that social protection systems were regarded as a burden to employers and were not always suitable for temporary workers. She felt that there was a growing need to overcome the problems associated with the mismatch between flexibility and security.

Greet Vermeylen drew attention to the challenges posed between flexibility and job security. There is clearly not the same level of security for flexible workers as there is for permanent employees. In addition, there is a risk of fragmentation of the labour market, non-permanent contracts leading to discontinued careers so while respecting difference between the member states she suggested that it was important to look at access to unemployment benefits, pensions and parental leave.

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In the following years, Volkswagen gradually introduced the concept of the “breathing company” in the form of a cascade of options. These included flexibility in hours (working time sovereignty), shifts (5 to 4 shifts), working days per week (4 to 6 days), working days per year (up to 300 days), holiday planning (holiday corridor), flexibility covering more than one year (time accounts) and flexibility in working life (time asset bond scheme).

At Volkswagen, workers can invest elements of pay and working time in a bond which bears interest. The return on the time-asset bond from the time it was invested is considerable. With this bond the working life can be shortened, part-time retirement exploited and a higher pension achieved.

Another milestone is the project “5000 x 5000”. Auto 5000 GmbH, which belongs to the Volkswagen Group, took on 5,000 unemployed people who are paid DM 5,000 (approx. €1,301) per month on the basis of their own collective bargaining agreement which is separate from the parent group’s. They can also participate in the profit-sharing scheme.

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Experience from Corporate Practice

The basis of the active HR policy approach at Volkswagen, according to Uwe Brandenburg, is a philosophy founded on common values, as laid down in the Group guidelines which contain seven core values and 14 principles. Moreover, the company has concluded a declaration on the social rights and industrial relations at Volkswagen with the VW worldwide Group works council and the International Metalworkers’ Federation.

Guidelines on occupational health and health promotion at the Volkswagen Group also define minimum health-related standards, instructions for action and recommendations which are applicable throughout the Group.

Opportunities and Risks for Corporate Health and Economic Success: Flexible Work Practice at Arcelor

Daniel Atlan (Arcelor, Luxembourg) reported on occupational safety activities at Arcelor in relation to temporary agency workers and subcontractors.

Arcelor is the second largest steel producer in the world, with approximately 98,000 employees and an annual turnover of €26 billion in 2003. Arcelor products are supplied to four major international markets – the automobile, construction and packaging industries and domestic appliances.

The steel industry generally is characterised by the following features and trends:
- A sharp decline in employment over the last three decades
- A tripling of productivity in the last 15 years
- An increase in the average age of workforces
- Substantial efficiency gains, but a cost base that remains high
- The resulting relocation of production sites to lower-wage countries.

These trends are reflected at Arcelor, where a reduction in the workforce has been accompanied by an increase in productivity and the development of activities in Brazil. Significantly, more than half the company’s employees are now over 50 years old.

Daniel Atlan said although the indicators for general occupational safety have developed very positively, there are major differences between the company’s sites. Arcelor starts its occupational safety activities with the senior management and defines level-dependent safety targets linked with clear sanctions.

At the moment, occupational safety performance is linked to the employees’ bonus system. The company is considering replacing this with a points system similar to a driver licence, to provide a more focused incentive. The company aims to achieve a co-operative culture based on trust between the social partners.

Occupational safety statistics clearly show that temporary agency workers and subcontractors have a higher risk of accident and injury, mainly due to differences in the jobs and work activities. To address this, Arcelor has implemented the following:
- Systematic training of their workers by agencies and subcontractors during quiet periods
- Special training for foremen in charge of temporary workers and subcontractors
- Introduction of safety passes
- Improved selection process for temp agencies and subcontractors.

This has been supplemented with measures that make the involvement and responsibility of executives transparent in the field of occupational safety and by the establishment of an occupational health and safety management system.

Arcelor is investing in this field to satisfy statutory provisions, to improve the company’s image and mainly because it is convinced of the business case for this investment – more safety leads to better productivity.

