



European Foundation
for the Improvement of
Living and Working Conditions

The European Company Survey – First Findings

> résumé <

‘Europe must not just tackle the recession but turn it into an opportunity to create a more productive, more innovative, better skilled and low carbon economy; one with open and inclusive labour markets, offering a more cohesive and equal society and jobs that are responsive to age, gender equality and work/life balance concerns. This cannot be a one-off effort but rather a continuous collective process.’

Communication from the European Commission on A Shared Commitment for Employment 2009



Context

In spring 2009, Eurofound launched a large-scale representative survey addressed to managers and employee representatives. The *European Company Survey 2009 – Flexibility practices and social dialogue* (ECS) is the second European-wide establishment survey launched by Eurofound. It covers the 27 EU Member States as well as Croatia, Turkey and the Former Yugoslav Republic of Macedonia (FYROM). The first such survey – the *Establishment Survey on Working Time and Work-Life Balance* (ESWT) – was carried out in 2004/5 in 21 countries.

The *European Company Survey* documents flexibility strategies of firms and it is a unique source of comparative information on social dialogue at the workplace. Previous research at Eurofound has shown that companies use different flexibility practices not in isolation but in combination. The survey studied different measures of internal and external quantitative and qualitative flexibility.

Enhancement of labour market flexibility is considered by the EU as one of the key elements required to reach the aims of the Lisbon strategy, namely to become the most competitive and dynamic knowledge-based economy in the world and to create more and better jobs for European citizens. At the same time, the EU is concerned that flexibility measures do not become too one-sided at the expense of employees. Therefore, in recent years a series of framework legislations and recommendations were enacted which set rules for major flexibility instruments as well as for the consultation and participation of employees in matters related to work organisation.

Social dialogue is key to managing business and employment change in the European social model. In order to address these challenges, the ECS interviewed managers as well as employee representatives, where possible, to gain insights into the structure and role of social dialogue at establishment level. It also maps flexibility measures and strategies and the role of social dialogue in establishing these.

As data was collected in spring 2009, the impact of the economic downturn was more pronounced in some countries than others.

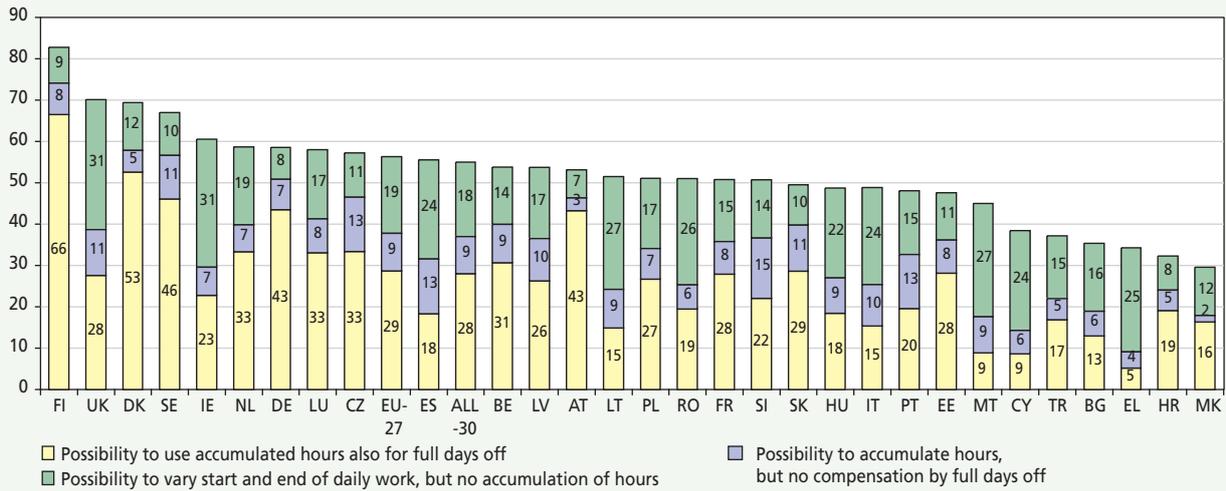
Working time arrangements

Working-time flexibility is the most common type of flexibility practised in European companies. In the survey, four types of working time arrangements were investigated: flexi-time arrangements, part-time work, work at unusual hours and overtime hours.

