

economic *futures*

COLL P

11345

COLL P

11345

Making flexibility work

*Denis MacShane
& Chris Brewster*

*with a foreword by
John Monks*

FABIAN
SOCIETY

BRITISH LIBRARY
OF POLITICAL AND
ECONOMIC SCIENCE



LONDON SCHOOL OF
ECONOMICS AND
POLITICAL SCIENCE
10, PORTUGAL STREET,
LONDON WC2A 2HD

POLIT

10

- The date for
 - A fine is cha
 - Most items o
- Library's we
need your L
at the Servic
between 10.

*Most Library mate
the new due date p

Why not s

You will r

FABIA

SOCIETY

BLPES



21 0526261 8

The Fabian Society

BRITISH LIBRARY OF POLITICAL AND ECONOMIC SCIENCE

10 Portugal Street, London WC2A 2HD

- The date for return is shown below, subject to recall*.
- A fine is charged for items returned after the due date.
- Most items can be renewed. Renewals can be made via the Library's webpage at: <http://www.blpes.lse.ac.uk>. You will need your Library user number and PIN. You can also renew at the Service Counter or by telephoning 020 7955 7225 between 10.00 and 17.00 Monday to Friday.

*Most Library material is eligible for recall by other users. You will be informed of the new due date provided we have your contact address.

**Why not save time and use the Self Issue machines,
available in the Course Collection?**

You will need your Library User number and PIN.

indation
change,
y in the
tre. The
ationally
n of the
les have

um and
s facing
d global
and the
Through
rovides

atically-
members
cations,
network

onomic
y. After
gained
ent can
n of the
ctor.

it will
ropean
aced to
f work.
levels?
employ-
ie third
rment

FABIA

SOCIETY

BLPES



21 0526261 8

The Fabian Society

The Fabian Society is Britain's senior think tank. Concerned since its foundation with evolutionary political and economic reform and progressive social change, the Fabian Society has played a central role for more than a century in the development of political ideas and public policy on the left of centre. The Society is affiliated to the Labour Party but is editorially and organisationally independent. In recent years the Society's work on the modernisation of the Labour Party's constitution and its analysis of changing political attitudes have played a significant part in the renewal of the party's public appeal.

Today the Fabian Society seeks to help shape the agenda for the medium and long term of the new Labour Government. Analysing the key challenges facing the UK and the rest of the industrialised world in a changing society and global economy, the Society's programme aims to explore the political ideas and the policy reforms which will define the left-of-centre in the new century. Through its pamphlets, discussion papers, seminars and conferences, the Society provides an arena for open-minded public debate.

The Fabian Society is unique among think tanks in being a democratically-constituted membership organisation. Its five and a half thousand members engage in political education and argument through the Society's publications, conferences and other events, its quarterly journal *Fabian Review* and a network of local societies and meetings.

Economic Futures

The *Economic Futures* programme seeks to stimulate new debates on economic policy and governance which are appropriate to the emerging economy. After twenty years of free market consensus, new economic arguments have gained the ascendancy. There is renewed confidence in the role that government can play in shaping and regulating markets, as well as widespread recognition of the benefits of government working in close partnership with the private sector.

The programme will develop these arguments in three themes. First, it will examine the institutions of economic management, particularly at a European and international level, asking whether existing arrangements are best placed to promote left of centre objectives. The second focuses on the future of work. How might job security be enhanced without jeopardising employment levels? Can work be organised in a manner which increases the opportunity of employees to participate more fully in family life or educational activities? The third theme considers competitiveness and the firm, and the roles that government can play in improving corporate performance.

Making flexibility work

Denis MacShane & Chris Brewster

Contents

Foreword	1
1. Introduction	3
2. Why flexibility?	4
3. Forms of flexibility	6
4. The benefits and problems of flexibility	13
5. Flexibility in practice	16
6. How to make flexibility work	23
7. A European Flexibility Charter	24
References and further reading	30

Denis MacShane is MP for Rotherham and a member of the Fabian Society Executive Committee. He has written widely on international labour market economics.

Chris Brewster is Professor of International Human Resource Management at Cranfield School of Management, Cranfield University.

This pamphlet is kindly supported by
USDAW and Tesco

Usdaw

TESCO

Forewo

'Flexibility'
and who co
favour of rig
and Chris B
debate with
a negotiated
ers, employ

A particular
learn from
examples f
practices ca
influence o
ter products
partnership.

There are v
competitive
productivity
restructuring
performance
employers
where firm
ment of w
minimisation
lateral dikta

John Monk

TUC

Foreword

'Flexibility' in the world of work is said to be the key to a prosperous future – and who could disagree with that? To oppose flexibility suggests that one is in favour of rigidity and sclerosis, with an aversion to change. Denis MacShane and Chris Brewster have sought to inject a more sophisticated analysis into the debate with a much clearer assessment of what flexibility really means and how a negotiated approach to necessary change can deliver mutual gains for employers, employees and trade unions.

A particularly important element of their approach is to argue that countries can learn from each other. There is no single model of flexibility to be applied. The examples from Sweden, Italy and the Netherlands all show that new working practices can be introduced through negotiation which gives employees more influence over the design of their jobs, improves performance and delivers better products and services for consumers. Flexibility works best when based on partnership.

There are very important lessons here for the UK. As the Government's own competitiveness indicators have shown, the UK lags behind in basic skills, productivity and manufacturing innovation. Worker participation in change and restructuring is an essential element in any strategy to improve the nation's performance and safeguard our prosperity in the future. Both trade unions and employers will need to take risks to meet this challenge. Creating an economy where firms compete by offering real flexibility to workers will be an achievement of which we can all be proud – and a welcome alternative to cost minimisation, work intensification and irresponsible behaviour based on unilateral diktats and vetoes.

John Monks

TUC

Forward

Flexibility in the world of work is said to be the key to a prosperous future - and who could disagree with that? To ensure flexibility succeeds, there is a lot of work to be done. It is not enough to have a few pilots and to hope that the rest will follow. There is a need to inject a more sophisticated analysis into the debate with a much greater awareness of what flexibility really means and how a negotiated approach to necessary change can deliver mutual gains for employers, employees and the unions.

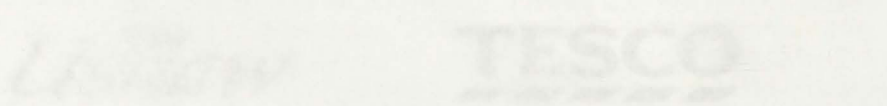
A particularly important element of that approach is to argue that countries can learn from each other. There is no single model of flexibility to be copied. The experience from Sweden, Italy and the Netherlands all show that - by working practices can be introduced through negotiation which gives employees more influence over the design of their jobs, improves performance and delivers better products and services for consumers. Flexibility works best when based on partnership.

There are very important lessons to be learned from the Government's own competitiveness indicators. They show the UK lagging behind in basic skills and product activity and results using innovation. Workforce participation in change and restructuring is an essential element in any strategy to improve the nation's performance and succeed our prospects in the future. Both trade unions and employers need to take steps to meet the challenge. Quality and innovation where firms compete by offering real flexibility to workers will be an achievement of which we can all be proud - but a real achievement will only come from work transformation and responsible behaviour based on win-win partnerships and values.

John Mordaunt
General Secretary, TUC

Chris Brewster
Chairman, TUC

For more information on the TUC's work, visit our website at www.tuc.org.uk



1. Introduction

The need for a coherent and convincing politics of employment flexibility is firmly on the European agenda. Policy-makers in government, industry and unions have moved beyond simplistic enthusiasm for or rejection of flexibility. In the period following the turn to the left in Europe after Labour's election victory in 1997, the very term *flexibility* was regarded with suspicion by many in European socialist and social democratic parties and in the trade unions. Today, the German Chancellor, Gerhard Schröder, can refer to flexibility positively in his keynote speech to his party congress in Berlin, December 1999, while one of Lionel Jospin's senior advisors has referred to flexibility as a welcome side-effect of the French 35-hour-week legislation.

