

NATIONAL AND KAPODISTRIAN UNIVERSITY OF ATHENS
SCHOOL OF LETTERS

MSC PROGRAMME IN COUNSELLING AND CAREER GUIDANCE

LABORATORY OF EXPERIMENTAL PEDAGOGY

CENTERS FOR VOCATIONAL GUIDANCE AND COUNSELLING

PROCEEDINGS OF THE 1ST INTERNATIONAL CONFERENCE

ATHENS (23-25-1-04)

**PROMOTING NEW FORMS OF WORK ORGANIZATION AND OTHER
COOPERATIVE ARRANGEMENTS FOR COMPETITIVENESS AND
EMPLOYABILITY**

With the Support of the European Committee

ATHENS 2004

Editorial Committee:

Christina NOVA-KALTSOUNI,
Assoc. Prof. of the
University of Athens
Michalis KASSOTAKIS, Prof. of the
University of Athens

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CONTRIBUTORS

ASHFORD Nicolas
 CHIOTAKIS Stelios
 De HERTOOG Friso
 DEKKER Ronard
 FITZIMMONS Mike
 GAVROGLOU Stavros
 GEKAS George
 GEORGOULAS Stratos
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 KASSOTAKIS Michael
 KATSANEVAS Theodoros
 KLEINKNECHT Alfred
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 MORRIS Jo
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 O' KELLY Kevin
 PATINIOTIS Nikitas
 POMONI Evagelia
 POMONIS Theodoros
 TEFANIDIS Andreas
 THAKE Anne-Marie
 TOTTERDILL Peter
 TOUMBAS Lambros
 TSIPOURI Lena
 TSOMBANOGLOU Georgios
 VITSILAKI Chrysi

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NEGOTIATING NEW FORMS OF WORK

Kevin P. O’KELLY, University of Limerick

Introduction

Recent years have seen a focus of EU policy makers on how to increase the number of people in good quality, sustainable jobs. These policies are based, in the main, on the European Employment Strategy, adopted at the European Council in Luxembourg in 1997, which set out three key objectives: full employment; quality and productivity at work; and promoting social cohesion and an inclusive labour market. ¹ A number of actions have been initiated towards realising these goals through the annual publication of employment guidelines by the European Commission, setting out policy priorities for the Member States, providing an open co-ordination of employment policies and agreement on national action plans. The Employment Strategy was further endorsed when employment was linked to the broader economic and social agenda agreed at the Lisbon European Council, and subsequent European Councils, to improve job security and, at the same time, make Europe ‘most competitive and dynamic-based economy in the world capable of sustainable growth with more and better jobs and greater social cohesion’ by 2010.²

The European Employment Strategy identified four key pillars it considered necessary to meet the objectives: employability; entrepreneurship; adaptability; and equal opportunities. The third of these – adaptability – refers to the need for European enterprises to introduce changes which will help them to remain competitiveness in an increasingly global business environment while, at the same time, preserving and creating jobs so that the objectives of Luxembourg and Lisbon can be achieved.

In March, 2003, the European Council set up a European Employment Taskforce to undertake an in-depth review of progress, so far, identify employment-related policy challenges and reform measures which would have an impact on the ability of Member States to implement the employment strategy. The taskforce reported in November, 2003, ³ and its findings cover a wide range of employment macro and micro related issues. It calls for the promotion of greater flexibility in European labour markets, combined with job security. It recommends that this should be done through a

Better responsiveness of EU economies to change [which] requires a high degree of flexibility in labour markets, in particular through modern work organisation and a diversity of contractual and working arrangements. This can only succeed if combined with adequate security for workers in terms of their capacity to remain and progress in the labour market. Since flexibility is

¹ Revised at the European Council, Thessalonica, June, 2003.

² Conclusions of the European Council, Lisbon, March, 2000.

³ *Jobs, Jobs, Jobs: creating more employment in Europe* Report of the Employment Taskforce, chaired by Wim Kok.

in both employers' and workers' interests, social partners' involvement is desirable.

The Taskforce urges Governments and social partners to:

- *Examine and adjust the level of flexibility provided under standard contracts;*
- *Review the role of other forms of contracts;*
- *Ensure there is adequate security for workers under all forms of contracts;*
- *Remove obstacles to the setting up of temporary work agencies;*
- *Promote the use of ICT and working time flexibility;*
- *Remove obstacles to part-time work;*
- *Adapt social protection systems to support mobility in the labour market and facilitate transitions between different statuses, such as work, training, career breaks or self-employment (job-to-job insurance).*

In identifying *increased adaptability of workers and enterprises* as one of four essential requirements for higher employment, the report says:

To create more jobs, the Member States and enterprises must increase their capacity to anticipate, trigger and absorb change whether cyclical or structural.