Daniel Atlan also referred to the evolution of pay and job security issues at Arcelor. An early retirement policy, introduced in response to the steel industry slump in the 1970s which affected all steel producers, had to be stopped at the end of 1990.

“Pay for skill” agreements were introduced, along with the concept of “managed employment”, which largely comprised job guarantees. When it became harder to outplace redundant workers in the mid 90’s because of the outside job market, part-time jobs were set up on a large scale.

Between 1994 and 2000, several thousand jobs became part-time. As an incentive, employees working 80 percent of their previous hours were paid 86 percent of their former wages. Resources released were directed towards increased productivity and hiring young people. The company subsequently had to terminate the above approach following the introduction of the 35-hour week.
Disability Management by Ability Management at Ford

In recent years Ford has gained considerable experience in “disability management” – the retention and useful redeployment of workers with an occupational disability, reported Erich Knülle (Ford Werke AG, Germany).

Around 500 workers unable to perform their jobs efficiently because of illness or disability faced losing their jobs. However, by using an active disability management approach, the company was able to keep 300 of them in the production process while deploying 150 on light jobs elsewhere.

The company estimates this policy saved approximately US $18 million by not having to recruit and train replacements. Also, the average sickness rate of the workforce affected fell from about 25 percent to 8 percent.

According to Erich Knülle, the starting point was an analysis in 2001 of the health problems in the company and certain employees in particular. This clearly showed that skeletal disorders were predominant, followed by an increasing incidence of mental illness. This, added to data on the cost to the economy through incapacity to work (estimated at €70 billion in 2002) and warnings about ageing workforces, convinced top management to take action.

Using previous project experience to integrate people with disabilities into the world of work, an assessment procedure and profile comparison system (IMBA) was introduced, enabling workplace requirements and the existing abilities of the workers to be jointly assessed by doctors and engineers on the basis of 70 criteria, including body posture, body movement, information processing, complex features and key qualifications.

Assisted by computer-aided evaluations which match an employee’s abilities to specific workplace requirements, an integration team including the works council representative, supervisors and production management (head of the team), the health service, the severely handicapped representative, then discusses a suitable reintegration concept using information on the social environment of the worker affected.

The change in perspective – the examination of an employee’s abilities instead of shortcomings – strengthens the self-confidence of the workers concerned and the transparency of the procedure has won acceptance from the workforce. The company has also appointed a disability manager (certified according to an international standard and so far unique in Europe).

The process was helped by the establishment of a “round table” with the social security insurance funds – especially with MDK (the medical service of the health insurance fund) and Ford BKK, in line with German Social Security Code SBG IX – with the aim of improving the possibilities for employees with diminished capabilities.

The profile comparison work at Ford is ongoing, with some 1,600 workplaces evaluated and the abilities of 950 employees assessed.

Is precarious employment a necessary evil of flexible working?

Organisations wanting to assess the effects of flexible working strategies on their employees’ health first need to understand what constitutes well-being, according to Eberhard Ulich (scientific head of the EFH). Nowadays, occupational psychology regards a healthy person as someone who lives an active life, with a plan or goal in mind and who continues to learn and develop in order to achieve long-term objectives. However, this assumes that people have some measure of control over their working and living conditions.

Research confirms that there has been an increase in psychosocial problems and health disorders in society in general, including a growing number of depressive illnesses. According to recent studies, working conditions play a key role in this and have a major impact on a country’s health service costs and its economy as a whole.

Among the negative consequences of certain flexible working practices are the segmentation of labour markets into core and “marginal” workforces and the perception of certain organisations as being “good” or “bad” places to work, a trend which is particularly apparent in the service sector.

Eberhard Ulich offered two examples – on-trust working time and shift work – where flexible work patterns can have critical consequences: on-trust working time may lead to uncontrolled “self-exploitation”, while shift work can damage the stability of family relationships. Also, the children of shift workers tend to have fewer qualifications and are more likely to become shift workers themselves.