Flexi-time arrangements

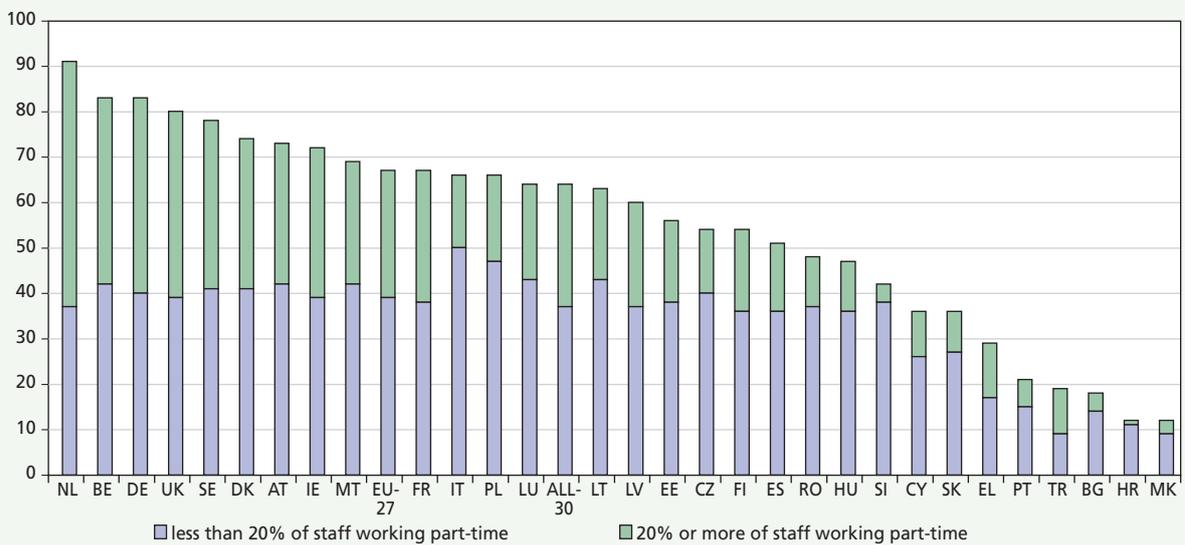
Flexi-time arrangements are arrangements that allow the employee to vary the start and end of daily work according to own needs and wishes, usually within certain limits. While basic flexi-time arrangements allow only for a variation of the start and end time, without changes in the duration of the working day, time banking systems allow for the accumulation of credit (or debit) hours on some type of working time account. In the literature, flexi-time arrangements are often considered as beneficial by both employers and employees. ECS results show that:

Figure 1: Incidence of different forms of flexible working time arrangements, by country (%)



Source: ECS 2009

Figure 2: Incidence of establishments practising part-time work, by country (%)



Source: ECS 2009

- More than half (56%) of all establishments with 10 or more employees in the EU27 use some type of flexi-time arrangement. This reflects a substantial increase compared to four years ago as measured in the previous *European Company Survey* (undertaken in 21 countries).
- Almost four out of 10 establishments practise systems that allow for the accumulation of time credit on a working time account. The majority of these working time accounts include the possibility to take whole days off from the accumulated time credits. The ability to use working time accounts is most common in the Nordic countries, Germany, the Czech Republic and Austria.
- The possibility to accumulate credit hours for more than one year on so-called long-term accounts is considerably less widespread. On average, only 6% of EU27 establishments apply such systems; by far the highest share is found in Denmark, where close to a third (30%) of establishments use long-term accounts.

Part-time work

Part-time work has become considerably more widespread in Europe over the last 15 years. Some part-time work is designed primarily for operational purposes, for example to better meet changes in supply and demand, while other forms of part-time work are mainly used as a human resource tool. It can enable workers to better combine working and non-working life and be used to make an employer more attractive for potential recruits. The ECS offers some insights into part-time working at the establishment level.

- Two thirds (67%) of establishments in the EU offer part-time employment. Part-time work is unevenly spread in Europe. In the Netherlands, almost all establishments surveyed (91%) have part-time workers. Part-time work is also common in Belgium, Germany, Sweden and the United Kingdom, with around 80% of establishments practising it. The lowest shares of establishments with part-time workers were encountered in Bulgaria, Portugal and the three candidate

countries, with fewer than 20% of establishments employing part-timers there.

