

Gabi Schilling

Institut Arbeit und Technik

schilling@iatge.de

After the consultants have done their job – what changed?

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Abstract

In Germany, the implementation of flexible working-time arrangements is no longer solely the province of big firms. SMEs are increasingly interested in new working-time systems in order to adapt individual working times to business needs while saving on overtime pay. However, in contrast to big companies with their own working-time know-how, most of them depend on management consultants. This is why the state government of North Rhine-Westphalia (NRW) recently set up a scheme to support SMEs drawing on consultancy expertise in matters of working-time.

The paper provides insights into the process and outcomes of such consultancy activities. It draws on ongoing case studies in SMEs and focuses on the particular difficulties of SMEs trying to change their working-time organisation. The deficiencies of any advice given during a consultancy exercise that neglects the organisational backgrounds of individual firms are highlighted.

Outline

1. Evolution and current status of working time flexibilisation in Germany
2. The use of flexible working time arrangements in SMEs
3. The use of external consultants in matters of working time
4. The linking of working time consultancy to employment policy objectives as part of ESF aid
5. Conclusions from the case studies: experiences, problems and criteria for the success of flexible working time arrangements
6. Flexible working time arrangements and employment effects

1. The current state of working time flexibilisation in Germany

Germany is one of the EU member states in which working time flexibilisation has advanced furthest in the last two decades. The reduction of working time in the pioneering metal and engineering industry was the trigger for the 1984 agreement on the gradual introduction of the 35-hour week in that industry. In return, the employers negotiated an extension of operating hours and extensive flexibilisation of working time, both of which were subsequently adopted in other industries. These changes also led to a change in collective bargaining policy that can be summed up by the catchword 'decentralisation'. Industry-level collective agreements increasingly contain derogation clauses, which devolve the practical organisation of certain objects of regulation, particularly working time, to the firm or establishment level in order that better account might be taken of local specificities. This requires a high degree of technical and bargaining competence among the various bodies representing interests in the workplace, a condition that is far from being met in all firms. In many cases, works and staff councillors feel it is asking too much of them to expect them to be able to assess the medium and long-term consequences of increasingly intransparent and complex working-time arrangements.

Even in the metal and engineering industry, in which the first trade-off of shorter working times for greater flexibility was negotiated, working time flexibilisation was very slow to get off the ground. The prototypes of flexible working time arrangements were to be found almost exclusively in large firms (e.g. Siemens, VW etc.). Since the end of the 1990s, however, a process of 'enforced flexibilisation' has been under way in Germany. A wide range of very different working time arrangements now exists (particularly working time account systems of the most various kinds), the principal objective of which is to inject greater flexibility into the scheduling, duration and distribution of both statutory and contractual weekly working times.

2. The use of flexible working time arrangements in SMEs

In SMEs, on the other hand, the opportunities for making working time more flexible and more variable are exploited to a much lesser extent. This is not to say, of course, that the need does not exist. As competition has intensified and firms have come under increasing pressure not only to cut costs but also to meet the growing demands of commercial strategies that are ever more customer-led, many smaller and medium-sized firms have embarked on the venture of reorganising their working time arrangements.

I use the word ‘venture’ advisedly, and for the following reasons. In contrast to largely rigid or standardised working time arrangements, flexible working time systems require *structuring competences*. Among other things, this necessitates precise knowledge of a company’s business processes, its skill profile and external demands, as well as of employees’ time use requirements. Give the manageable number of employees, customers and orders that SMEs have to deal with, these requirements may not appear too exacting. However, practical experience in the workplace shows that:

- information on work organisation, labour use, working time and external requirements (e.g. order situation) is only seldom available and is usually restricted to a few decision-makers;
- the conduct of day-to-day business is characterised by ad-hoc decision-making and informal arrangements;
- established working time routines and habits, task allocations and responsibilities have proved to be counter-productive and resistant to change in the face of changing external demands.

There is one further factor that helps to determine the success or failure of efforts to introduce greater flexibility into hitherto rigid working time arrangements. The degree of commitment to change is reflected not least in the readiness of the actors involved to invest time in the development and testing of new working time arrangements. Flexible working time arrangements demonstrate their effectiveness only in operation and the design of flexible working time arrangements is a permanently ongoing task.

