Saving jobs at all costs – company strategies

Reducing working time

While the current crisis has led to massive job loss across the EU, there is evidence to indicate that companies are trying hard to maintain staffing levels until the economic situation recovers. To this end, employers have generally introduced a number of interrelated approaches – either simultaneously or in sequence – rather than just one measure. Due to falling demand, many European companies have had to reduce their production level, and consequently have been forced to adjust the working hours of their employees. As a first step, companies asked workers to avail of their holiday entitlements, particularly during the peak of the recession at the end of 2008 and the beginning of 2009, when the holiday season in many firms was extended. Subsequently, working time accounts have been introduced or enhanced in many companies: under this scheme, companies ask workers to take compensatory time off for overtime they have already accumulated, or ask them to take time off at the present and work longer hours later, when the demand for the firm's products recovers.

To protect jobs, companies are looking at ways to reduce employees' working hours, using such mechanisms as:

- **extended annual leave;**
- **working time accounts and short-time working;**
- **career breaks and sabbaticals.**

While the financial cost of redundancies certainly deters employers from letting staff go, there is widespread anecdotal evidence that companies have learned from previous downturns, when the dismissal of trained and experienced staff undermined company efforts to restore levels of production once economic recovery began.

Many European companies – mainly in the manufacturing sector – have put their employees on short-time working. One very widespread form of this is a three- or four-day working week, partly backed by public support schemes, which compensate employees for the reduction in income. Some companies – primarily in the services sector – are offering their employees career breaks or sabbaticals. Over this period, which may be for as long as between one and five years, staff are entitled to take part in training or devote time to family responsibilities, while still receiving a percentage of their previous salary.

Reducing pay

In order to avoid redundancies, many employers have agreed pay freezes or even pay cuts with their employees (or with employee representatives). In many of these cases, pay cuts are not uniformly applied to all employees, but rather are phased across income bands – for instance, pay freezes for low-income earners, moderate pay cuts for medium-income earners and greater pay cuts and non-payment of bonuses for management staff. Often, pay cuts have been introduced in conjunction with reduced working hours, rather than as a stand-alone instrument.

Pay-back for employees

In order to compensate employees for their willingness to contribute to the company's recovery, a number of employers have provided incentives for their staff to accept the measures described above. Support for further training is particularly widespread in cases where working hours have been reduced. In several cases where companies have asked their employees to accept pay cuts, the affected staff members are offered company shares, allowing them to participate in future profits. Finally, many companies offer special severance packages to staff members who decide to voluntarily leave the firm. These may take the form of higher redundancy payments than legally required or collectively agreed, and the provision of outplacement support.

Further information

This fact sheet forms part of the Eurofound resource pack *Sink or swim: recession and recovery in Europe.*
The pack explores responses to recession, at European, national and company level and points to possible avenues to a more sustainable European social model.

For a copy of the pack or for further information on this topic, please email:
recession@eurofound.europa.eu

To view the resource pack online and all other Eurofound materials on this topic, please visit:
www.eurofound.europa.eu/resourcepacks/recession.htm

EF/09/91/EN-5

European Foundation for the Improvement of Living and Working Conditions
Wyattville Road, Loughlinstown, Dublin 18, Ireland
Telephone: (+353 1) 204 31 00 Email: recession@eurofound.europa.eu Website: http://www.eurofound.europa.eu