- The share of establishments using part-time arrangements has risen slightly in the past four years.
- Part-time work organisation is becoming increasingly diversified. An increasing number of establishments practise forms of part-time work other than the 'traditional' form of some hours of work on each day of the week (usually in the mornings). One should note that different forms of part-time work can benefit employers or workers more, depending on the type chosen. Other types that are gaining popularity include some full days of work alternating with full days off, and flexible part-time on short-term notice as determined by the employer.
- Though part-time work is widespread in many countries, part-timers in highly skilled positions are still quite uncommon in most European establishments, with the exception of the Netherlands. On average, only a quarter of establishments with part-timers and highly skilled workers have any part-timer in such a position, and in the majority of cases these are only an exceptional phenomenon.

Night, weekend and shift work

Work at non-standard hours is a commonly used instrument for employers to extend the running hours of machines, to prolong business hours or to cope with high workload variations that cannot be managed during the regular working time during weekdays. The ECS found that:

- The share of establishments working at night, on week-ends or in shifts has remained very stable in the past four years, apart from a slight increase observed in Saturday work.

- In most countries, Sunday and night work is concentrated on sectors in which the nature of the tasks requires a 24-hour service (e.g. medical services, public transport, energy).

Overtime hours

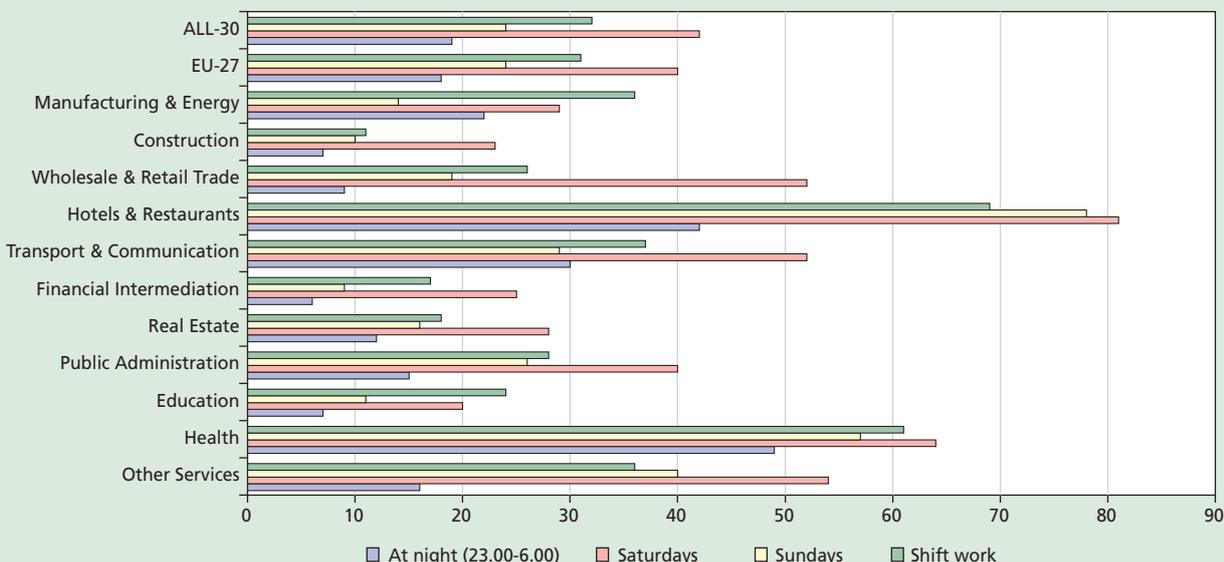
Overtime is the most traditional working time instrument for coping with workload peaks. The increase and diversity of time banking systems has made it difficult to measure overtime, especially at the establishment level. In the ECS, it could nevertheless be observed that:

- The countries with the highest share of establishments using overtime are Germany, the Netherlands and the Nordic countries. These were also among those using this instrument most frequently in 2004/05. In most southern and eastern or central European countries, overtime is much less widespread. Exceptions to this rule are the Czech Republic and Italy, where the share of establishments with overtime work was above the EU average.
- In 35% of companies, overtime is compensated financially, while in 23% of cases time off is granted in lieu of payment. 37% of establishments practise both forms of compensation. The share of establishments not compensating overtime hours at all is marginal overall and has remained stable over time.

