

A man with dark hair and glasses, wearing a blue denim shirt, is sitting at a desk. He is smiling and looking towards the camera while holding a pen over a notebook. The notebook has some technical drawings on it. In the background, there is a large window with a view of a city. On the desk, there are several colored pencils and a pen.

## Flexible forms of employment: keeping europe competitive

**CEEMET** represents the metal, engineering and technology-based industry employers in Europe, covering sectors such as metal goods, mechanical engineering, electronics, ICT, vehicle and transport manufacturing.

Our member organisations represent 200 000 companies in Europe, providing over 13 million direct jobs and 35 million indirect jobs.

**CEEMET** is a recognised European social partner at the industrial sector level, promoting global competitiveness for European industry through consultation and social dialogue.

## Foreword



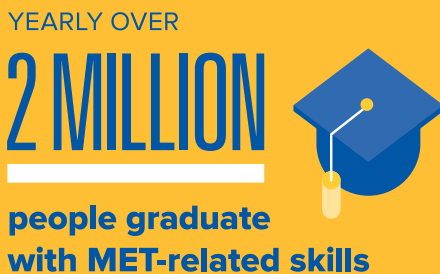
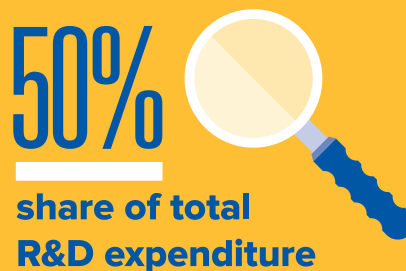
The European metal, engineering and technology-based industry is a global heavyweight. Much like European industry overall, its competitive advantage lies in its agile workforce and ability to adapt to changing circumstances.

This is the second CEEMET survey on flexible forms of employment in the European metal, engineering and technology industry. This year we have found further compelling evidence about the central role flexible employment plays for European companies on the global market.

It is important to build on this flexibility and support our companies in the global market. Ensuring dynamic labour markets in Europe is a key focus for CEEMET and one prerequisite in reaching the European Commission's ambitious goal of bringing industry's contribution to EU GDP from the current 15% to 20% by 2020. Through industrial competitiveness we are able to support a social Europe, providing a competitive environment for business and sustainable security for those who live and work here. Let's work together towards supporting an internationally competitive industry in Europe.

Uwe Combüchen  
Director General, CEEMET

## MET-sector in Numbers



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# Harnessing flexible forms of employment: Europe's competitive advantage

## Flexible employment in the metal, engineering and technology-based industries

**CEEMETs updated country-by-country survey on the evolution of labour arrangements for metal, engineering and technology-based (MET) industries.**

**September 2015**



**A** Deeper and Fairer Internal Market with a Strengthened Industrial Base  
One of Commission President Juncker's 'Top 10 Priorities'

- A flexible workforce is one of the most important competitiveness factors for European industry.
- Flexible forms of employment are an important way to insert flexibility in otherwise rigid labour markets.
- In the last ten years, technological development has fundamentally changed production, customer expectations, as well as the definition of the place of work. The concept of employment needs to reflect these new realities.
- While approximately 85% of employment contracts in the MET industry are full-time, open-ended contracts, MET companies depend on a moderate and relatively stable level of employment flexibility to remain competitive through market fluctuations, shifting economic conditions and changing consumer demands.
- Flexible employment contracts are also important in order to meet demand from employees who want more flexibility in their working arrangements to cater for their own needs.
- To leverage growth and employment, the MET industry calls for continued national and European-level support for labour market reforms across Europe that increase flexibility in employment systems, while providing adequate security.



## Evolving employment arrangements for an evolving economy

The global economy is constantly evolving, and European companies in the metal, engineering and technology-based (MET) industries have had to adapt to an increasingly rapidly changing environment. Globalisation has put Europe at a competitive disadvantage on the global market with regard to costs, innovation and the implementation of new technologies. However, Europe's biggest advantage is its relatively agile labour force. For Europe to maintain its place in the global economy this advantage is key, and the use of flexible employment arrangements is an essential part of Europe's industrial renaissance.