As is shown by past disputes on working-time reduction and the current debate on working-time increases (cf. Lehdorff 2003, Seifert 2003), the working time interests of employees and employees frequently conflict. True, it has been shown that working time changes imposed against employees’ wishes and without any input from them and introduced primarily for business or operational reasons can impact adversely on the smooth running of a business and, not least, on the working atmosphere, leading to resignations, high sickness levels and declining motivation. The chances of successfully implementing change are improved if the processes leading to the development of flexible working time arrangements are participatory in nature and if employees and their representatives have adequate opportunities to make their voices heard. This applies not only to the introduction of flexible working times but also to processes of modernisation and change in general, as a recently published study by the ZEW (Centre for European Economic Research) entitled ‘Works

Councils and the Productivity Impact of Direct Employee Participation' has once again confirmed. It is mainly firms with such participatory processes that have seen significant increases in productivity following the introduction of new forms of working (Zwick 2003).

3. The benefits of external consultancy in matters of working time

External consultants can be an important source of advice and support for firms adopting a participatory approach to the development and implementation of new working time arrangements. Here too, large firms played a pioneering role.¹ This has to do with both financial considerations and corporate culture. External consultancy is a cost factor which, even if proves worthwhile in the medium to long-term, has to be funded in advance, which to most small and medium-sized companies, already suffering from ever more intense competitive pressures, seems virtually impossible. Moreover, smaller firms tend to suffer from the delusion that they 'already have their business well under control'. A specific variant of this delusion is frequently encountered in family firms, where the 'head of the family' is often reluctant 'to give anything away' or sees reliance on outside assistance as an admission of his own failure. In general, management's role in and attitude towards processes of change is a decisive factor in putting in place a constructive process supported by consultants.

However, employees too can be sceptical about external consultants, who are generally called in by management. Not only do they find it difficult to accept the loss of established working time routines and financial bonuses (particularly overtime premia) but they may also suspect that any consultants hired by management will be likely to have a preference for fulfilling the company's declared objectives.

4. Linking working time consultancy to employment policy objectives

In recognition of SMEs' increased flexibility requirements and the existing barriers to access to consultancy services, the NRW Alliance for Jobs decided to make NRW and ESF funds available in order to support working time consultancy. However, this financial support was

¹ According to a company survey carried out by the ISO in Cologne, SMEs made very little use of the services of working time consultants in 2001. However, this does not reflect the actual need for such services in SMEs. A survey of works and staff councils carried out as part of the tranet project (knowledge transfer among works councils) revealed that two thirds of companies call on external consultancy services, with one company in two seeking assistance from the employers' association and commercial management consultants. According to this survey, the main areas in which assistance was sought were health and safety (52%), training (48%), organisational development (39%) and working time (26%). In only 37% of cases were the various workplace representative bodies invited to participate. These bodies report an increasing need for consultants' advice on the introduction of new working time arrangements (rise from 23% in 2001 to 29% in 2002) (Arbeitsweltreport 1/2003, 4)

linked to certain employment policy considerations, namely the expectation that working time flexibilisation would not only help to improve firms' competitiveness but also to safeguard jobs and even increase employment. This approach to consultancy, with its twin objectives of stabilising existing jobs and creating new ones, went beyond the confines of individual companies, while at the same time making the participation of all workplace actors mandatory. It also laid down a store of trust and confidence, particularly among employees and their representative bodies. Of course, such trust and confidence can be disappointed.

After a lengthy implementation phase, SMEs that had made use of consultancy services with financial support from the state of North Rhine-Westphalia and introduced a new working time system were questioned about their experiences with the external consultancy services by the IAT, which was responsible for the support programme of academic research.

Unlike rigid working time arrangements, flexible working time systems can be likened more to a box of tools or instruments that can be used as required and sometimes also need to be tidied up. They are in no way an easy remedy. Furthermore, they lay down minimum standards (in respect of equalisation periods, adequate periods of notification when claiming/granting time credits, protection of time credits, limiting of time debts, non-variable wages etc.) that are intended to protect the interests of employers and those of the company alike. The arrangement is procedural in structure, in order to be able to take account of changing demands inside and outside the company. Only the procedural arrangements are fixed. Company or single plant agreements on flexible working time arrangements are tools for daily use and have to prove their serviceability day in and day out. Thus the conclusion of a company agreement on flexible working time arrangements is less a successful endpoint than the beginning of a negotiating process. It is only in the rough and tumble of daily business, with its constantly changing demands, that it can be decided whether the arrangements put in place can actually become a 'lived norm' (Haipeter/Lehndorff 2003).