Human resource practices

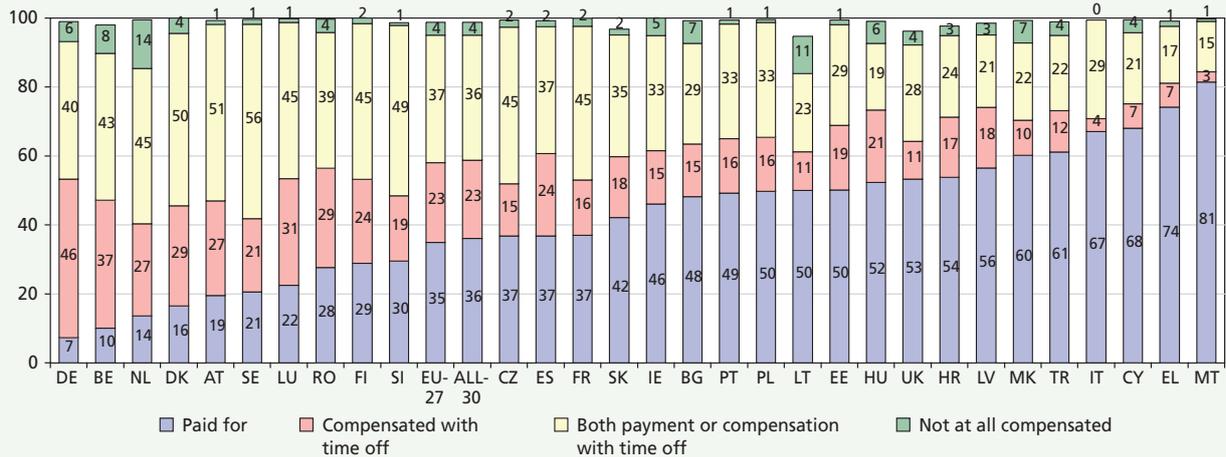
The survey mapped the incidence of some work practices considered as important elements of contractual and functional flexibility at the firm level. Contractual flexibility uses varying types of contracts to fill temporary gaps in demand or to react quickly to downturns.

Figure 3: Work at atypical hours, by NACE Rev. 1.1 sector (%)



Source: ECS 2009

Figure 4: Compensation of overtime hours, by country (%)



Source: ECS 2009

Contractual flexibility: Fixed-term contracts, temporary agency work and freelancers

- About two thirds of surveyed establishments indicated that they use some form of temporary work arrangements like temporary agency workers (TAW), fixed-term contracts or self-employed contractors (freelancers). In all sectors of activity, more than half of all establishments (with 10 or more employees) make use of such temporary contractual arrangements.
- The use of staff with fixed-term contracts has become a widespread phenomenon in European establishments: In more than half (54%) of establishments with 10 or more employees there is at least one employee with a fixed-term contract. The incidence of fixed-term employment varies considerably across European countries.
- 21% of all establishments make use of at least one freelancer.
- Slightly more than every fifth establishment in the EU27 employs temporary agency workers. This figure is similar to the ESWT 2004/2005. However, overall, temporary agency work only accounts for 2% of total employment in establishments with 10 or more employees (in the EU).
- While about 20% of all establishments report employing temporary agency workers in the last 12 months, only half of them employed a temporary agency worker at the time of the interview. Seasonal differences in the use of temporary workers alone do not explain this; rather, it is likely to be a consequence of the economic crisis which at the time of interviewing had already heavily impacted a series of countries and sectors of activity.