He said one particular consequence of deficient job design, previously almost unnoticed, is work-induced premature ageing. Good job design, which incorporates a host of features such as a degree of autonomy, complete tasks and the opportunity of life-long learning, could well prevent work-induced premature ageing.
Practical Consequences

The exchange of experience in the EfH network resulted in the following conclusions and recommendations for practice:

Social security and flexibilisation

Dominating the debate about economic, social and corporate policies is the question of how working conditions can be designed so that company and national economies remain competitive while maintaining the quality of social development. The goal is to achieve a productive balance that promotes business growth and employment and at the same time permits a decent quality of life for individuals.

The overall social and economic consequences of new forms of employment – such as fixed-term contracts, temporary agency and seasonal work, types of self-employment and sideline employment – are difficult to assess at this stage. Changes in labour law and the protective regulations of a country’s social security systems play a vital role in this respect.

Trade unions argue that a large number of flexibilisation measures implemented so far represent a shift in risk away from the company to the individual in the labour market. They also question the supposed employment benefits of such measures.

Supporters of flexibilisation with social protection, however, are convinced that labour markets must become more flexible if employment and competitiveness are to be safeguarded – as long as social security provisions are developed to take account of the new working patterns.

“Flexicurity” – More social security for flexible employment

The present labour market strategy of European Communities is based on the conviction that social security and competitiveness can be further developed in a balanced manner and should not be regarded as conflicting interests. The core of this approach is the view that economic growth, increased employment and the maintenance of income levels can and should be achieved through increased productivity and not by cutting wages to improve profitability.

The so-called “flexicurity strategy” involves the creation of transitional labour markets, working time policies which help to secure jobs and the promotion of life-long learning.

Transitional labour markets are characterised by a regular flow between employment and unemployment. They are safeguarded by a collective agreement or by law and generally combine low and unsteady incomes with social transfers. Part-time employment, sabbaticals or transfer companies are examples of this approach.

Job-securing working time policy – such as in the concept of the “breathing factory” – relies on internal instead of external flexibility: in the event of fluctuations in demand for products or services, it is not the number of employees that is reduced but their working time. This approach minimises the risk of dismissal but can result in problems associated with lower income. Life-long learning is important to an individual’s employability. This can be improved by active labour market policy tools, such as further training or retraining.
If health, in its widest sense, includes an individual’s ability to shape his/her personal development within external requirements, it becomes an important way of evaluating the consequences of the flexible working world.

The crucial factor is an individual’s confidence in his/her ability to adapt to changes and face up to new challenges. This requires a corporate culture which promotes responsibility, self-esteem and mutual support and which, at the same time, assumes some responsibility for the down-side of flexibilisation.

The so-called atypical employment contracts (part-time employment, fixed-term contracts, temporary agency and seasonal work, sideline employment, forms of self-employment) are primarily pursued by female workers. This, if combined with other social considerations such as low family status, child-rearing and possibly a low household income – can give rise to the “precarious household.” This can result in a rise in child poverty, impairment of the psychosocial and cognitive development of major sections of the population at an early age and a consequent reduction in qualification levels – an impact which can last for generations.

Internal and external flexibilisation is not an end in itself, but geared to the business objectives of the companies. It cannot be successful without the acceptance of management and workers. Moreover, it is generally not sufficient to pursue flexibilisation in isolation as a single measure or single programme; only complex approaches which combine different forms of flexibilisation are effective and sustainable. Only then, according to the experience of the EfH enterprises, can any negative consequences of the working practices be limited or reduced.

Working-time flexibilisation and the use of flexible employment contracts are now part of the standard tools of HR management in most major companies. Even though most new practices focus on the economic interests of the company, the interests of the workers should be taken into account at every possible opportunity, according to the experiences of EfH companies, particularly in the way working time is planned.

Workers can cope better with increasing flexibility expectations if the work organisation corporate culture recognise the contribution of the employee to company success.