This survey focuses on the importance of the continued evolution of labour arrangements and flexible forms of employment for MET companies. They are needed to seize the opportunities and challenges that come with technological development including game-changing digitisation, globalisation of markets and meeting customer and employee needs. The survey was conducted among CEEMET members and analyses the use of flexible employment contracts applied within the over 200,000 member companies represented in the European MET industries. Since the last edition of this study in 2012 and despite some concerns from certain stakeholders regarding significant increases, the overall use of flexible employment contracts has remained stable, with full-time open-ended contracts being the most frequently used, covering 85% of workers.

Flexible forms  
of employment:  
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competitive

## Responding to market, economic and social changes

Most companies today are faced with market uncertainties, geopolitical challenges and volatile business cycles. MET companies deal with crowded markets, both in Europe and abroad. Manufacturers work in fast moving global markets, where success is based on the capacity to swiftly provide tailor-made solutions, exploit niches and respond to a growing and dynamic customer base. As manufacturers constantly strive to do things better against shifting economic conditions, a flexible and adaptable workforce is crucial.

Flexible forms of employment allow employers a margin to deal with fluctuations in demand, providing for speedy and efficient deployment of rightly skilled workers for periods when orders diverge from 'normal'. Companies cannot step out of the business cycle and fluctuations and shocks cannot be predicted.



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 that facilitates company flexibility and encourages the development of start-ups rather than inhibiting it by imposing a one-size-fits-all approach is required to maintain a competitive industry in Europe. Furthermore, wages in European MET are relatively high when compared with other sectors in private industry as well as on an international scale, so the flexible deployment of Europe's highly skilled workforce must remain the sector's key competitive advantage.

The value of full-time open-ended contracts is well recognised in the MET sector, and by far remains the most common form of employment, covering 85% of workers. Employers recognise the need to keep highly skilled employees and that this is a key part of their competitive advantage. The use of flexible forms of employment should not be seen as a replacement strategy for permanent staff, but rather a complementary element.



## Technological change and the impact on working patterns

The near-exclusive use of full-time, open-ended contracts in MET industries is arguably the product of an earlier industrial age, where production and products were more standardised. In the immediate post-war period, economic activity meant production with limited variation fixed in a limited number of places. However, technological change has upended this and traditional ways of deploying labour do not always fit with economic needs.

Technological development, and in particular the rapid digitisation of both industry and society, has a continuous and unprecedented impact on how companies operate. It influences all aspects from development to production and logistics as well as how work is organised. The rapid digitisation of industry has such a significant impact on the way the MET sector manages production that we are now rightly focusing on the opportunities of what is being termed the 'Fourth Industrial Revolution'.

In today's digital world, customers demand more personalised and customised products. This means the 'batch order' predictability of manufacturing no longer exists. Flexible contracts are needed for new production methods where demands on industry are determined by fast-paced trends and no longer adhere to what used to be considered as 'standard' and 'mainstream'.

Moreover, the Internet has fundamentally changed the place and hours of work and production. About 75% of the global population is connected to the Internet in 2015, compared to just 15% in 2005. This connectedness has led to a gradual evolution of the traditional working environment. Workers, including at the shop floor, are to a lesser extent tied to their habitual work-spaces and can be connected to their work at any time and from any location. Companies are now in a position to offer opportunities for remote working arrangements that not only allow flexibility for workers but also offer employers an easy way to have their professional staff available when needed.



## Flexible labour markets to boost investment and job creation

While the focus of this updated survey is on seizing current and forthcoming challenges, it is worthwhile highlighting that one of the main lessons learned during the economic and financial crisis was that the rigidity of Europe's labour markets is a major roadblock to enhancing Europe's global competitiveness. This rigidity must continue to be addressed in order to ensure the European MET sector has the flexibility needed in its workforce to produce the products required in the future.



In a recent speech to the European Parliament's ITRE Committee, Elzbieta Bienkowska, European Commissioner for Internal Market, Industry, Entrepreneurship and SMEs, spoke on the value of industry to the European economy and highlighted clearly that the rigidity of Europe's labour market was a liability.<sup>1</sup>

In certain 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 especially true with regards to temporary agency work. Despite the fact that payments to employment agencies and equivalent rights and benefits being extended to agency workers means that it is often more expensive to hire temporary agency workers. Cost efficiency simply comes with the flexibility that this type of employment contract offers. In some countries, fixed-term contracts and temporary agency work are also used as an extended trial period in order to overcome the rigidity in contemporary labour legislation.