Functional flexibility: Adapting to change within companies

Firms can also enhance their flexibility potential by increasing the employability of people for different tasks and at different workstations. Training efforts and the practice of autonomous teamwork make it possible

to use the workforce for a broader range of roles and tasks and can be considered as indicators for this type of internal adaptability. The ECS found that:

- Three out of four establishments indicate that the need for further training is periodically checked in a systematic way. Regular analysis of the need for further training is more common in large establishments than in smaller ones.
- Not all groups of employees are equally covered by further training activities: There is a difference between permanent employees and employees with a fixed-term contract: Almost all establishments where systematic checks take place apply these to their permanent staff, whereas less than half do this for employees with fixed-term contracts. Likewise, permanent employees in skilled or high-skilled positions are included in the checks more often than permanent employees in low-skilled or unskilled positions. The training needs for older workers are also checked less than those of younger workers.
- The proportion of establishments who have given time off to their workers to undergo training is smaller than the share of establishments systematically checking the needs for training.
- One key feature characterising teamwork is the level of autonomy of team members. This concerns who is making decisions about their work and tasks as it allows distinguishing some more standard forms of team work from self-directed teams. Autonomous teamwork is more characteristic of work organisation models like the Scandinavian ‘socio-technical systems’, and the ‘learning organisations’ and previous research has shown their positive impact on competitiveness and quality of work.
- According to ECS results, autonomous teamwork is applied in 22% of establishments. It is most widespread in the Nordic countries and in the Netherlands.

Variable pay

Another form of flexibility is wage or pay flexibility. In the ECS 2009, different performance-related elements of pay were mapped which can be summarised into two groups:

- Performance-related elements of pay, where pay is usually measured against specific targets, set for either the individual or the team, working group or department.
- Profit-sharing schemes and share ownership schemes as two (sometimes overlapping) varieties of financial participation in the performance of the firm, usually without any financial risk to the employees.

The survey provides some unique information on these issues, especially since – unlike most previous surveys on this topic – it also covers small and medium-sized establishments.

Performance related pay

- Currently, just over a third of establishments with 10 or more employees provide specific elements of pay related to the performance of the individual, team, work group or department to some or all of their employees. On average, around half of the employees receive some kind of performance-related pay in the establishments where it exists.
- Pay elements related to the individual performance are more widespread (33%) than elements related to group, team or department performance (19%).
- In the financial intermediation sector, performance-related elements of pay are most widespread: close to half of the establishments apply schemes depending on the performance of the individual and three out of ten establishments have schemes depending on the performance of the team, group or department. The health and social work sector, in turn, makes least use of such elements, with just 20% of establishments applying schemes related to the individual performance and 10% applying schemes related to the group performance.

Financial participation

- Profit-sharing schemes are less widespread within Europe, with only 14% of private establishments practising them. Profit sharing is most common in Finland, France, the Netherlands and Sweden.
- In large establishments, profit-sharing schemes are on average much more common, with more than a quarter (27%) of private establishments with 200 or more employees using them.
- Independent of size, establishments with an employee representation were found to be more likely to practise profit sharing schemes than those without an employee representation.
- Most managers state that they have introduced profit-sharing schemes for reasons related to the motivation and productivity of employees. The possibility to reduce wage costs in times of low

order volumes played a much smaller role in their considerations.

- Two thirds of the profit-sharing schemes applied in private establishments within the EU is broad-based (i.e. open to all employees of the regular workforce) and thus in line with one of the central recommendations of the EU Communication on financial participation.
- Most profit-sharing schemes (63%) in the private sector are determined by the management only and not negotiated with the employee side.
- Share ownership schemes were found to be the least widespread form of variable pay. Just 5% of private establishments (with 10 or more employees) practice them, just over half of these as broad-based schemes.
- Both profit-sharing schemes and share ownership schemes were found to be most widespread in the financial intermediation sector.

Workplace social dialogue

The survey reports the views and experiences of company-level actors on workplace social dialogue. Social dialogue is defined as those industrial relations processes whereby recognised representatives of employees are to some degree involved in decisions concerning the employment relationship. Such involvement may be limited to being informed by management, or may extend to consultation, negotiation or joint participation in decision-making. The survey provides unique comparative information on the nature and quality of such workplace social dialogue in Europe. The survey findings paint a picture of robust practices of workplace social dialogue in Europe, and also point to limitations and to important differences across Europe.

Robust social dialogue

The survey results show an overall positive picture of social dialogue in Europe:

- The most common way of determining pay in Europe is through collective bargaining – two out of three workers are covered by a collective wage agreement, either at company or higher level.
- More than 60% of employees in Europe are covered by a recognised institution of employee representation.
- 86% of these representation structures have a trade union link, 63% a union majority.
- Most representation structures have access to the key resources needed to function effectively: 85% receive information on the financial, economic and employment situation of the establishment at least once per year; two out of three state that the information is usually timely, and three out of four that it is, in general, sufficiently detailed; 72% receive training on a regular basis; and three out of four of the representatives regard the amount of

paid time off they receive normally as sufficient to fulfil their representative duties.