In Britain, a report by the Confederation of British Industry (CBI) argued that 'Different European economies suffer from different types of inflexibility'. Breaking with the conventional wisdom that managers in Britain had shaped a model of flexibility which other EU states should imitate, the CBI concluded, 'There is not a simple UK versus the continent distinction, but instead different strengths and weaknesses in each country... One policy cannot fit all.'

Employers and unions in Britain, urged on by the leaders of the TUC and CBI, as well as the Prime Minister, are seeking new forms of partnership to help deliver productivity, growth, jobs, good pay and innovation. At the heart of this process must lie a concept of flexibility. Parties involved in the flexibility debate all want a voice and some demand a veto. This pamphlet argues that we need to adopt a sharper, more sophisticated approach:

- recognising both the reality and the value of current technological and related social developments rather than bemoaning them;
- identifying both positive and negative features of the specific types of flexibility that now exist;
- disaggregating the notion of flexibility, rather than making sweeping statements about the whole subject;
- seeking to shape a positive approach to flexibility that allows social partners to draw benefits that strengthen growth, job creation and workplace satisfaction; and
- acknowledging the importance of flexibility to allow women full access to the labour market on fair terms.

On the basis of our analysis we propose an **EU Charter for Flexibility** which aims to establish and ensure flexible working practices that will benefit the national economy and its workforce in the future.

2. Why flexibility?

The issue of work flexibility is crucial to the future of the European labour market in general and the UK economy in particular. As discussed below, there are parallels between the debates around flexibility at the start of the new century and those that arose around productivity after the Second World War. It is a concept that is creating extensive, heated, and sometimes furious debate. But like productivity, it is one that will be seen in retrospect to have been a development over which, in practice, there was little choice – the alternative to increased productivity, as so many UK organisations found, was extinction.

The more important question is how to manage the process of flexibility so that its worst and most exploitative effects can be avoided, the opportunities it offers can be grasped, and the promise delivered for the benefit of the maximum number of our citizens. Flexibility needs to be embraced – and harnessed – if it is to deliver wealth creation and social progress.

The debate about flexibility has tended to be too crude. Proponents argue that it is a necessary development, is crucial to competitiveness and should therefore be encouraged. The opposite of flexibility (good) is rigidity (bad). Flexibility should be encouraged by freeing the labour market from limiting constraints, which are assumed to be legal rights for employees, or trade union or employee representation. In fact, the evidence suggests that it is where these factors are absent that employees are most nervous about flexibility and management finds flexibility hardest to sell to the workforce. The real constraints are far more frequently old-fashioned concepts of managerial rights, and an unwillingness to open the books or to share information with the workforce.

Opponents, on the other hand, see the very concept of flexibility as synonymous with exploitation via the downgrading of work and wages, and argue that it should be resisted root-and-branch. In some cases the very notion of flexibility is resisted. The European trade union movement prefers to talk about *vulnerable* workers; the European Union about *atypical* workers. In France, any sensible discussion has had to start with the word *souplesse* because French trade unions have perceived the word *flexibilité* to be synonymous with managerial diktats. Each of these phrases, of course, like the word flexibility itself, comes laden with its own intellectual and emotional baggage. This Canute-like view must be resisted as strongly as the completely unregulated all-power-to-the-bosses approach.

In practice, flexibility at work is already upon us. We have to resist the siren calls to debate the issue in terms of Good and Bad, whether these calls are from the Right or the Left. Flexibility takes a wide variety of forms with very different

practical in
how it is in
gated and
benefits an
to inform o

This is a Eu
our labour
evidence.
working p
excessive
ployment,
the other fl
are ahead

Rather than
learn more
mentally h
tical unde
can be equ
close relat
the Europe
action on
of Ministe
challenge

practical implications for those involved, depending upon the specific form, how it is introduced and the way it is managed. Our debates must be disaggregated and refined if we are to move beyond platitudes. We need to identify the benefits and the dangers from practical experience of the operation of flexibility to inform our policy responses.

This is a European issue. The image that we tend to have in Britain, that because our labour market is less regulated we are more flexible, flies in the face of the evidence. The UK is not the leading nation in Europe in any of the flexible working practices – with the exception of the family-destroying practice of excessive overtime working. Whether one examines the use of part-time employment, temporary working, teleworking, annual hours contracts, or any of the other flexible employment practices, there are other nations in the EU which are ahead of the UK.

Rather than attempt to steal a march on our neighbours, we should be trying to learn more cost-effective working practices from each other. Unlike the fundamentally homogeneous USA or Japan, the Europeans have evidence and a practical understanding that different approaches to employment and wealth creation can be equally effective, an understanding we should exploit. In any event, the close relationship between the need for flexibility and the implementation of the European Social Charter inevitably means that there is a need for equivalent action on flexibility at the European level. This is well understood: the Council of Ministers has made the development of employment flexibility a central challenge for the new Commission.

3. Forms of flexibility

Flexibility has become a buzzword in management and policy-making circles. It has been applied to an extensive range of operational and cultural aspects of the work environment. Almost by definition the term *flexibility* is, well, flexible and can carry a wide range of meanings. In the academic and industrial relations discussion on the subject there are two broad categories of flexibility – *quantitative flexibility* and *qualitative flexibility*.

Quantitative flexibility includes working time flexibility, wage flexibility and employee level flexibility. Employers tend to focus on quantitative flexibility, in order to vary the level of working time, wages and number of full and part-time employees to best suit their requirements, even if this is at the expense of social obligations, international conventions and treaties covering employee rights or simple decent treatment of citizens at work. On the other hand, quantitative inflexibility or rigidity that prevents labour markets adapting to social needs, particularly the rights of women to enter adequately as labour market participants, is an equally conservative position which requires examination.

Qualitative flexibility includes skills flexibility, task or functional flexibility and flexibility of geographical location within a firm, country or wider economic region such as Europe. Trade unions would prefer more investment in skills flexibility and would welcome policies that improved geographical flexibility. These would include measures such as adequate health, social security and pension arrangements that did not tie employees to a firm or leave them victim to private insurance systems that cream off payments for excessive private profits. Many EU employers, for example, would welcome an NHS-style system in their country, as the costs of paying for health insurance for employees is a labour market rigidity which British employers do not face. Qualitative flexibility is important to allow women access to the labour market on terms that suit their social needs, notably as mothers. A focus on skills and functional flexibility, with its implicit commitment to upskilling workers, as well as a new social settlement that provides adequate and affordable child care, would increase flexibility for women workers. In its paper, *Flexible Equality*, the London Research Centre argues that the UK labour market:

‘confirms a pattern of disadvantage that restricts a greater proportion of women than of men in the UK to jobs offering relatively low pay, little responsibility, and few opportunities for acquiring the skills that could help them find more rewarding work. This pattern of disadvantage forms itself around two key issues – child care responsibilities and training ...Some [government] reforms – especially tax and benefit changes targeted on childcare costs – may help a significant number of mothers to

enter the labour market. But it is uncertain whether measures on the scale proposed can do much to ease the two key constraints.¹²

So we are driven back to consider the wider social settlement within which labour market flexibility can best operate. The people that an organisation employs are, nearly always, the most expensive item of their operating costs. In the private sector, tougher competition exerts new pressures to reduce costs. In the public sector too, tight financial constraints mean that organisations have to use their most expensive resource in more cost-effective ways.

A commonly held view is that the United States has pioneered flexible working patterns and that these should now be adopted by Europe. Yet according to the US Monthly Labor Review, workers in the US manufacturing industry have failed to outperform their European counterparts (see Table 1).

Table 1 – Output per hour

	1980	1997
USA	100	170.1
France	100	178.6
Netherlands	100	186.5
Sweden	100	180.5

Source: US Monthly Labor Review, 1997.

There are other reasons for questioning the extent to which the US experience should be seen as a model to emulate. For example, the well-known increases in poverty and inequality in the United States may be precisely because American labour market policy-makers have not known how to merge productivity and flexibility to deliver enhanced output for lower input. Instead America has opted for quantitative labour market flexibility by massively increasing working hours. According to the Washington-based Economic Policy Institute, an average-waged two parent, family where both parents work, has seen the two wage earners work an extra 256 hours a year – the equivalent of six working weeks – since 1990. Little wonder that in the US the rates of family break-up, as measured by the indices of divorce, teenage pregnancy, and lone parent families, are the worst in the developed world.