“ [Some] member states were much more resilient to the economic shock than others. Some have more open and less segmented labour markets like Denmark, Austria, Sweden and the Netherlands. They are the ones that have shown bigger resilience to the crisis. They make great use of lifelong learning and activation. In these countries, unemployment benefits tend to be widely available, linked to activation and responsive to the economic signs.<sup>2</sup> ”

Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility

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. Companies simply have to have a flexibility margin to be able to operate. Further, redundancy lay-offs, which can be necessary for various reasons, are generally fairly complicated and costly, therefore it is easier for employers to have flexible contract employees when times are uncertain.

<sup>1</sup> European Commission (2015) Empowering our businesses to adapt and grow: a new approach to European industrial competitiveness, Commissioner Bienkowska speech to EP ITRE committee, 23 June 2015

<sup>2</sup> European Commission (2015) Employment and Social Developments in Europe 2014

## Standard open-ended contracts do not solve Europe's problems

The economic and financial crisis in Europe has led public authorities to examine ways of increasing job security. A recurring suggestion is the introduction of a single European open-ended contract as the standard form of employment.<sup>3</sup> While the aims are laudable, applying prescriptive European legislation to essentially 28 separate labour markets could lead to gradual loss of flexibility and unintended consequences on competitiveness and jobs.

Companies need to be able to respond to economic realities and remain competitive globally. In order to do this, they need a simple and flexible system that offers alternative solutions. A one-size fits all solution must be avoided at all costs. Often this type of regulation neglects challenges facing an individual company or a single Member State. Rigidity in European labour markets is a long-standing challenge that the European Commission has recognised. Adding a further layer of potentially burdensome legislation at the European level would only increase this rigidity and ultimately harm both employers and employees. Further, a 'single European open-ended contract' would have ramifications far beyond the employment contract per se, in for instance areas such as information and consultation and other fields determined by head count, retirement age, and collective bargaining.

Also, it would be difficult to find a contract form that suits all workers and all sectors. For older workers, standard open-ended contracts are not the answer. Flexible employment arrangements allow for a gradual exit from the workforce, while at the same time providing younger workers in particular a stepping-stone into the labour market. They permit older workers to reduce their working time, allowing younger workers the possibility to learn and to gain the experience needed, all the while keeping the knowledge within the company.

Results from a European Commission study analysing the labour markets reforms show that reforming Europe's labour markets lead to higher activity rates and lower unemployment.<sup>4</sup> It is therefore in Europe's best interest that labour market reform continues and that flexible employment arrangements remain a part of the labour landscape. Such reforms will also have positive effects on investment in industrial production and processes in Europe.



<sup>3</sup> Most recently mentioned in EPSC Strategic Notes, Issue 5/2015 'The social dimension of Economic and Monetary Union'

<sup>4</sup> European Commission, 'A Decade of Labour Market Reforms in the EU: Insights from the LABREF database,' June 2014.



## A healthy work-life balance through innovative employment arrangements

Flexible employment contracts are also important to individuals. Companies find that employees want more flexibility in their working arrangements to cater for their own needs, be it caring for family members, or to pursue personal development opportunities. Therefore, in this debate, we need to take into account individuals' needs for flexibility.

Demographic and social change are having an impact on the way people work. With both parents working and the increase in single-parent households, individuals require flexibility in order to arrange childcare. Furthermore, the ageing population has begun to place significant strain on social services, and families are often dedicating more time and resources to caring for elderly family members. Flexibility in working time and location can make it easier for workers to fulfil these needs. The possibility of using flexible forms of employment is crucial in creating flexible working conditions that allow both men and women to enter the workforce and better balance family and work-life.



Employers recognise the value of offering flexible working arrangements and the impact that has on meeting wider social objectives. However, policy makers must also respect the limits to which it can place responsibilities on employers to achieve 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 should facilitate flexible work arrangements that employers and workers look for, in order to create a more equal and prosperous economy.