- Nearly two thirds of the employee representatives indicate that they are involved in setting the rules and procedures on working time issues.
- The representatives generally believe that a cooperative climate of interaction exists between them and the management of the establishment.
- A large majority of employee representatives (80%) believe that their work is supported by employees.
- Most managers in European companies (70%) are generally positive about the effect of social dialogue and employee representation at the workplace.
- The same percentage also agrees with the statement that consulting the employee representative on important changes leads to more commitment of staff in implementing these changes.

Limitations

Although these results point to the strength of traditional workplace social dialogue in Europe, there are limitations:

- In a range of establishments, the representation is limited to health and safety control or is organised in an informal way.
- A third of representatives receive infrequent information on the economic and financial condition, at most once a year.
- 17% of the representatives indicate that they are not entitled to take any paid time off to carry out their duties.
- Involvement in decisions on contractual flexibility is more limited than involvement in flexible working time arrangements – in companies where contractual flexibility is used, close to half of the representatives report involvement.

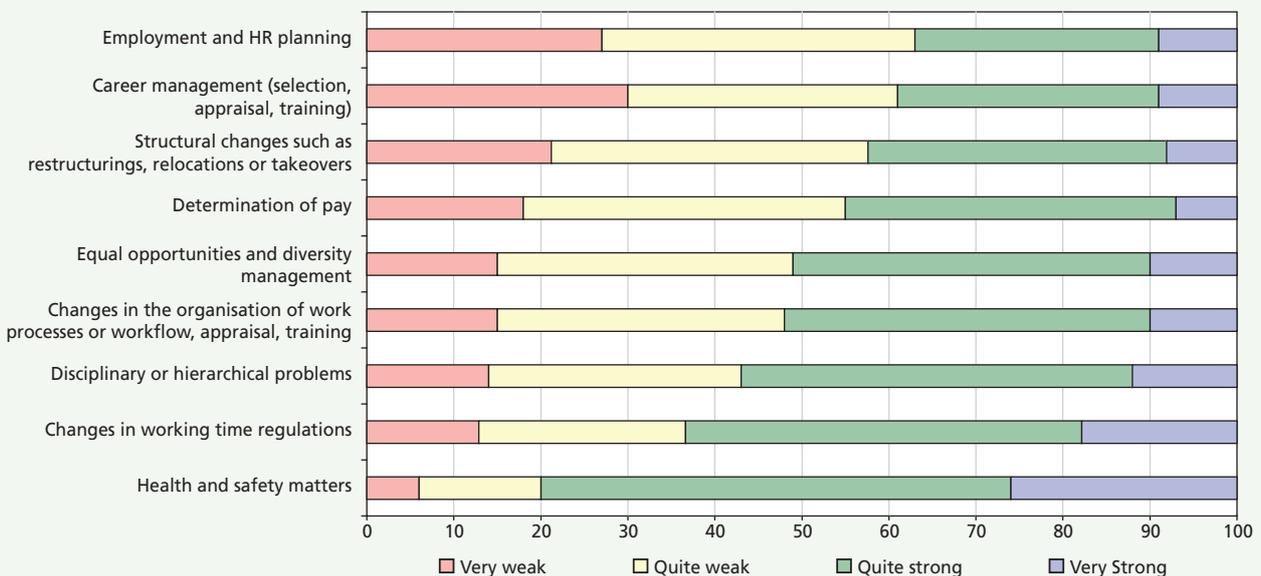
- The strategic influence of the employee representations is quite limited (see figure 5).
- While most managers consider that workplace social dialogue has positive impacts, nevertheless 60% report a preference for direct consultation with the employees of the establishment.
- 30% of managers think that involving the employee representative leads to considerable delays in important management decisions.