Recent increases in productivity in the US are a function of increased capital investment and higher levels of funding for research and can not be attributed

solely to crude quantitative flexibility. The DTI published a report in December 1999 which showed business investment per worker to be significantly higher in the USA than in the UK.³ More dramatic were the figures that showed government R&D funding per worker in the United States to be nearly twice the level of the UK. The difference between industry-funded R&D per worker relative to the UK was even starker. US business spends 250 per cent the level of UK business on R&D per worker and that ratio worsened significantly in the Tory years (1981-1996). Stephen Byers, Secretary of State at the DTI, said that in comparison to the USA and leading Eurozone countries: 'We are poor on innovation, have poor basic skills, don't have enough of a culture of enterprise and we don't have strong and confident consumers.' Conservative Ministers, like Pangloss in Voltaire's *Candide*, liked to pretend that all was for the best in Britain and it was our competitor nations who should copy the UK. Mr Byers' welcome admission that we need to learn from other countries in this regard turns the pressure back on UK policy-makers to devise policies to increase investment in employees and innovation.

In relation to other EU countries, the UK scores badly on another key index of the productivity-flexibility scale (see Table 2).

Table 2 – Increases in unit labour costs

	1980	1997
UK	100	179.8
Germany	100	149.3
France	100	152.6
Netherlands	100	97.0

Source: House of Commons Library, November 1999.

These figures help, in part, to explain the anger about so-called 'rip-off Britain' – the fact that so many goods and services cost more in the UK than they do in other EU countries. The UK did embrace flexibility under the Conservatives, but it was the wrong kind of flexibility. Following the massive devaluation of 1993-1996, increased labour flexibility helped create jobs but did not help bring down the costs of goods and services so as to win and hold domestic markets and increase market share for exports.

One major effect of these trends has been to cause organisations in the UK and across Europe to think again about the ways in which they arrange for work to be done. There has been a recognition that work does not necessarily occur in neat, repetitive, seven-and-a-half-hour-a-day, five-day-a-week packages. This has

made managers ask themselves why they employ people in these ways, since doing so necessarily involves built-in dysfunctional costs. Simultaneously, tight labour markets and demands from, particularly, women with family responsibilities place question marks over traditional employment patterns. As a result, there has been a growth in work flexibility throughout Europe, particularly in Northern Europe.

A consequent development is the breaking of the assumed link within organisations between work volume and the number of available jobs. Until recently most managers saw a direct relationship between the two: less work meant fewer jobs; more work, more jobs. Now, more work may or may not mean more jobs – there are a considerable number of ways other than direct employment in which the work might be covered. At the furthest extreme, the work may be subcontracted, so that the organisation achieves the extra work without any increase in numbers employed. Other options (work intensification, part-time work, short-term contracts, homeworking and so on) may involve different numbers of people, for different periods of time or employed in different formats. These options are now more widespread, more complex and difficult to evaluate and to manage.

At the same time, management hierarchies in organisations are being streamlined by 'de-layering', and networked information flows are eroding traditional areas of authority based on specialist expertise. Staff training and employee development are now seen as growing and widely shared managerial responsibilities across many different types of organisation.

A research paper prepared for a TUC symposium on professional and managerial staff by the Labour Research Department, drawing primarily on government data, concluded that these categories had been particularly affected by industrial restructuring and the resultant phenomena of stress, job insecurity and longer working hours. Temporary and fixed-term contract working had increased by a remarkable 167 per cent among managers and by 67 per cent among professionals over the period 1991-95. Although in absolute terms the latter are more affected by this trend, with 11 per cent of all professional workers employed on a temporary basis – nearly twice as high as the proportion of all types of employees, part-time working is less prevalent in these categories than in others.

The trade union response to this new level of flexibility is a key strategic issue for the organised labour movement. In Britain, there are relatively high unionisation rates in some areas of flexible working – despite the level of unionisation as a whole having fallen to less than forty per cent, union membership amongst flexible workers (workers with flexitime, annualised hours contracts, 9-day fortnights and 4.5 day weeks) stands at between 44 per cent and 69 per cent. A surprising 18 per cent of employees on zero-hours contracts are union members too. In addition, 31 per cent of workers in job-share arrange-

ments are unionised, though only 19 per cent of short term employees (embracing all types of fixed-term contracts, casual and seasonal employment and agency temps) and 20 per cent of part-timer workers are union members.

These figures suggest that UK unions have been actively involved in negotiating acceptable flexible working agreements, albeit principally in the public sector and within the larger private sector employers. However, the risk of exploitation remains only too real for many part-time and temporary employees. It is clearly essential to the future of the trade union movement that it lobbies for – and is widely seen to lobby for – the interests of such flexible workers and not just those of permanent full-time employees.

There are, of course, differences in the levels and growth rates of the various forms of flexibility and the use of different forms also fluctuates with the business cycle. Overall, however, the upward trend is clear, and is found in nearly all countries and in nearly all sectors of the economy. The range of options can, in practice, be grouped into five areas.

In working time, a few patterns are being used less; these tend to be the less cost-effective ones – the use of overtime, for example – or those which are, to a degree, under the employees' rather than the managers' control, such as flexitime. Instead, there has been a significant growth in part-time working, job-sharing, shift working, weekend working and the use of annualised hours systems. These all aim to match the employees' attendance at work with the requirements of the work. If an airport, for example, has a peak of work in the morning and much less in the afternoon, it is not seen as sensible for the airport to employ the same number of full-time employees throughout the day. If an accounts department has more work to do at the end of the month when it is preparing management reports, and less at the beginning when it is just collecting information, it is not economical to employ people for the same number of hours every day in the month.

Contractual flexibility embraces a range of practices from temporary and short term contracts, through to forms which avoid direct employment altogether – franchising, subcontracting, and the use of agencies and consultants.

The location of work is also changing. The growth in homeworking and teleworking has not reached anything like the levels predicted a few years ago. The technology is now available, but those predictions were made by technologists and misunderstood the need for meetings and face to face contact as a means of efficient organisation as well as the individual need for social relationships. However, there is some growth here and this is one of the new ways of working which can have most impact on workers and their organisations.

Task flexibility is also on the increase. It is, in some ways, strange that many European organisations invested so much time in the last few decades to boxing

off jobs (the employees' ible workpl each job or of flexibility operate mo to be done for taking o largely con ing to restri hourly billi tems, whils

The growth contribution agement w pointed ou small elem no concrete any relation

Productiv

There is a turn of the productivit change wa employees movement; and trade union 1950 and c bust the ur ruthless ac much high higher pro

Yet as France in the 1950s contribution grew countries c capital and second div figures, Bri 1985, 1990 countries h

off jobs (through job descriptions and job specifications) and ensuring that employees' tasks were limited to those that were written down. In a truly flexible workplace, excessive job prescription may be counterproductive. But when each job or task is linked to pay, there needs to be a wider view so that acceptance of flexibility is rewarded in the pay packet. Management assert that organisations operate more efficiently if employees are ready to take on whatever task needs to be done without referring back to their 'own' job or expecting extra payment for taking on wider responsibilities. Demarcation disputes have, perhaps, been largely confined to history, but some specialists and professionals are still seeking to restrict task flexibility. Professionals, in particular, now often insist on hourly billing for their work, thus opting for old-fashioned piece-rate pay systems, whilst urging contrary policies for the employees of the firms they advise.

The growth of pay flexibility, in areas such as performance related pay and contribution-linked bonuses, has been extensive and represents the current management wisdom about how to motivate employees. However, it has to be pointed out, firstly, that this is change at the margin. In most cases, only a small element of pay is variable. Secondly, it is worth noting that there is so far no concrete evidence that performance related pay for individuals or groups has any relationship to the overall performance of the organisation.