## KEY RESULTS

While internal solutions such as flexible working hours and performance-related pay schemes contribute to flexibility in the MET sector, this is simply not enough to keep European companies globally competitive. The CEEMET survey shows that external flexibility is used moderately by companies in the MET industry, but that it nonetheless is imperative to be able to adapt swiftly to market and technological changes and remain competitive. Overall, Eurostat figures show that flexible employment levels in the MET industry are roughly the same as those in the public sector. Since the last edition of this survey in 2012, which was based on figures from 2010, flexible contract use has remained stable, showing that their use is limited to satisfying a particular need.<sup>5 6</sup>

### KEY FIGURES:

- Full-time open-ended contracts are the dominant form of employment, covering approximately 85% of workers.
- The level of fixed-term contracts in the MET sector in Europe ranges between 1.8% and 6.7% (where figures are available).
- The level for temporary agency work is similar, ranging from 2.5% to 5.6% in the MET sector, based on the responses received.
- Regarding part-time work in the sector, the range stretches from 0.5% to 11.5% depending on type of activity (production/non-production).
- Other types of contracts, such as 'on-call work' continue to play a minor role in MET industries in general, but can nevertheless play an important role in certain sectors or activities, such as maintenance and service.

<sup>5</sup> These figures are based on CEEMET member calculations and are indicative. They cover NACE 25-30, 32-33 unless otherwise indicated.

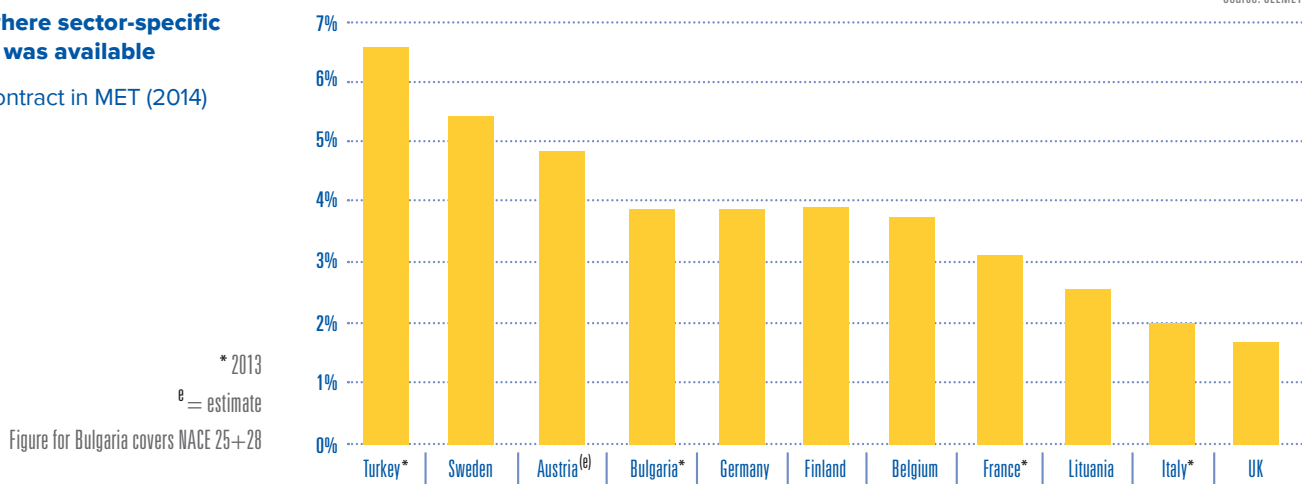
<sup>6</sup> Figures from 2013 have been used where labour force survey with 2014 figures is not yet available

## FIXED-TERM CONTRACTS (FT)

1. The level of fixed-term contracts in the MET sector in Europe ranges between 1.8% and 6.7% (where figures are available).
2. Fixed-term contracts have fluctuated slightly with business activity over the past 20 years but overall the levels have stayed stable.
3. Companies tend to use fixed-term contracts to fulfil temporary orders and project work.
4. These contracts are used because of uncertainty about the future, fluctuating demand for labour and rigidity in legislation concerning dismissal.
5. The use of fixed-term contracts is expected to remain stable. However, employers would prefer better regulation around these types of contracts to improve flexibility and competitiveness.