Enterprise must become more flexible to respond to sudden changes in demand for their goods and services and to the increasing demand for job quality which is related to workers' personal preferences and family changes. Workers must cope with new ways of working and changes in their working status and be prepared for lifelong learning. Governments must create business environments that support entrepreneurship, innovation and encourage investment in R & D and sufficient flexibility while ensuring genuine security on the labour market.

How are enterprises to meet these challenges to become more competitive and flexible while protecting the jobs of their employees? Some of them are been innovative in their approach and in many companies across the EU the negotiation of collective agreements to find an agreed balance between greater flexibility, the introduction of new forms of work organisation and, at the same time, taking into consideration the concerns of workers for the continuation of their jobs, in the face of such change.

Pacts for Employment and Competitiveness (PECs)

The European Foundation, Dublin, investigated this trend in collective bargaining and analysed the scope and nature of these agreements, 4 many of which dealt with arrangements for changes in work organisation. The Foundation research was based on the study of over sixty cases of collective agreements in eleven EU Member States. The project also included reports on the national context within which these agreements were concluded and a number of sectoral studies were also undertaken, for example, in the airline, railways and electricity sectors.

Examples of these types of agreements can be found in most EU Member States, at national level (in Greece and Ireland), and at sectoral and enterprise levels in most

⁴ *Handling Restructuring: collective agreements on employment and competitiveness* European Foundation, EF/00/73/EN

other Member States. In Germany, for example, around a quarter of all workplaces with work councils reported having negotiated such agreements, while in Spain nearly 10% of collective agreements in 1998 included clauses on employment preservation and 5% with employment creation as part of the deal. In France, again, in 1998 about 40% of agreements dealing with reductions in working time, to implement the 35-hour week legislation, had measures allowing for adjustments to handle fluctuations in workload.

The key features of these agreements are, first, for employee representatives, to minimise reductions, preserve and/or stabilise employment and, second, for management, to reduce costs and improve the ability of the enterprise to adapt to changing economic and market conditions. From the European Foundation study, four different categories of PECs can be identified and, in reality, most of these agreements are negotiated to reduce employment levels rather than for job creation. All four categories include agreement on aspects of new forms of work organisation.

Redistribution of Work

The first category is of those agreements which set out to redistribute work, including changes in working time and lifetime working hours. These agreements might also include an increase in the use of part-time work as well as job rotation and/or changes to shift working patterns. Levels of employment are guaranteed or it is agreed that there will not be any compulsory redundancies. In Volkswagen (Germany), in 1994, the agreement included a temporary reduction in the working week to 4 days, with a 16% reduction in pay, an agreement which saved the company and secure 30,000 jobs. Subsequent agreements introduced greater working time flexibility, without overtime pay, up to agreed thresholds (Volkswagen are now in their third agreement since 1994).

It is often agreed that, as part of the deal, extra investment in the location or establishment is dependent on reaching agreement, as in the Electricity Supply Board (Ireland) where the Cost and Competitiveness Programme agreement provided for substantial capital investment in the network over ten years. In some French and Spanish companies, there is agreement to transform precarious jobs into stable employment. In Essa-Polinyà, a Spanish auto components firm, 75 temporary jobs were converted into 'open-ended' employment.

Many of these agreement also included the provision of jobs for specific groups, such as young people or the long-term unemployed, for example in EDF-GDF, the French electricity and gas company, to comply with the loi Abrey the required reduction in working time was agreed in return for the creation of 18,000 to 20,000 new jobs for young people. Also, a feature was the re-location of workers within the company, either within the site where they were working or to another company site.

Cost Cutting

This group of PECs focused on ways of cutting production costs, such as wage costs, by introducing variations or reductions in pay levels and benefits or by introducing lower start rates for new employees. For example, in the Damm brewery in Spain different pay scales were agreed for permanent workers starting before and after 1 January, 1996. The Vauxhall (GM) (UK) agreement in 2000 which required that new production operators would be paid 82% of the full rate. In Xilinx (Ireland), a US based multinational microchip maker, faced with the technology 'melt-down' in 2001-2002, and to avoid job losses, agreed a sliding scale of pay cuts which averaged out at 6% across the company (the lowest-paid workers lost nothing), unpaid

sabbaticals and a scheme for employees to swap a proportion of their salaries for stock options.

Very often there is a commitment by employees to moderate pay increases or to linking pay increases to key economic indicators, such as the CPI or, in the case of exporting companies, to exchange rates. Another feature of this category is the use of atypical employment contracts, such as temporary or fixed-term contracts or by sub-contracting out non-core work.