Productivity debate 1950s, flexibility debate 1990s

There is a fascinating resonance between the debates about flexibility at the turn of the new century and the debates that developed around the concept of productivity after the Second World War. Then, as now, the argument was that change was just another cover for greater exploitation by employers of their employees; that it would inevitably lead to the undermining of the trade union movement; that an inescapable result would be more widespread unemployment; and that the benefits would prove to be short-term and illusory. A French trade unionist, Max Rolland, from the Force Ouvrière union, visited America in 1950 and denounced productivity as a conspiracy by 'managers who want to bust the unions or enslave them...high American productivity is the result of ruthless actions on the part of management.' That American workers had a much higher standard of living than French workers, partly as a result of much higher productivity, did not seem to concern him.

Yet as France and other European countries embraced the productivity paradigm in the 1950s and 1960s, their standard of living and the possibilities of redistribution grew. Today the higher GDP per capita in a majority of European Union countries compared to the United Kingdom is due to a more productive use of capital and labour. Britain remains stubbornly fixed in the lower part of the second division of countries in terms of income per head. According to OECD figures, Britain was 18th in world rankings of GDP per capita in 1974, 1979, 1985, 1990 and 1997! There may be some virtue in such consistency but other countries have over-taken the UK by a policy mix that includes both quantita-

tive and qualitative flexibility. The evidence further suggests that trade unions that support flexibility in business and businesses that accept partnership in society combine to grow an economy more strongly than the adversarial British model. It does not matter whether the ideas of Arthur Scargill or Margaret Thatcher are put into practice, over the past quarter of a century the British economy has marked time instead of moving forward.

In contrast, those countries that pull off the trick of a flexible and productivist economy benefit from the triple achievement of increased living standards, job growth and a strong social state. In the past half century the period of increases in productivity was a period of increased worker participation and high levels of union membership and influence as the unions adjusted to the new situation. Furthermore, it was a period of increasing wealth and full employment. The adjustment process was difficult and painful – but nevertheless important. And the benefits came through.

4. The

As with the vigorous people co-tease out parties in

For example positive for combine e-ibility is al the circum and so on tracted wo keep their and better

On the oth Some shift work com scheme w less willin system to about flex lar case is

Benefits

For emplo working, not match that their ing. In the to survive compon deliver the

For individ they tend individua division o open up l also make of work ca teleworkin

4. The benefits and problems of flexibility

As with the earlier debates about productivity, flexible working has vigorous champions and opponents. That is part of the problem. Most people come to the subject with a set of preconceptions. We need to tease out the major practical advantages and disadvantages for the parties involved.

For example, there is an assumption that whilst working time flexibility can be positive for employees (family-friendly work allowing – mainly – women to combine employment with caring responsibilities at home), contractual flexibility is always negative. However, this varies with the kinds of flexibility and the circumstances in which they are introduced. In some sectors – design, IT and so on – elements of flexibility, such as short-term employment or subcontracted work, are chosen by employees who prefer, in a tight labour market, to keep their options open. In such cases, flexible work can be more highly skilled and better paid than standard work.

On the other hand, working time flexibility can be problematic for employees. Some shiftworking patterns, for example, are pernicious to health and part-time work comes with part-time pay. Those involved in the Volkswagen worksharing scheme which cut hours when the company came under pressure were much less willing to discuss the fact that they had found a way within the German system to cut pay too. The importance of moving away from broad judgements about flexibility which do not reflect the complexity and detail of each particular case is again emphasised.

Benefits

For employers there is a clear set of assumptions about the benefits of flexible working. They centre on the twin facts that employing people in ways that do not match the work requirement has built-in dysfunctional costs and the fact that their opportunities to meet market demands are increased by flexible working. In the modern world of dynamic change, organisations have to be flexible to survive and to compete. Hence, the argument is that flexibility is a vital component of creating cost-effective, responsive organisations that are able to deliver the goods and services that the markets or the clients require.

For individuals and their unions there are a number of clear benefits too, though they tend to vary with the form of flexibility that is being considered and the individual's position in the labour market. Given our current approach to the division of labour within the home, many of the flexible working time patterns open up larger numbers of jobs for female workers. Functional flexibility can also make work much more interesting and fulfilling. Flexibility in the location of work can open up jobs to those who cannot easily travel in to offices. And teleworking can open up employment possibilities for disabled workers.

As for the unions, the trade union movement itself is already changing. The TUC's latest annual report on union membership trends, based on government Labour Force Survey data, confirms that trade union membership in the UK today is already heavily concentrated in the managerial, professional and associate professional occupations which now form a quarter of the national workforce. Of the country's 6.8 million employees belonging to unions, 42 per cent are now to be found within these categories, with many of these jobs now changing in function and becoming more flexible in nature. By way of contrast, craft workers account for 12 per cent of total union membership, and plant and machine operatives account for only 13 per cent, although these categories are still viewed by many outside the movement as the bedrock of union membership in our society, for obvious historical reasons.

For society at large flexibility: improves the competitive position of the economy, thus protecting or increasing national wealth; provides benefits for consumers (e.g. longer opening hours); and opens up the job market to many who would otherwise be forced to rely on social security. People are taken off reliance on social security and are brought in to the wealth creating part of the economy. At its best flexibility combines increased efficiency with wider job opportunities and better service to customers.

Problems

The downside of flexibility for employers is found in three main areas. First, the management process has to move away from standard management systems (variety in work patterns requires increased variety in management approaches; measuring the cost-effectiveness of flexible workers is difficult; different approaches to communication are needed). Many managers are comfortable with established ways of operating and find it hard to accept that an increased proportion of flexible workers means a consequent increase in flexibility required from them as managers. Second, there can be a substantial problem in maintaining capabilities, as expert knowledge ceases to be held or developed within the organisation and is shared with competitors. At a time when the leading thinkers are telling us that the future depends on skills and capabilities and the capacity that organisations have in developing, keeping and exploiting knowledge, this is becoming a major issue. Third, there is a key problem of commitment. When the organisation makes a limited time or contractual commitment to individuals it is likely that they will make limited commitments to the organisation in return. In some cases this can seriously threaten the organisation's competitive position or capacity to draw innovative ideas from the workforce.

For individuals and their unions flexibility can bring many serious problems. For the individuals it may create real insecurity, it may reduce incomes, it can lead to lower levels of health and safety, and it can often mean higher workloads. In addition, it can place these individuals outside the housing and finance systems. Getting a mortgage, loan or pension provision when part time or on a

temporary
membersh
them. It rec
create sign
cated on t
work. The
enue, soci
levels in s

Work flexi
vary case b
policy mal
all those i
involved,
society.

In early 19
Union Co

'there i
model.
market
and co

He conclu
for the fut
flexibility
the trade u

temporary contract is extremely difficult. For the unions, flexibility can reduce membership and income whilst simultaneously increasing the demands upon them. It requires serious strategic rethinking. For society at large, flexibility may create significant problems. Most of our fiscal and financial systems are predicated on the basis that most households have a head in full-time, long-term work. The growth of flexibility has a major impact on the government's revenue, social welfare expenditure, housing, insurance and other markets, skill levels in society, and spin-off effects in areas such as leisure and crime.

Work flexibility, therefore, has a variety of positive and negative effects, which vary case by case and need considerable attention from those involved and from policy makers. If flexibility is to be fully effective it needs to ensure benefits for all those involved. Where flexibility benefits only one or two of the parties involved, it may prove to be dysfunctional, either locally or at the level of society.

In early 1999, TUC General Secretary, John Monks, told the European Trades Union Congress meeting in Helsinki that:

'there is clearly room for a real debate about modernising Europe's social model. And we are not frightened about talk of flexibility in today's market place. But flexibility must go both ways. Benefits to employers and consumers should be balanced by flexibility for employees.'⁴

He concluded that for the trade union movement these issues must be the focus for the future. We share his view, but go beyond it. Fair and cost-effective flexibility is the key to future wealth creation and an issue that goes far beyond the trade union movement to affect every one of us.

5. Flexibility in practice

In writing this pamphlet we wanted to base our arguments on rigorous research findings concerning the effective introduction and development of flexibility. We draw on the results of a detailed analysis of practice in different forms of flexible working (call centres, self-organising workgroups, job-sharing, and time flexibility) in the UK, Sweden and Italy. The cases concerned were SJ (Swedish State Railways), Zanussi's Susegana plant near Venice, and in the UK, Legal and General and The Woolwich.