5. Findings from the case studies: experiences, problems and criteria for the success of flexible working time arrangements

The success of attempts to put in place workplace procedures for dealing with working time issues and to establish a viable bargaining culture that will survive once the consultants have packed their bags will depend crucially on whether employee participation is seen not as a one-off event forming part of an external consultancy exercise but as a continuous process.

In order to make participation a permanent part of everyday work processes, the following requirements must be met:

1. adequate (thinking) time must be built into daily work processes;
2. there must be a clear division of responsibilities and internal advocates, drawn if possible from all groups of actors in the workplace;
3. employees must be able to see that participation has noticeable effects;
4. clear rules must be formulated as to how to proceed when the working time arrangements that have been introduced do not work out in practice.

Thus one of the key questions being addressed in the ongoing support programme of academic research is whether flexible working time arrangements can actually solve operational problems and whether further processes of change have been triggered or are required (and if so, what they might be).

I am reporting here on seven small and medium-sized firms. In selecting the firms for investigation, due care was taken to choose firms of different size operating in different industries. Furthermore, some of the companies in the sample are covered by a collective agreement, while others are not; similarly, some have workplace representation of interests and others do not. Another selection criterion was the scale of the consultancy exercise.

Despite very different starting positions, working time accounts were introduced in all the firms in our sample. Working time accounts are one of the most advanced flexibilisation arrangements and have been introduced in increasing numbers in recent years, not only in large firms. It is noteworthy, however, that all the firms introduced so-called 'traffic light accounts', which have the advantage of containing in-built control mechanisms that are intended to prevent the uncontrolled accumulation of time credits or debts by triggering timely negotiating processes. Consequently, they require regular exchanges of information on the functioning of the time account system and should help to initiate investigations into the causes when the account limits are reached. Accordingly, one of the key questions in the interviews was whether and to what extent these control mechanisms are actually being used.

The following criteria for a successful and durable working time arrangement can be derived from the case studies carried out to date:

- The crucial factor in determining the course of the consultancy exercise was whether flexibilisation issues had already been discussed before working time consultants were called in, rather than simply being evoked by an existing consultancy proposal. The decisive factor in a successful consultancy exercise has proved to be the extent to which management is willing to give consultants an insight into all aspects of business

and operational processes. Only by providing such an insight can working time issues be linked to work organisation and the design of work processes.

- The participation of employees affected by the planned changes and of their representatives is mandatory for consultancy exercises supported by NRW funds. All company managers are aware at a very general level that operational changes should not be introduced against the wishes of the workforce. Nevertheless, some have only a limited understanding of participation. Thus it is not sufficient, particularly when introducing flexible working time arrangements, to consult employees once during the consultancy exercise or simply to inform them of the planned working time arrangements. This is no way to overcome resistance and reservations among the workforce. There is a wide gap between purely formal and truly substantive participation that companies can fill in very different ways in the course of a consultancy exercise. Particularly when management is seeking to persuade employees that they too will benefit from more flexible working time arrangements, opportunities must be found for adequate discussion of any reservations the workforce may have. Furthermore, it has been found that all those involved first have to learn how to manage more flexible working time arrangements and that it is by no means evident at the beginning of the trial phase whether the new arrangements will prove to be workable in practice. And after the trial or pilot phase, it is essential that experiences with the newly introduced working time system are discussed and that there is sufficient openness to make any changes that may be necessary.
- In all the establishments investigated, the flexible working time arrangements were introduced at the request of or by agreement with company management. In most cases, however, responsibility for the introduction process was delegated to middle management. In all cases, the main responsibility fell to the personnel departments. Their function as advocates is important but not sufficient. In the implementation phase of new arrangements that introduce greater flexibility into the organisation of working time at individual department level, it is crucial that department managers and group leaders in particular are trained how to manage the new system. Some companies recognised this and organised management training courses on how to conduct a dialogue with employees. Department managers and group leaders have a key role in the introduction of 'traffic light' account systems. They have to be kept informed of the status of their co-workers' time accounts and take appropriate measures when the agreed limits are exceeded or not met. This requires continuous

communication with employees and the ability to take pre-emptive action. At group leader level, however, there is often insufficient understanding of the new arrangements. And in some cases, when a new working time system is put in place, established departmental habits are maintained on the grounds that ‘we can’t keep track of working time unless everybody’s at their work station at the same time’.