In addition, these agreements frequently included agreement on the introduction of financial participation arrangements, such as employee share ownership schemes or share options, in return for a limitation on pay increases, as in some of the Irish cases (Electricity Supply Board, Irish Cement) or in Alitalia, where share-ownership was seen as ‘re-orienting the system of industrial relations and human resource management’.

Boosting Productivity

In some agreements workers have agreed to greater working time flexibility, such as an increase in working hours without additional pay, to boost productivity. In 1998 at the Philips television tube plant in Lebring (Austria) an agreement included the introduction of a 7-day continuous shift working, together with a reduction in weekly working hours from 38 to 36.5 hours, while in an electrical appliance company in France, Souitch, there was agreement to reduce working hours in exchange for working time flexibility and the creation of 40 new jobs. This agreement included no payment for overtime but a ‘time-off in lieu’ arrangement.

Improving Employability

While in most cases where a reduction in job numbers is required, it is invariably voluntary rather than compulsory but where redundancies are unavoidable a number of agreements address the problem of how to improve the employment prospects of workers who will lose their jobs. Work Foundations or employment companies are one way to assist and support workers made redundant with training in job-search skills or to undertake re-training and to provide a placement service. The German postal service (Deutsche Post) set up such a work foundation, under a restructuring agreement in 2002. Unfortunately, there are not too many examples of training and development programmes for employability but there are some. DLG-Alborg (Denmark), an agricultural products company, has a detailed agreement on vocational training but no explicit guarantees on employment levels. Howmedica (Ireland), a surgical equipment manufacturer, is committed to investment in training and the development of cross-skilling which would provide a resource for continuity of manufacturing, by having a broad band of skills available in the production process.

Work Organisation

Many of these collective agreements on employment and competitiveness contain commitments to changes in the organisation of work or the introduction of new forms of work organisation. These agreements are been negotiated to re-align enterprises to the new realities of global competition, changing market demands and re-structuring. While it is recognised that, to survive, companies have to become more competitive, this cannot be achieved without the involvement and commitment of the workforce.

Attitudes have to change and old, outdated, work practices have to be reformed. Management and employee representatives are working together to find mutually acceptable solutions to these challenges, incorporating the concerns of employers to become more competitiveness, defend and increase market share, and the concerns of workers and trade unions to protect employment.

In Heineken (the Netherlands), for example, where there is a unionisation density of over 80%, an agreement on the re-organisation of the company included recognition of the role of the trade unions, working together with management, in redefining work organisation; a training plan designed to re-skill and re-qualify up to 80% of the workforce; and redeployment within the same site to a different job or to another company site to a similar or different job. Any redundancies resulting from the re-organisation would be voluntary.

This agreement had three agreed objectives- a) to avoid compulsory redundancies; b) to cushion the financial consequences of redeployment; and c) to create a positive attitude to redeployment. The unions' main target was to save jobs or, at least, ensure the transfer of affected workers to jobs in other locations. A condition of re-location was that it should have regard to the family, social situation and medical condition of the individual worker. Similarly, in the Rover Cars (UK) 'New Deal' agreement, 700 workers transferred from the Longbridge site to the plant at Cawley and were re-trained for new jobs in their new site.

The Howmedica agreement resulted in a shift from 'control-type management to continuous improvement and team-working'. Supervisors were re-trained for their new role as team facilitators, instead of the traditional direct line-management role. A range of flexible working arrangements was also introduced and the agreed aim of the agreement was to develop a 'Quality World' culture into the plant. In this context, the agreement included commitments to a) job security; b) contracting out of non-core work; c) the establishment of a partnership forum; and d) gains for the workforce in terms of additional payments. The introduction of team-working in Fanco SA, the Greek sportswear manufacturers, assisted through an EU ADAPT project, also had a major impact on the productivity and expansion of the company.

A further example of an agreement which focused on new forms of work organisation is in Bonfiglioli, a car components firm. Here the agreement, negotiated in the face of a recession in the automobile industry and the introduction of 'just-in-time' systems by customers, provided for 'a fundamental and unavoidable condition for the consolidation and development of the company'. The agreement allows management to increase the utilisation of the plant, change work organisation and introduce greater working time flexibility. In return there was a reduction in working hours for shift workers and a commitment to increase employment levels. Within the context of this agreement, both management and the metalworker unions agreed to work together to review a range of issues, such as a) defining common objectives; b) improvements in production processes; c) the efficiency of plant and equipment; d) improving working conditions and the skills and competencies of the workforce; e) the design of training programmes.

