

## Interview

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# "Don't order temp workers like stationery"

Interview with Prof. Jutta Rump, Institute for Employment and Employability  
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Adecco Institute: Ms. Rump, your Institute for Employment and Employability surveyed 350 companies on the effects of the financial and economic crisis on their HR policy. Which three results do you consider most significant?

Rump: First, many companies are aware that this crisis is unprecedented both in pace and impact and it therefore threatens the very existence of those affected. Many companies have recognised that faced with increased economic pressure they will have to reconsider their HR strategies. At the same time many companies are also aware that they cannot ignore a trend like demographic change, which occurs regardless of booms and busts, without putting their business and strategic perspectives at risk. Our survey "HR policy in the crisis" was therefore aimed both at short-term actions, such as reducing employee numbers and monetary responses, as well as steps taken with a perspective on the future. The survey showed that both issues are attributed an equal significance in companies.

Our second important finding is related to short-time work. Whilst this tool is currently not utilised across all industries, it is given consideration. Short-time work is already in place in plant engineering and the automotive industry.

The third result is pleasant: layoffs for operational reasons are currently "only" being considered.

A: The crisis was mainly caused by errors made at management level, especially in the finance industry. Will HR managers be the ones who have to deal with those mistakes?

R: That is a difficult question. Certainly, staff are given a high significance today and most likely in the future.

A: A higher significance than before?

R: In the past, corporate policy was often one-dimensional, with a focus on finances and investments into utilities. HR has been given more and more significance over the past years, but considering trends such as the lack of skilled labour and the demographic gap, by far not enough to meet the challenges ahead.

But it is fascinating that people's mindsets have changed. Without this change in awareness the far more operational redundancies would have occurred in reaction to the crisis.

A: But it is indisputable that in the current crisis there is an increasing number of redundancies to reduce cost, which has even resulted in companies' improvement on the stock market. Would you still say that this crisis has not prompted companies to react primarily with redundancies as in previous crises?

R: At the moment, yes, I would. But we must not fool ourselves. The longer the crisis lasts, the more frequently companies will reduce employee numbers. This sword of Damocles is over our heads.

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A: In its own surveys the Adecco Institute found that before the financial crisis in times of demographic change, a sad state of education and a lack of qualified employees, HR policy is now of important strategic value. Core staff has become an asset. Does this strategy no longer apply in the crisis?

R: No, it still applies even in the crisis. But something has changed in the companies - distinctions are being made between employees and core employees. The latter are needed to maintain basic business, and companies hope to survive the crisis relatively well with only these employees.

Additionally the companies rely on satellite or flexible, temporary staff that they use to respond to the ups and downs, the booms and busts. We are moving towards a two-class employee structure with some who have a relatively safe job in a relatively safe company and others that move around.

A: Does that mean that employees with higher their qualifications have a higher chance of getting a safe job?

R: Absolutely: Security due to quality. But to retain their security, the core employees must remain flexible and mobile. They need to be able to adapt to their companies' changing requirements.

Those outside the core staff have to be even more flexible and qualified. In return they do not get a secure job but rather the security of their own employability. That is a completely different model. It is very likely that such a model will become more and more common and that the crisis will accelerate this development.

A: For business owners having the right strategy also means creating the greatest possible security for future economic development. How should a company shape its HR policy if it doesn't know when its financial situation will improve?

R: Any decision must be based on a precise market observation, and innovative products and services must be offered. Once the products are standardized the processes must be innovative and flexible. The essential requirement for this are committed, qualified employees. A company can only navigate through the uncertainties with good staff who identify with the company. These are four key challenges. Saying that the operational tasks are overwhelming is the wrong answer.

A: What happens if the finance director can't pay the salaries anymore because the company is about to become insolvent.

R: Then options to avoid the insolvency must be explored. This also includes questioning the reasons for the insolvency and investigating past decisions. Insolvency is rarely caused by a sudden event. Also keep in mind that insolvency does not mean liquidation. With a good strategy and good employees, insolvent companies have a good chance of becoming successful again.

A: What role do you think temp agencies have in insecure times?

R: A very important one. Companies can maintain their balance with core and variable staff. This applies to boom phases as much as to crises. I am convinced that in future there will be temporary workers not just in lower positions but increasingly also in planning and qualified functions. Temp agencies also play an important role in the development of organisations towards project work.

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For example: a company develops a new product and therefore requires very specific skills. Not enough core employees have the right qualifications. The strategy in the past was to develop the employees until they were fit for the new product. This method is too slow for the future.

In this fast-moving world it is vital that a company gets the know-how it needs urgently on a temporary basis from outside. Once the product is in place the company can produce it with its core employees. The temp staff who are only involved in the development move on to the next project or customer. These mixed teams make the company much more flexible and faster. At the same time this kind of cooperation gives internal and external employees additional qualifications.

A: So you suggest moving the risks of corporate planning to the HR service providers who would have to evaluate market opportunities for their customers' new products?

R: Temp agencies need to develop into sparring partners for the company when it comes to strategic HR planning, so they do not simply respond when the company uses them to find a few qualified employees. Strategic partnership is needed...

A: ... in which a qualified army of reservists are employed temporarily?

R: No, temp agencies must be integrated into the plans. At the end of the day there must be a strategic alliance.

A: Why is such cooperation still the exception at the moment?

R: Unfortunately achieving this ideal is hindered by the low reputation of temporary staffing agencies. If you were to go into a company today and propose this proactive HR planning and strategic alliance, the HR manager would probably give you a startled look and say: "With agencies? Maybe with a management consultancy, but certainly not with a temp agency."

A: How can the reputation of temp agencies be improved?