Varied experiences

The analysis shows important variations in the experience of workplace social dialogue in Europe:

- The ECS data confirm differences between most of the EU15 and the NMS12 in relation to the coverage and level of wage bargaining.
- More importantly, and acknowledging exceptions, the strong institutional implementation of workplace social dialogue is much more a phenomenon of northern European countries than those in the South. A less developed implementation and different, more confrontational process of statutory employee representation can be distinguished, when heading south in Europe, even after controlling for other variables like the size and economic activity of the establishments. Bulgaria, Romania and, to a lesser extent, Croatia and FYROM form an exception to this finding.
- In most countries covered in the survey (20), strikes are hardly used at all by the local employee representation.
- Many differences can be noted between small and larger establishments. The incidence of employee representation is higher in large establishments. However, in relation to the practices of social dialogue, a smaller organisation decreases the distance between management and

Figure 5: Influence of worker representations in organisations, (%)



Source: ECS 2009

representation, which can stimulate an intense, co-operative social dialogue. Resources and statutory channels are however less available, which hampers further development of dialogue. The result is a curvilinear relationship between the size of the establishment and the quality of the workplace social dialogue.

- Sector differences could often be explained by other organisational differences. The educational sector and basic industries stand out as sectors with well-established workplace social dialogue.
- Workforce characteristics play only a minor role in the differences, which can be interpreted positively: workplace social dialogue is not an exclusionary practice confined to a particular category of the workforce.

Conditions for successful social dialogue at workplace level

Firstly, a large difference of coverage between countries can still be observed concerning institutions and procedures for information and consultation. Even though the framework for employee representation exists, in some countries these channels are not being used as much as in others. As far as the strategic consultation of the employee representation in personnel matters is concerned, the differences between Member States are relatively minor. However, the ECS shows the importance of resources in relation to strategic participation. Involvement in and influence on managerial decisions go hand-in-hand with the facilities employee representations have in regard to quality information provisions, regular training and sufficient time. Such resources are more likely to be available where there are works councils and a strong trade union presence.

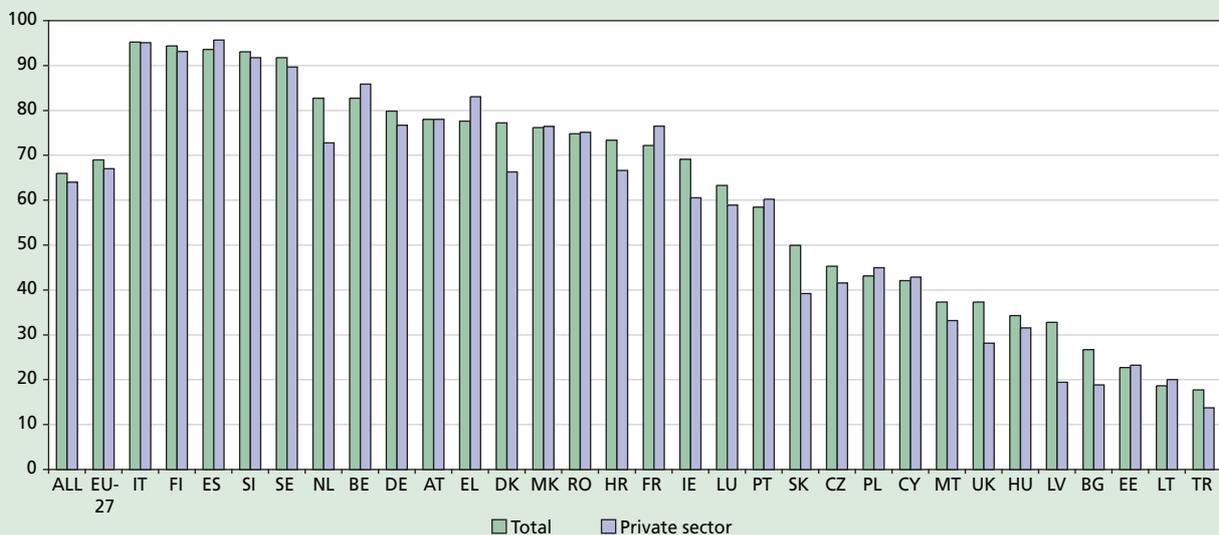
Managing change in a difficult economic context

The ECS included a number of questions to managers which relate to different dimensions of performance for the establishment. They include issues around financial performance and productivity, as well as human resources issues. The survey furthermore contains a number of indicators on changes the establishment has undergone in the last three years, such as restructuring.