### Countries where sector-specific information was available

Fixed-term contract in MET (2014)

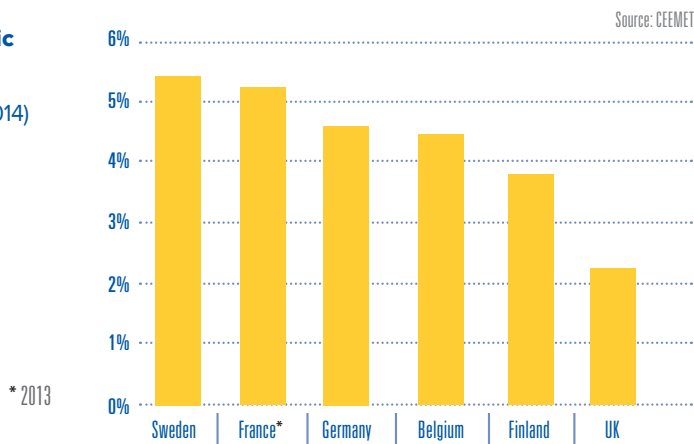


## TEMPORARY AGENCY WORK (TAW)

1. The level for temporary agency work is similar to fixed term, ranging from 2.5% to 5.6% in the MET sector, based on the responses received.
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 is vital for quick adaptation to increasingly variable market conditions.
4. The cost of using TAW tends to be higher than hiring an employee, though this is dependent on skill level. The cost efficiency for companies comes from the flexibility that TAW offers in response to changing circumstances.
5. TAW can serve as a stepping stone to the labour market and provide job opportunities for groups that otherwise have a weak position on the labour market, e.g. low-skilled workers.

### Countries where sector-specific information was available

Temporary Agency work in MET (2014)

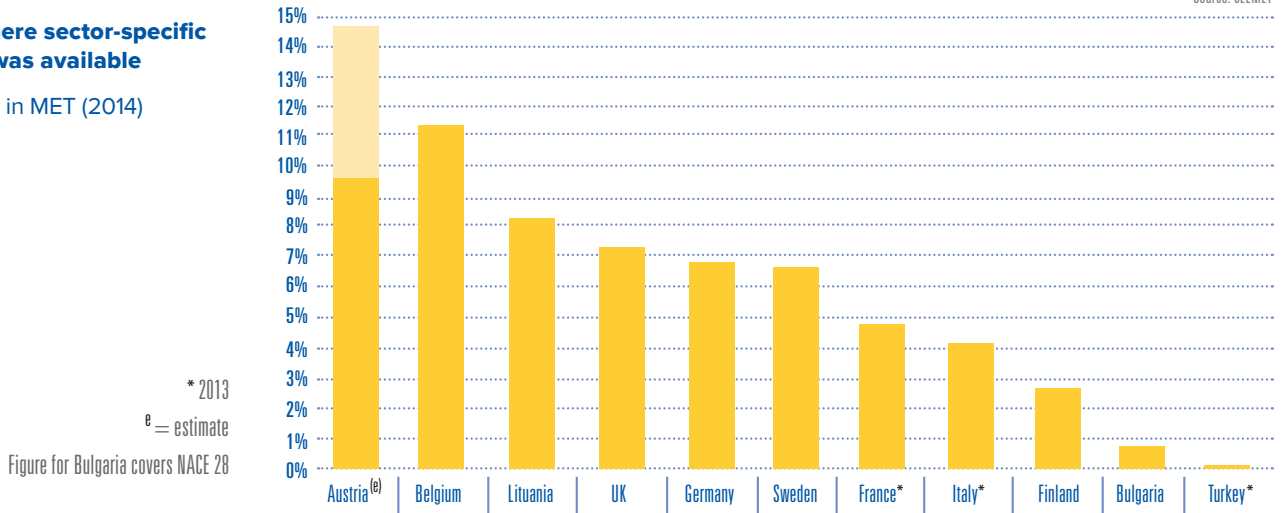


## PART-TIME WORK

1. Overall, part-time work still plays a relatively minor role within the MET sector.
2. Part-time work in the sector, the range stretches from 0.5% to 11.5% depending on type of activity (production/non-production).
3. Companies use part-time work in cases where there is a specific skill set that does not require a full-time position.
4. 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.
5. Part-time retirement can be a useful tool for the gradual retirement of older workers.

### Countries where sector-specific information was available

Part-time work in MET (2014)





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

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