The objective was to find evidence of the latest practice to set against the more frequent cases detailed in the literature concerning the problems created by flexibility. The research was carried out in collaboration with management, trade unions and employees in each case. In-depth interviews were carried out with managers, trade union representatives, employees and customers to ascertain their attitudes to new forms of working. The target groups in the research were selected to provide a good cross-section of European working populations: managerial, white collar, professional, technical, skilled and unskilled manual employees, in a range of sectors.

Case One : Zanussi

Market pressures lead Zanussi to move to more flexible shift working – away from daily and 8x5x2 shifts (2 shifts for 8 hours, 5 days a week) towards 6x6x3 shifts (6 hours for 6 days over 3 time shifts). Following a restructuring exercise in July 1997, the company and unions agreed in December 1997 to a 12 per cent increase in productivity over a 2 year period, increases in flexibility and a limited number of job losses (some 300 out of a workforce of 13,300) in exchange for guarantees that no Italian plant would be closed for at least 2 years. Certain results, such as time to market and lead times, have been shown to have improved. Product quality has shown an improvement since then of more than 30 per cent and labour productivity has improved 16 per cent.

Case Two: Swedish State Railways

Swedish State Railways (SJ) has encountered increased competition in recent years. While road and sea transport historically represent the freight business competition, and the SAS airline is a competitor on the longer passenger routes, there are now private rail companies in the freight business. On the Stockholm-Gothenburg X2000 the staff now take responsibility for everything that happens on the train, with conductors assuming extra responsibilities, such as undertaking ticket sales. It has been so successful that the SAS airline is losing business customers to the trains on this route. A similar system operates on the East and West Coast routes. The centralisation of

telephone bookings at Tranas involves annual hours contracts, with 80 per cent of working hours pre-planned. Service complaints from the public have decreased.

However, jobs have been lost. The argument of both Swedish State Railways and the trade union (SEKO) is that without the changes more business, and therefore even more jobs, would have been lost. Those involved in the company, along with the researchers, found it almost impossible to calculate the commercial benefits which accrued from the introduction of flexible working alone. These changes are inseparably linked to other aspects, such as the macroeconomic situation, investment in new systems, equipment and processes, rapid changes within the sector and the globalisation of markets. However, the number of business passengers using the trains on relevant routes has increased.

Case Three: UK Call Centres

UK financial companies are increasingly using custom-built call-centres for telesales, phone banking and other services. Between 1990 and 1995, 120,000 jobs were lost in the core financial services sector, and now just over 300,000 people are employed in the sector, a number which decreases by about 2 per cent each year. Over 3000 banks and building society branches have closed. There are now 50 direct insurers. Half of the UK's motor insurance purchases will be effected direct by telephone. In 1997 almost one in five new financial products were bought other than through an independent financial adviser, a significant increase on the previous year. All banks have added some form of 24 hour banking service to their operations as opposed to 60 per cent in 1994. Most insurance companies have already set up a telephone operation.

Call centres are based on the theory that customers wish to contact organisations at times convenient to themselves. It follows that call centres must operate outside of typical working hours. In turn, this means that a call centre cannot succeed without flexible working arrangements for its teleagents.

The introduction of flexible practices into the organisations studied in the research was generally organised through consultation with the trade unions and/or staff representatives. Where unions have been consulted there is clear evidence of better acceptance of the new system as evidenced by lower rates of employee turnover and sickness and expressions of greater job satisfaction from staff interviews. Unions saw the provision of information at an early stage of management thinking as being of paramount importance in enabling non-conflictual problem solving at local levels within the organisation. From these cases, it is clear that the introduction of flexibility works best when workers are consulted and informed from the outset, and when both they and their representatives are jointly involved with management in monitoring and managing its introduction.

The response of trade unions

Commentators have described the system of industrial relations at Zanussi as the most advanced in Italy. There is a system of contractual co-management with the *rappresentanza sindacale unitaria* (RSU) (unitary trade union representation) for joint decision making at both factory and national (group) level. The RSU participates in and influences discussions at both plant and national level. This gives the union a quasi-managerial role which is unique in Italy. It also creates perception gaps between national and regional union representatives, who are privy to macro discussions on group performance, and plant representatives who resist moves to change. Under Italian law a certain percentage of time must be given to trade union activities. This is exceeded many times at Susegana where 11,500 hours annually are allocated at the company's expense to RSU activities. After 3 years of stability at around 56 per cent, however, the level of unionisation of workers dropped in 1997 to 48 per cent.

At SJ in Sweden there was a growing understanding that the dialectics would not primarily be between the parties within the company but between the enterprise and the market in the future, and that interaction might be a better way of dealing with this tension than negotiation. Negotiation was replaced by interaction on company questions by introducing integrated working practices with the triangle of manager, interaction group and trade union representatives. Representation was provided through the interaction group and the work-teams had direct influence through 'workplace meetings'. The idea of integration is fully developed – the person in charge of the action takes decisions on all questions concerning their own business. This has meant that issues such as the working environment, suggestion schemes, equality work and health care are now handled in the interaction system.

This has been a new mode of working for trade unions and has considerably increased union influence in questions concerning the business as well as involving unions much earlier in any proposals. Instead of management deciding the 'what and how' of change, trade union and employees have become empowered to analyse the 'what' and to devise, communicate and implement the 'how'. This has replaced the rigidity of conflict negotiations and gives a forum for representation of workers' interests in the context of business development and ultimately, workers' long-term job security. The trade union role has shifted from being defensive to proactive. It can no longer influence SJ in isolation from all the other factors that shape the business – i.e. management, employees, consumers, suppliers, partners, and other operational units. Trade unions have become an element in the way that signals affecting the work environment are communicated and resolved in the company. This gives the union added value in the eyes of its members and acts as an incentive to membership.

For the unions in the UK, these new ways of working present new challenges and opportunities. Instead of the isolated UK branch network, large numbers of

finance w
make recr
ministrati
of industri
UK trade
inquiries.
staff asso
staff and t
General,
for the est
creates ch
volved in
unions, e
in the bus

The resp

Zanussi s
place safe
and job v
of psycho
also qual
fitted in
responsib

In SJ, wo
seen as of

The intro
of work a
and job s
particula
and voice
work a sh
company
ers and m
staff recei
counts) to
female ar

The adv

The evid
ployabili
improved
other are
and negot

finance workers are now working in factory style units which should, in theory, make recruitment easier. Call centres also mean that back office (routine administration) functions can be quickly switched between locations in the event of industrial unrest that weakens unions' strength. Interestingly, a number of UK trade unions have launched their own call centres to deal with members' inquiries. In both cases studied, there was a discrepancy between the union's or staff association's perception that flexibility would bring long-term benefits to staff and the shorter term views expressed by staff themselves. In the Legal and General, a partnership agreement between management and unions provides for the establishment of a joint forum for information and consultation. It also creates challenges and opportunities for trade unions that are much more involved in company problem solving. As middle management decreases, trade unions, employee representatives and staff themselves become more involved in the business planning process.

The response of employees

Zanussi surveyed its employees and found a perceptible improvement in workplace safety, autonomy, interest, initiative, relationships between colleagues and job variety. On the other hand, employees perceived a worsening in terms of psychological and physical strain, pace of work and rest periods. There was also qualitative and quantitative evidence that this new sort of shift working fitted in both with the time demands of women workers and their domestic responsibilities.

In SJ, working time and the ability to organise family life and childcare were seen as of paramount importance by staff surveyed.

The introduction of call centres raises important questions about the organisation of work and the re-negotiation, in the cases below, of pay, working conditions and job security issues. Health and safety issues and the incidence of injuries – particularly repetitive strain injury (RSI), excessive exposure to VDU screens and voice loss – are another feature of the nature of call centre work. Employees work a shift system of 35 hours a week, but unlike employees of the parent company, receive no premia for weekend or statutory holiday working. Managers and mortgage specialists receive overtime payments. Permanent call centre staff receive identical company benefits (pensions, paid holiday, mortgage discounts) to staff on standard contracts. In both cases flexible workers were mainly female and often below 30 years of age.