However, it has to be taken into account that at the time of the fieldwork, the impact of the financial crisis was already being felt in some countries, but not in all.

- Ireland, Latvia, Estonia, and Hungary have all seen major reductions in workforce size over the past three years. This trend is not evident in all countries, though. Belgium, Finland, FYROM and Luxembourg reported major workforce increases.
- The past three years have also seen increases in reported labour productivity. The highest proportions of companies reporting this was in FYROM, Greece and Romania.
- The need to reduce staff levels – for some a first sign of an economic slowdown, while for others an ongoing development – is nothing less than alarming in Ireland, where half of the establishments conceded this fact. But staff reductions are also pending in Denmark, Estonia, Hungary and Turkey for a third of the establishments. This has repercussions for the general working climate of establishments and it was observed that these countries have a higher percentage of establishments reporting a strained working climate.
- Human resources challenges for the next years are numerous. There are differences between both sectors and countries. 36% of companies in the European Union have problems in finding staff for skilled jobs and over 10% have problems in finding

Figure 6: Wage bargaining coverage in Member States (%)



Source: ECS 2009

low-skilled workers. Another 10% of companies have problems in retaining their staff. 16% of companies indicate that they have problems in motivating their staff and 14% report problems of absenteeism.

- The incidence of establishments with any of these problems has remained stable overall between 2004/05 and 2009. The only noteworthy difference is a lesser share of establishments with problems in finding low-skilled staff now as compared to 4 years ago (the value declined by 4 percentage points). Data also show a slight increase in the share of establishments reporting problems in finding skilled staff; but this difference is rather small (2 percentage points).

Table 1: Human resources challenges - ECS 2009 compared to previous wave (establishment weighted results)

HR problem	ESWT 2004/05 (21 countries)	ECS 2009a (21 ESWT countries only)	ECS 2009b (EU27)
Finding skilled staff	34%	36%	36%
Finding low-skilled staff	14%	10%	10%
Retaining staff	9%	9%	10%
Motivation problems	15%	15%	16%
Absenteeism	14%	14%	14%

- In relation to performance indicators like economic situation, relative labour productivity and labour productivity increase, a relation between establishments that systematically assess the training of employees could be observed. Training also has a positive association with the motivation of staff and the general working climate. The relationship between flexibility measures and productivity increases will be explored in more detail in the secondary analysis.

Survey methodology

- The fieldwork took place in the first quarter of 2009 in 30 countries: the 27 EU Member states, Croatia, Turkey and the Former Yugoslav Republic of Macedonia (FYROM).
- Interviews were carried out by computer-assisted telephone interviews (CATI) in 27,160 establishments.

Further information

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- The duration of the interview was on average 20 minutes for management representatives and 15 minutes for employee representatives.
- The unit of enquiry was the establishment (i.e. the local unit or reporting unit where work takes place) and the companies to be interviewed were selected at random among those with 10 or more employees in each country. The survey did not include the agriculture and fishing sector, private households and extra-territorial organisations. Public administration was covered in the sample. Weighting has been applied proportional to both the distribution of establishments with regard to size and sector and the distribution of employees.
- The survey respondents were company actors: managers responsible for human resources at the level of the establishment and representatives of workers at the establishment. 27,160 interviews have been undertaken with management and 6,569 interviews with an employee representative.
- For the management interview, the respondent was defined as the most senior person at the establishment responsible for personnel/human resource management.
- Wherever possible, an interview was carried out with an employee representative. The interviews with employee representatives were conducted only in establishments where a management interview had already taken place. Respondents were those responsible for negotiating working conditions with management. The employee representative respondents were identified through the management interview by ascertaining whether there was a recognised structure representing the interests of the workers, such as a works council defined in the legislation of the country concerned or a recognised trade union. Where such a structure exists, the respondent for the employee representative interview was the chairperson, secretary or other spokesperson for this body.

Results at a glance

The results of the European Company Survey 2009 are also available via Eurofound's Survey Mapping Tool. This is an internet-based instrument that enables users to explore survey results for each country for selected questions. Results can be filtered by company size, sector of activity and ownership. (www.eurofound.europa.eu/surveys/companysurvey/ecs2009/results.htm)

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