Another problem is that the groups leaders and supervisors themselves often fail to comply with the agreed working time arrangements; when working time accounts are introduced, they themselves frequently exceed the stipulated account limits. Those responsible for managing flexible working time must also set an example. If they do not themselves stick to the arrangements put in place, they can hardly expect the rest of the workforce to do so.

- In all the companies, groups were appointed to work with the consultants and with management on developing the new working time arrangements. In some cases, this stage of the consultancy exercise was particularly drastically shortened. In the smaller firms in particular, employee ‘participation’ amounted to nothing more than the circulation of information about a working time system that had been agreed in advance with management. True, employees were asked to make known their objections and reservations, but existing differences were not fully discussed. It is hardly surprising, therefore, that after the pilot phase – which in some companies was actually boycotted by sceptics – the same objections and reservations exist as before the new arrangement was introduced. Doubts and objections that are not dispelled create a bad atmosphere and are infectious. Truncating the process of introducing working time accounts frequently causes a workforce left in the dark to harbour the suspicion that the main aim was simply to save on costly overtime premia.
- If employees and officials are not given an active role to play during the consultancy exercise, old time use routines may re-emerge once the consultants have left. Employees who remain unpersuaded of the benefits of the new arrangements or have been unable to realise those benefits in the form of adequate compensatory time off (when reducing time credits) sometimes prefer to stick to their old practices. Active participation means asking employees for their specific producer and process knowledge. It is they who are usually best placed to identify the areas in which disruptions to work processes arise and the reasons why they occur. Any change in the

organisation of working time should contribute to better management of points of friction and bottlenecks and do so in a way visible to all.

However, this kind of active employee participation sometimes meets with opposition, particularly from middle managers. They balk at too much participation, too much consultation, too much peering into operational processes, because ‘it is very difficult to turn this particular clock back’, as one works councillor put it. A high level of participation demands different skills from managers, many of whom still think in terms of the old hierarchies. If these hierarchies are called into question or flattened by active participation, they tend to feel that their freedom of action and decision-making competences are being curtailed and not infrequently they react by ‘putting the brake on’. On the other hand, managers must support the changes being made and give project groups the room for manoeuvre they need to do their work, that is create opportunities for them actually to influence work processes.

- If there is a genuine desire to enlist employees’ help in order that operational considerations can be properly taken into account when flexible working time arrangements are being introduced, then an appropriate working time culture has to be developed gradually, since such a culture generally represents a break with older, more rigid and hierarchically regulated organisational forms. If such processes are not merely put in place but are also kept in active use, then the best possible conditions are created for achieving ‘win-win’ effects. Only then can ‘the creation of an explicit link between individual needs and corporate goals ... act as a catalyst for organisational change and strategic innovations, because it leads to the identification of working practices that have unintended negative consequences for organisations and individuals’ (Klumb/Staats 2003, 29).
- Once the pilot phase is concluded, all the actors in the workplace should be involved in a re-examination of objectives. Various methods can be adopted. Joint discussions, properly minuted, could be held, at which binding agreements could be reached on how the deficiencies identified in the trial arrangement could be improved. In large companies, an alternative, more practical solution might be to survey employees on their attitude to the new working time arrangements. It cannot be assumed that flexible forms of working time organisation can be successfully introduced on the spur of the moment and without frictional losses. A review of the experiences acquired during the pilot phase is a crucial factor in the successful of a flexible working time system.

Since firms are reluctant to give anything away in the event of failure or difficulties, a binding agreement on this review process should be made right at the beginning of the consultancy exercise (cf. also Kailer/Falter 2001, 205).

- Ultimately, external consultants can only provide the impetus for internal change. For this reason, processes have to be put in place at an early stage that help organisations to help themselves. The establishment of a working party constitutes an important step, and one that should not be confined to the consultancy process itself. More flexible time arrangements require effective internal communications at several levels. Such communication processes also have to be organised and will not simply emerge spontaneously. Who informs whom about what new development? And when and how often is this necessary? The transmission of information and the transparency of operational processes can be improved by the appointment of spokespersons charged with passing on information regularly and in good time. If one of the provisions of a flexible working time is that employees may vary the duration and scheduling of their working times, provided that operational or business considerations are taken into account, then it must be clearly agreed who is responsible for coordinating this variability, initially at department level but also at the inter-departmental level. The case studies indicate that working time coordination still takes place within individual groups and usually functions smoothly. However, coordination throughout the value-added chain is more difficult. Regular exchanges of information between departments are required.