The advantages of negotiated flexibility

The evidence for the impact of flexibility on training, development and employability is mixed. In the Swedish case, the introduction of task flexibility improved the skills of employees, both managerial and technical, in a range of other areas: customer service, problem solving, team working, communication and negotiation and technical skills. In some cases, new types of working meant

a considerable investment in upgrading staff skills. (for example, conductors on high-speed trains). Staff from the ticket offices were then trained to check tickets and temporary staff employed to conduct ticket sales. In the Swedish railways case, flexible working is part of a strategic approach to the work required. This stands in contrast to the many other documented examples where it is fundamentally driven by a cost cutting exercise. Flexibility in Swedish railways started with local tasks, close to production processes, as a means of problem-solving. Slowly, it percolated through to top-level management thinking on strategic questions to the point where it has now become the main tool for dealing with constant change.

In Italy flexibility was welcomed by the trade unions, who saw it as a strategic response aimed at preserving jobs in the medium term. The UK cases suggest that flexibility is part of the move towards the centralisation of banking processes, a response to a new banking and investment culture. But also, importantly, it can be seen as a factor in creating this new culture. It is, crucially, an open ended process which, due to the technological possibilities, is only bounded by what people can dare to imagine happening in the next 10 years. The question of what happens to the sector when all financial institutions have a telebanking arm and this ceases to be a competitive advantage is, as yet, unanswered. So far, in this sector, the limitations of flexible working as a response to change have not yet been tested fully.

The paradox of flexibility – a challenge to ‘hire and fire’ management

Unions are often critical of flexibility because it is seen as tilting the balance of power in favour of management at the expense of employees. Yet as our research suggests, provided employees and unions adopt a positive and proactive approach to flexibility, it is management that must modernise and re-think traditional approaches. Effective flexible working presents serious challenges to traditional management practices. Where it is introduced without changes within management, it tends to breed resentment and lower morale. Adequate management training appears to be a key prerequisite for making the transition. Flexible working times gave Zanussi management more methods through which to extend production time and meet group targets. Managers adapted to working with employees on different types of contract, and to the increasing feminisation of the workforce. A considerable amount of time is allowed to union representatives to ensure the effective functioning of the project teams and joint committees at plant level, which oversee the process.

In Sweden the task flexibility system means that management now co-operates across old sectoral borders and inter-regional co-operation has replaced old relationships based on dependence on the capital, Stockholm. There is decentralised, delegated decision-making, with management, interaction groups and trade unions participating in workplace meetings which have replaced hier-

archical man
tackling spe
health and s
In some cas
tion to the f
ees' consid
in the inter
better. Dial
agement ha
areas where
proved. Th
meetings a

It is difficu
variety of r
studied and
Some oper
fixed work
team work
office funct
the UK, bar
lending de
machines
managem
outputs ar
Benchmark
centres (bu
illustrates
company o
ers as it al
have two v
cial sector.

Measurin
Flexible w
enough to
of effective
approach to
is evidence
has had a
now adopt
decision to
mance sho
volvement

archical management. The method has developed with temporary project groups tackling specific questions and taking issues such as equal opportunities and health and safety down to individual level, thus increasing worker competence. In some cases managers saw their workload decrease; they gave a positive reaction to the fact that the interaction group allowed them to access their employees' considerable knowledge about the business. They noticed that employees in the interaction groups learnt a great deal and understood the business aims better. Dialogue has replaced conflictual industrial relations. SJ's central management has tracked best practice, with the personnel department visiting local areas where creative solutions have been found and business performance improved. This best practice is then incorporated into education, management meetings and trade union conferences.

It is difficult to generalise about flexible work in the call centres given the variety of methods of work and task organisation operating in the companies studied and even operating within different call centres of the same company. Some operate 'clean desk' or 'hot-desking policies' (where employees have no fixed workstation, but must leave their work area clear for the next worker) and team working; others do not. In one case, staff moved flexibly from the back office function to deal with overspill phone calls when teleagents were busy. In the UK, bank management used to be about managing processes and making lending decisions. In the call centres, the process side is now dealt with by machines which conduct credit checks and by highly efficient IT systems – management is now about managing people and teams of workers to improve outputs and customer service. This requires a very different set of skills. Benchmarking exercises, in collaboration with outside companies who use call centres (but not usually in direct competition), have been established which illustrates how the evaluation of flexibility has introduced new types of inter-company co-operation. The flexibility of job-sharing is appreciated by managers as it allows the company to retain its investment in its staff skills and to have two workers to cover each other's holiday/sickness. Overall in the financial sector, middle management has been drastically reduced.

Measuring results from flexibility

Flexible working is about new ways of doing things. That, in itself, is reason enough to devise new indicators to measure new processes. The development of effective evaluative methods reinforces the idea of flexibility as a holistic approach to the organisation and embeds it further as an organic process. There is evidence from Sweden, however, that the introduction of flexible working has had a profound effect on management thinking in that the company has now adopted a 'balanced scorecard' approach to its commercial results. The decision to use this approach as a key measurement of internal company performance shows the central and strategic role that employee motivation and involvement has been given at the heart of the company.

Ownership of the process by the staff appears to be one of the keys to successful flexible working. Evaluation is built in to the introduction of new ways of working, to ensure that projected benefits are realised. In a knowledge-based and increasingly service-focused society, the quality of an organisation's staff will be the key factor in achieving competitive advantage. Business realities change so rapidly that it is no longer possible or desirable to control and develop a business from one point. Flexibility is in all cases cited as a more cost-effective way of working. Yet there was little or no hard commercial evidence that companies had any strategy or measurement which would enable them to prove the costs and benefits to the organisation. It was impossible for the researchers to establish how much of the commercial success was due to flexible working and how much to other factors such as market changes.

Flexibility is not zero-sum – growing the firm

The evidence suggests that flexibility can be made to work to the advantage of all. Most Zanussi consumers would be unaware of the changes in logistics but for retailers they have meant reduced delivery times, less stockpiling, and fewer guarantee claims. Flexible working has meant improved quality throughout the customer chain. The more immediate customers of the railways and the financial institutions also feel that they have gained from the introduction of their various forms of flexibility. The logistics of train travel make for a complex interaction between sales, wagon logistics, cleaning, buffet services, engine repairs and marshalling yards, so that the customers of one service may, in fact, be other elements of the train system. The fuller involvement of workers in the more widely conceived tasks meant that a better understanding of workplace responsibilities was achieved – for example service employees (cleaners, engineers) became aware of consumer issues through contact with other professional groups and acquired a clear customer focus. As far as rail passengers are concerned, surveys have found levels of satisfaction to be very high. Equally, surveys by the financial institutions regularly report higher levels of customer satisfaction with telephone banking than with branch banking (though a cynic might argue that this says more about the latter than the former).

6. How

What steps can be introduced rather than the current conditions and work for

- Flexibility
flexibility
given p
cannot
tion, se
may ha
ever ca
zero-su
threat.
- Flexibil
options
These e
should
wishes.
- Flexibil
creates
tions wh
In the n
value is
needs a
drives c
economi
therefo
tential
flexibil
ation. In
in their
manage
- Equally
by thos
compar
ity deba
should
ployees

6. How to make flexibility work

What steps need to be taken to ensure that flexible working patterns can be introduced and developed in a way that will make this more rather than less likely? We put forward the following general propositions and then describe four specific ideas for a new policy framework for flexibility:

- Flexibility is the key to a new European economic paradigm. Embracing flexibility as a means of ensuring corporate effectiveness should now be given priority by strategic economic policy-makers. European organisations cannot compete on cost alone. They have to compete on quality, innovation, service and employee commitment. Flexibility that threatens these may have short-term benefits but is ultimately self-defeating. No-one however can have a veto on flexibility. Flexibility in work arrangements is not a zero-sum process. It can be a win-win process, neither a panacea nor a threat. It is what develops from the arrangements that matters.
- Flexibility should be introduced strategically – all potential work-pattern options should be explored and clearly evaluated before they are introduced. These evaluations should be available to those involved. The evaluation should take into account the relevant work, customer reaction and employee wishes.
- Flexibility is not encouraged by fear or by diktat. The great post-war increases in productivity worked best in industries, business sectors and nations where a partnership and educative approach to productivity was adopted. In the new world of knowledge capital and the creative economy in which value is added through transaction as much as contained in content, Europe needs a flexibility drive to compete in the 21st century. As the productivity drives of the 20th century proved so fruitful in a manufacturing-dominated economy, the flexibility agenda will be the key to the future for Europe. We therefore need a framework of legislation which provides employees or potential employees with security and support to encourage the acceptance of flexibility and encourages the same partnership approaches in this new situation. In the real world, it is not possible to allow employees a free choice in their working arrangements – but their views should be understood by management and taken into account in all cases.
- Equally, flexibility will only work well when it is understood and accepted by those involved. The productivity revolution of the 20th century was accompanied by great concern about the effects on employees and the flexibility debate of the present comes with similar concerns. Therefore, flexibility should be introduced only following careful discussion with relevant employees and their own organisations.