R: I believe a change of terminology is needed. The term "temporary staffing" has too many negative connotations to improve its reputation overnight. Maybe temp agencies should establish special subsidiaries being accepted as strategic partners.

A: How can customers contribute?

R: Things also have to change with the customers. At the moment temp agencies are frequently handled by purchasing and not HR management. Temporary staff are purchased like stationery. It is often difficult for temp agencies to even get close to the HR manager.

A: Is the "flexibility" offered by temp agencies only relevant when the economy is booming?

R: No. Flexibility has consequences and relevance in any economic situation, structural crises or cycles. During upswings it can help finding employees quickly. From the strategic perspective the focus is on proactive HR planning. In a downturn flexible temp agencies can ensure that companies continue to exist. From the corporate perspective I prefer to talk about "flexicurity" - flexibility and security for the company.

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A: And from the employees' perspective?

R: In normal times the German temporary work model gives temp workers flexibility and security because they generally have permanent employment contracts and their work with the customers is flexible. In neighbouring countries the "hire and fire" principle reigns. This means that the employee enters a company for a set period of time, becomes redundant for an interim period and then moves on to the next job.

A: On the stock market it is important to invest at the right point in time when share prices are low. Can these rules be transferred to HR policy during difficult times?

R: Companies that are faring well despite the crisis have certainly recognised this opportunity and are being proactive, in other words, they go shopping on the labour market. They know that now is a good time to find really good, highly qualified and highly motivated people for their company. These qualified people might not be interested in the company in a boom phase.

But our survey also showed a second trend. Many companies are using the crisis to make it clear that corporate management and the employees form a unit, to create a feeling of identity. The employees remain loyal and realise that they have to get through the crisis together with the management. This issue, creating trust, comes up very clearly in our survey. Open and honest communication is valued very highly.

A: A company wanting to invest into its workforce has two options. They can stand in front of factory gates and wait for qualified staff to be made redundant, or they can train more apprentices and existing staff. Which of the two takes priority?

R: Both strategies are very important. In the current situation training and qualifications are of elementary importance and are also being practiced, sometimes with state support. In Germany, there are still apprenticeships. We found that there are very few cases where the training rate has fallen. Of course subsidies help, but there are plenty of companies who are training their employees without state aid. Their philosophy is that it makes sense to invest into training when enough time is available.

A: Is lifelong learning only a catchphrase in Germany or is it rooted in companies' practices?

R: In my opinion this is a classic example of the "Talking-Action-Gap", where there is a big discrepancy between what is said and what is put into practice. There is awareness of the necessity of lifelong learning but there is a lack of steps towards implementation. Further training and qualification is usually pursued up to around the mid-40s, in some industries only to around the early-40s. After that, there is close to no training activity. So lifelong learning exists in the corporate world between the ages of around 20 to 40. During that period we often observe very good practice, after that there is no effort at all. Many are unaware that their working life will continue for between 20 and 25 years after that.

A: So are the effects of demographic change being ignored?

R: I don't know if they are being ignored. But there is a lack of action and ideas for implementation. Most training and qualification tools are targeted at younger people's learning ability. It is not surprising that older people do not fit into these concepts.

We should also keep in mind that many older employees think, "I have worked in this company for 30 years, and now you want me to do something different? I have already learned so much - that has to

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suffice for the last years." They ignore the fact that the "last years" may be as many as 10 or 15 and much can happen during that time. Lifelong learning can only be successful if companies and staff work together.

A: Can the Hartz IV principle of having high expectations and offering the necessary support be applied to lifelong learning?

R: Of course, however it is a very sensitive topic. If older people are employed and not encouraged to pursue further training, chances are they are facing redundancy. It would then be up to labour market institutions to engage them into a learning process. If they refuse to take part in the offers provided by the employment service, this would have to have consequences. In such a case, society should not have to provide for the individual - solidarity has its limits.

A: What is your opinion of the model that the politicians currently favour, short-time work, especially when it is combined with state payments for further training?

R: In general I like the short-time work principle - it sends out the right signal. Unfortunately too few companies are using it.

Instead of simply sending employees home during short-time work, they could provide further trainings which would be beneficial for both sides. In any case it must be prevented that companies make use of this model only to get cheap state aid in the crisis.

A: Another word on flexicurity - a current key word for politicians. Is it supported in companies?

R: The survey shows that that the term is not used frequently but that corporate policy is aimed at flexibility and security. Harsh steps, such as redundancies, do not take priority in the crisis. Instead, open and honest communication, creating trust, training and entering strategic alliances are at the top. The survey shows that in a wide range of companies the term "flexicurity" is not used but the actions taken conform with its principles.

A: Is flexicurity and short-time work the most our phantasy can conceive to tackle the crisis?

R: There is still substantial potential for innovation that we haven't tapped into yet when it comes to implementing flexicurity in day-to-day practice. Take exchanging employees between companies in regions that have been affected by the crisis to different extents. Or employees waive part of what they earn, effectively giving the company a loan that is paid back later with interest.

A: Your survey shows that large companies use these flexibility tools most frequently. How would you explain that?

R: Large companies have much more practice in using these flexible tools. They usually have the personnel resources, such as a dedicated HR department to handle such questions. And they receive a lot of input from chambers and associations. In many small and medium-sized companies the CEO is in charge of HR issues in addition to all other tasks. Many get lost in the day-to-day operation of the business. They lack the courage and imagination less than the information and networking. It therefore is essential to spread the message to small and medium-sized companies.

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A: Who should send out these messages to fire up the imagination?

R: I request imagination from entrepreneurs, managers, social partners, unions and employer associations. I also ask for such imagination from chambers of commerce, chambers of trade and of course from politics and politicians.