Thus some of the case studies show that it is difficult to control working time accounts at the ‘last link in the chain’, because they are dependent on well-structured work processes in the areas upstream. Under certain circumstances, orders or products pile up here or there are unproductive idle time periods; as a result, employees in this area reach their account limits more quickly, with the consequence that accumulated time credits or debts can hardly be cleared any longer. Furthermore, employees who, for example, are responsible for the repair and maintenance of plant and machinery in more than one department, enjoy less flexibility in the planning of their working time because their workloads and work scheduling afford them less room for manoeuvre (because of the shorter lead times, among other reasons).

One principal outcome of a consultancy exercise may be that changed forms of working time organisation set in motion internal learning and discussion processes. If a wide range of actors

are involved in these processes, weak points in work organisation may be revealed, interface problems identified and skill shortages located. If these opportunities are exploited, if new forms of work organisation are developed and tested or training processes put in place in order to extend functional flexibility within the company, then its competitive position may well be improved as a result. A company that puts greater emphasis on employee involvement, provides further training and operates a sensible work scheduling system itself derives the greatest utility from such measures. Employees working in project groups formed in the wake of an external consultancy programme 'identify problems on their own initiative and seek out new, long-term solutions for them, thereby developing a proactive attitude. They do things that are not assigned to them from outside. This creates opportunities for individuals and the organisation but also potential for conflict as a result of the difficulties that new processes inevitably bring with them' (Klumb/Staats 2003, 30).

The win-win processes that are frequently promised when flexible working arrangements are introduced do not materialise by themselves, and certainly not in the short term. Rather, they are the result of a continuing bargaining process and have to be repeatedly given fresh impetus. They require advocates in the workplace, not all of whom should be at management level.

6. Flexible working time arrangements and employment effects

The effectiveness and/or effects of flexible working time models become apparent only with the passage of time. This is particularly true of working time accounts and annualised working hours. Whether such systems are better able to smooth out fluctuations in workloads cannot be ascertained until at least a year (or the agreed equalisation period) has elapsed. Only then is it possible to say with any degree of certainty whether the flexible working time arrangements can help to protect jobs. A lot can happen in a year: a slump in orders or an economic downturn can thwart even the most flexible working time systems. If, for example, a slump in orders shortly after the introduction of a working time account system means that no time credits are built up, but instead debits accumulate over too long a period, then the working time accounts will no longer be worthwhile for the firm because workers are being paid on the basis of contractual working time. If this becomes unsustainable because of a persistently weak order book, then temporary working time reductions without compensatory wage increases will be more attractive to firms, as recent developments have shown (e.g. at Opel). Gesamtmetall, the employers' association for the metal and engineering industry, calculates that the time credits accumulated in this industry in recent years have already had to be

‘plundered’ because of the continuing stagnation of order books throughout the industry. If weak demand persists for too long, then even time accounts cannot safeguard jobs.

Even when, with the consultants’ support, tailor-made working time models precisely matched to a company’s needs and starting position are developed and introduced, it has to be borne in mind that even the finest tailor-made suit is not a purchase for all eternity. If its wearer’s measurements change to any great extent, then limited alterations can be made, but sometimes it has to be accepted that a new suit is required. Similarly, a good suit must be properly cared for it is to last for a long time. The same is true of flexible working time arrangements developed for a company at a particular stage of its development. To some extent, such systems can be adapted to changing conditions. However, if the initial conditions change considerably, then the tailor has to be called in again. In any event, the fit has constantly to be checked and re-checked.

However, just like any well maintained set of overtime statistics, working time accounts can be an important aid for personnel departments and works councils. If entire departments or areas have persistently high account balances and it is impossible for accounts to be balanced over a fairly long period or within the agreed equalisation period, then this is an important indicator of a) inadequate staffing levels or b) less than optimal work organisation (workloads in other areas might be too low, for example). The transparency achieved by use of working time accounts contributes, through objectification, to informed decision-making. The bargaining processes that then become necessary will be more effective if supported by workplace representation of interests.

In firms or establishments without a works council, it is advisable to set up a working time committee or working group. The task of such a body would be to gather information on the problems and difficulties as well as the positive effects of the flexible working time arrangements, to offer advice, to work with management on behalf of the workforce in developing possible solutions and to provide for transparency within the workplace. If such a body is not put in place, working time disputes will continue to be individualised rather than being the object of negotiations that, in the long term, will benefit employees and improve job security.

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