7. A European Flexibility Charter

Just as the Social Chapter has proven to be a significant feature of the European Union's drive to develop a social dimension to the EU programme, so we believe a new Charter is needed to develop a social and a practical impetus to the notion of flexibility. We have set out what needs to be done in the same way as the EU Social Chapter: providing principles which can act as a touchstone for detailed further work and development in the future.

After the upheavals of early 1999, it is vital that European institutions, notably the European Commission, re-establish their role and regain the confidence of Europe's economic actors. Instead of an interventionist, over-regulatory, one-size-fits-all approach the European Commission must itself show more flexibility in its approach. As Pierre Moscovici, the French Minister of Europe, has recently written, 'European regulations should not be too detailed. They should fix objectives and allow matters to be organised but EU rules should not introduce rigidities or prevent national flexibilities.'⁵

Digesting the various proposals and directives associated with the Social Chapter is taking time. In the long term, the rights created will need to be linked to a more careful examination of the options for extending new ownership and wider shareholding patterns in the UK, and to significant changes in the social welfare system which will provide people with the confidence to embrace flexibility. A changing labour market, generating new forms of flexibility, ultimately requires a broader level of social underpinning in terms of income security. The national and European debate over the nature of a modern and effective welfare state is already underway – it must connect with the debate about flexibility at work. New work by the employment and social affairs directorate should be aimed at encouraging flexibility. The best way for the European Commission to win 21st century credibility is for it to promote workplace and entrepreneurial flexibility in order to get the EU economy moving forward and the labour market creating jobs again.

The EU should consider setting up a Flexibility Institute to make awards along the lines of Investors in People to firms whose employees and managers have co-operated to improve flexibility in order to grow the firm and increase customer satisfaction. Best practice, bench-marking and peer pressure should be the norms. An EU Flexibility Institute should have a sunset clause so it sets itself a ten-year task of improving EU Flexibility across different economic sectors. While both employers and unions should be represented, neither side should have a veto on recommendations or on publishing data and league tables that promote good examples of flexibility or expose blockages to improving flexibility. The Institute should not hesitate to recommend to governments and to the social partners measures that improve flexibility. The Commission has

launched its
ible forms of
Commission
ers to discuss
task for futur

Donald Sas
criticised re
labour mark
then the pol
practice, W
drive to cut
fessor of Po

'The pro
training
flexible
mum wa
stances

A conventio
ity in the UK
movement i
examination
employers'

'There is
labour n
overall r
dimensi

As the CBI
the-shelf m
needed to b
the ruling S
to the SPD
male worke
were the la
worked par
internal flex
sible throug
and part-tin
union organ

'The incr
lution of

launched its *Impact of Flexibility Project, 1998/99*, which has examined flexible forms of employment for women. But a modernising, reforming European Commission should seize the new willingness amongst European policy-makers to discuss flexibility and make the implementation of flexibility a priority task for future Commission work.

Donald Sassoon has noted that French Prime Minister Lionel Jospin's much-criticised reduction of the working week will in fact bring about an increase in labour market flexibility.⁶ In the Netherlands, under first the trade union and then the political leadership of the so-called 'father' of Third Way government practice, Wim Kok, a modernised left has embraced flexibility as part of its drive to cut unemployment. Measures adopted, according to Jos de Beus, Professor of Political Theory at the University of Amsterdam, include:

'The promotion of part-time jobs in the service sector; a combination of training initiatives to improve employability with the legal protection of flexible labour; the granting of temporary relief from the statutory minimum wage; changes to welfare rules to allow work in certain circumstances without loss of social benefits.'⁷

A conventional view of the flexibility debate in Britain contrasts great flexibility in the UK with a refusal to consider moves towards flexibility by the labour movement in Europe's core economy, Germany. Yet in a remarkably candid examination of flexibility by the CBI published in November 1999, the British employers' federation, stated:

'There is unlikely to be any useful prescriptive model of an optimal labour market and that different countries could achieve comparable overall results via different combinations of flexibility along the different dimensions.'⁸

As the CBI edged away from the conventional wisdom that there was an off-the-shelf model of flexibility available from the United States which simply needed to be adopted wholesale by Europeans, a high-powered policy group of the ruling SPD in Germany was also considering flexibility. The group reported to the SPD congress in Berlin in December 1999, pointing out that 350,000 male workers in Germany would like to move to part-time working, but such were the labour market rigidities in Germany that only 4.6 per cent of men worked part-time compared to 32.4 per cent of women. Their report urged internal flexibility within firms and argued that increased flexibility was possible through methods such as annualised working hours, work-time accounts, and part-time work for older employees. In a challenge to traditional trade union organisation, the SPD congress was told that:

'The increasing flexibility in the world of work which leads to the dissolution of workplace frontiers and to wholly new forms of work begs the

question as to how workers' representation can be reorganised. New forms of work like telework make the physical presence of the employee at work unnecessary. This creates new social structures which need to be addressed in terms of the representation of employees interests and their codetermination rights.⁹

Thus the employers in Britain and the SPD in Germany can be seen to be adopting a mature approach to the flexibility debate. This approach acknowledges that Europe must move from declamatory to learning mode on the need for not so much *increased* flexibility but *improved* flexibility in the European labour market. This pamphlet is predicated upon two core beliefs. The first is that flexibility is the key to future prosperity and, properly managed, can have significant beneficial effects for all. The second is that whilst flexibility can be forced in by diktat, insecurity and fear, the reality is that effective and economically positive flexibility cannot be introduced or sustained in that way. An increasingly flexible labour market, driven by technological advance and by more complex, internationalised competition, demands effective minimum standards of labour protection, in order to ensure that workers can accept change without fear of damage to their basic interests. The specific research evidence cited in this pamphlet highlights the principal potential disadvantages of workplace flexibility – job losses, employment insecurity, the polarisation of different skill groups, and varying consequences for the resultant pay levels of sections of employees. At the same time, a clear advantage has emerged in the evidence of greater employee and trade union consultation and involvement. These minimum standards should, therefore, cover a number of relevant and inter-connected policy areas, to form an effective overall framework.

1. *A right to personal development*

The adoption of a longer-term economic strategy resting upon improved levels of education and training, emphasising the human capital available to the nation at a time when unskilled repetitive jobs are giving way to the handling of more skilled and flexible tasks, raises significant issues. A more educated workforce is by its nature an empowered workforce, better equipped to confront and overcome obstacles in life and keener to participate in more complex and interesting work.

A key issue here is that it is now plain that the increasing numbers of flexible workers get less training than their long term, full-time equivalents. The reasons are straightforward: the cost of training a part-time, temporary or contracted-in person is exactly the same as the cost of training someone on a standard employment package – but the pay-off for the employer is clearly less. Hence the reluctance to train flexible workers. In this respect at least the growth of flexibility runs counter to the other perceived wisdom of the need to develop and sustain an educated, well-trained and adaptable workforce if the country is to compete in the modern knowledge-based international community. Flexibility

without lifele
effect of red

In this regard
provision – a
dant need fo
welcome int
grants of up
ers, should b
becomes gen
progress.