Prerequisites for Success

PECs can be seen as a form of integrated bargaining, requiring higher levels of co-operation and involvement by all the actors affected – workers, management, trade

unions, works councils and, in some cases, local communities and administrations. The European Foundation research identified three key prerequisites for the successful negotiations and introduction of these agreements:

A consensus about the need for change: Unless all actors agree on the need and direction of change, there is very little hope of finding agreement. However, pressure for change are hard to ignore and can, very often, be the difference between survival and closure.

Mutual recognition: Management has to recognise the concerns and the right of employee representatives to articulate these concerns. This means involvement, not only in negotiations on pay and conditions, but also on issues which, in the past, would have been considered management prerogatives. On the other hand, employee representatives have to recognise the pressures on managers to make changes and be willing to agree to implement them.

Quid pro quo: Both sides have to be willing to make concessions. There is a temptation on management negotiators to emphasis the need for sacrifice by workers and to ignore the need for the employee negotiators to have something to show their members in return. Unless managers are willing to meet employee worries and aspirations, there is unlikely to be any agreement.

Participation and Involvement

Further to these three elements, a number of other ingredients need to be present to ensure success:

A joint problem-solving approach: Both parties need to work together to identify what the problems are and joint committees to gather information and propose a range of possible solutions and trade-offs. There has to be a willingness to jointly evaluate data and alternative solutions and, in the end, jointly reach mutually acceptable solutions – a ‘win-win’ result. The more input there is to these joint exercises the better the chance of success. In Blue Circle Cement (UK) management and unions met outside the normal negotiating machinery, in special working groups in the hope that the traditional adversarial bargaining approach could be avoided. These meetings produced an agreed agenda of issues to be addressed in the restructuring process.

Communications is of critical importance for the success of an agreement and there are many examples of both good and bad communications structures as part of the negotiation process. In Lufthansa (German airline), for example, a very elaborate communication and participation structure was put in place by the unions to keep employees informed of the restructuring measures under discussion, which made the ownership of the final agreement all the greater. On the other hand, in Telia (Swedish telecommunications company), there was a breakdown in communications between the local union negotiators and the representatives in the workplace, who were dealing with the unease of the workforce, which eventually led to an initial rejection of the deal.

Need for realism: No collective agreement for employment and competitiveness can work in the face of strong market forces, so negotiators have to be realistic about what can be achieved. Management cannot promise what it knows it can’t deliver, which would result in a break in trust and disillusionment. In Volkswagen, PECs have made a significant contribution to overcoming a crisis, while, in contrast, the agreement in Rover was too little too late: ‘If the product is not right, high-standard employment

practices cannot redeem a situation. In the end the company collapsed because the British customers did not want to buy the cars Rover was making'.⁵

'Prevention is better than cure': PECs are not the only answer to the challenges facing business and workers but they can be part of the solution. As one manager in Telia observed, restructuring would have been easier had more 'preventive' work been carried out at an earlier stage in the reform process, in particular in the area of training and development of the workforce to prepare them for change. With the rapid changes in markets, technology and automation no organisation can hope to keep their workforce fully prepared without training. It has a fundamental role to play in improving performance, making people move adaptable and flexible, developing 'learning organisations' and in providing greater levels of employability, should jobs disappear.

Reinventing Collective Bargaining

PECs seem to indicate that there is a change taking place in collective bargaining. Management in many companies is working in close co-operation with employee representatives to move away from the traditional adversarial approach to finding greater consensus, moving from the old 'zero-sum' to a 'positive-sum' game. Collective bargaining, as an employment relations process, is being reinvented to cope with the increased complexities of managing employment relations, as well as dealing with issues of distribution. Also, for the first time a range of workplace items, concepts and practices are being introduced into the collective bargaining arena, which previously would have been considered as management prerogatives, resulting in comprehensive and detailed agreements.

The European Foundation shows a trend towards the mutual involvement of management and workers in meeting the challenges of globalisation and the common market, by working together to modernise enterprises, recognising the need to adopt new forms of work organisation, by minimising the impact of change on employment and in the need to invest in greater level of training, development and life-long learning. All of these can contribute to the realisation of the Lisbon targets, but business and unions need support from the European Commission and policy-makers in the Member States, in terms of a regulatory framework for standards of employee involvement arrangements, providing a stable macro-economic environment in which they can work together, which would result in the implementation of complementary set of policies at European, national and enterprise levels.

These are the key issues to be addressed during this conference, as it is of vital importance that all enterprises, large and small, in Greece and other Member States, to take on the challenge of the Lisbon Council and, in so doing, contribute, at the micro level, to making the European Union, by 2010

The most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.

⁵ *Lessons from Rover* IPA Magazine, editorial, (Involvement and Participation Association), May 2000.