2. *A right*
Flexible wor
Given our c
ployment, te
that women
ibility and sh
tendency fo
black and A
tion of the w
time section
in straightfo
and limited
and then en

3. *A right*
Those in th
Again, the s
more likely
health, and
and manage
and safe co
sion necess
the explaina
managers p
part lies in t
health and s
flexible wor

In particula
can cause s
inadequate
stress. Flexi
working alc

without lifelong learning and training opportunities may have the paradoxical effect of reducing adaptability.

In this regard, we believe there is a need for legislation to reinforce staff training provision – a key issue in this era of rapid technological change and the attendant need for all to focus on updating workforce skills on a regular basis. The welcome introduction of Individual Learning Accounts, from Spring 1999, with grants of up to £150 to supplement personal contributions from account holders, should be followed by later measures to ensure that the acquisition of skills becomes genuinely a “lifelong” process matching today’s rate of technological progress.

2. A right to equal opportunities

Flexible working has been argued as a means of improving equal opportunities. Given our current allocation of caring roles within the family, part-time employment, term-time working and the like are promoted as means of ensuring that women can participate in the workforce. This is a positive feature of flexibility and should be sustained. But there is a darker side. There is an increasing tendency for employment to be polarised, with disproportionate numbers of black and Asian workers and female workers concentrated in the flexible section of the workforce at the expense of their involvement in the long-term, full-time section. Furthermore, flexible workers suffer practical discrimination, often in straightforward, albeit unlawful, ways through lower pay, reduced benefits and limited promotion opportunities. It is important that the law is reinforced and then enforced in respect to flexible workers.

3. A right to health and safety at work

Those in the flexible workforce also suffer from reduced health and safety. Again, the statistics brook little argument: those on atypical work patterns are more likely need time off due to illness, more likely to have to deal with ill-health, and are more likely to have accidents. The law is clear here. Employers and managers have a duty to ensure that everyone in their work area has healthy and safe conditions, and are required to provide the time, training and supervision necessary to ensure that people remain healthy and accident-free. Part of the explanation for the poorer record for flexible workers lies in employers and managers paying less attention and devoting less resources to their needs and part lies in their more limited access to trade union supported expertise. The health and safety record of employers, trade unions and individuals involved in flexible working needs targeting for action.

In particular, job insecurity, generated by short-term employment contracts, can cause stress at work. Long hours, ambiguous work responsibilities, and inadequate training and promotion prospects may also produce anxiety and stress. Flexibility has also increased the number of people finding themselves working alone at various times, at home or in the workplace, thus raising addi-

tional health and safety risks. The Government's adoption of the EU Working Time Directive will assist, bringing into law the first statutory limit on average weekly working hours. But further strengthening of health and safety legislation is required. The Health and Safety Executive (HSE) has been reviewing health and safety for flexible workers. One issue already emerging is the right of the employer to inspect the premises of home-based teleworkers in order to ensure that the employer's responsibilities are being met. HSE guidance exists on this issue, but this area remains unclear and more than guidance is required.

4. *A right to participation*

A better-educated and better trained workforce has the right to expect that its views will be consulted over key management decisions affecting employees. The evidence that successful flexibility includes consultation and participation with the workforce is persuasive.

We therefore require a simple, practical and democratic structure for UK workforce partnership, designed for a modern, flexible and qualified workforce. This should be based firmly on the involvement of employees via information and participation in the broad direction and culture of the enterprise in countries which have works councils traditions. In the UK, where trade unions – in contrast to their EU counterparts – have preferred to opt for the right to recognition by individual employers of individual unions rather than a works council independent of plant-level trade union recognition, the implementation of flexibility should involve unions and employers. In larger, multinational firms, British and other European unions (where company-by-company union recognition is not the norm) come together in European Works Councils, which also can play a role in introducing flexibility on a win-win basis across frontiers.

In proposing this right we believe we are moving with the tide of current developments, building on the extensive participation arrangements existing within the British economy and the new rights given in *Fairness at Work*. The TUC has identified 26 new measures legislated for since 1997 which give employees and their unions new rights. These have to be digested and – in contrast to the wave of trade union legislation initiated by the 1974 Labour government – become accepted as norms for all labour market players. Therefore to impose on top of these 26 new rights a new wave of European Commission initiated legislation seems excessive.

We believe that the rights to involvement need to be managed carefully. It is more difficult to involve workers who may be working at different times, in different locations and on different contracts, and new arrangements will have to be made to accommodate them. At the same time the process of introducing, confirming, or extending flexible working has to be an important issue for such consultative approaches. The mid-20th century productivist economy needed large battalions of workers, homogenised by class, education (or lack of it), gender and geography. Large hierarchical unions – whether general, craft, or

industrial – matched the needs for 20th century workers. The 21st century knowledge economy will demand that citizen-employees have common, portable rights, irrespective of a union card, that can be applied flexibly from job to job.

We believe that the European Union needs to move from rhetoric to effective action. It must develop a framework and climate within which flexibility can be seen as positive for those it affects directly and those it affects indirectly.

Note

The research underlying this paper was sponsored by the Directorate General for Employment, Industrial Relations and Social Affairs (DGV) of the European Commission and has been published as 'Labour Flexibility Research Actions of an experimental nature aimed at promoting the exchange of experience and at the generalisation of good practice and know-how in selected priority fields of employment policy', a report to the Directorate General for Employment, Industrial relations and Social Affairs (DGV) of the European Commission and in Creagh, M. and Brewster, C. 'Identifying good practice in flexible working', Employee Relations, 1998, Vol. 20, No 5, pp 490-503 The views expressed here are the personal views of the authors and should not be taken to represent those of their organisations, those involved in the research programme or the European Commission.

tion
Tim
wee
is re
and
emp
that
issu

4. /
A bi
view
The
with

We
wor
This
and
tries
con
tion
inde
ibili
Briti
tion
can

In p
opn
the
ider
thei
of tr
acc
thes
seer

We
moi
diffi
to b
ing,
suc
larg
gen

30

References

- ¹ CBI, *Creating a Europe That Works*, November 1999.
- ² London Research Centre, *Flexible Equality*, 1999.
- ³ DTI, *UK Competitive Indicators 1999*, December 1999.
- ⁴ John Monks, ETUC, Helsinki, June 1999.
- ⁵ Pierre Moscovici, *Au Couer de l'Europe*, 1999, p 97.
- ⁶ Gavin Kelly (ed), *The New European Left*, Fabian Society, 1999, p 9.
- ⁷ *ibid.*, p 63.
- ⁸ CBI, *Creating a Europe That Works*, November 1999, p15.
- ⁹ SPD Projektgruppe, *Zukunft des Arbeit*, SPD, 1999.

Further reading

At the other end of the telephone – new technology in retail banking and general insurance, G. Reardon, Report commissioned for the Banking, Insurance and Finance Union, July 1996.

The Future of the UK Financial Services Industry, J. Chetham, FT Financial Publishing, 1995, Fig 7.3.

Employability in the Finance Sector: rhetoric vs. reality, A. Rajan, **Human Resource Management Journal**, Vol. 7 No 1, 1997, pp 67-78.

Ownership: for the many not the few, D. MacShane, Tribune Group pamphlet, House of Commons, 1999.







FABIAN

SOCIETY

Making flexibility work

'Flexibility' is one of the buzzwords of the age. It dominates discussions around employment in much the same way that productivity did fifty years ago. Yet to date, much of the debate has been rather simplistic, seeing flexibility as either wholly good or wholly bad: a necessary part of a competitive firm, or simply another word for exploitation.

Yet the concept is far more complex than this debate suggests. Flexibility comprises opportunities and threats for both management and workers. This pamphlet seeks to explore the issue in a more sophisticated manner, arguing that the important question is how to manage the process of flexibility so that its most exploitative effects can be avoided and its benefits maximised for businesses, workers and for society in general.

MacShane and Brewster call for a partnership approach, involving employees and their representatives from an early stage. For them this is a European issue and one which is crucial to the future prosperity of the EU. Recognising this, they set out an EU Flexibility Charter through which flexibility can be made to work.

This pamphlet is kindly supported by USDAW and Tesco

Usdaw

TESCO

Fabian Pamphlet 595
£10.00