



English summary
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Staffing strategies in small and medium-sized manufacturing enterprises in Hordaland county

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Research question and project implementation

In terms of petroleum-related employment, Hordaland county is Norway's second largest after Rogaland. Many of the municipalities in Hordaland also head the statistics in terms of their percentage of employment in the petroleum industry, with Stord at the top of the list (Ekeland, 2017). Since the fall in the oil price in 2014, however, the petroleum industry has undergone a restructuring that has entailed a marked drop in employment. Hordaland county council's strategy for restructuring of the local petroleum industry points to small and medium-sized enterprises (SMEs) as a particular priority area. The main research question for this project focuses on the assessments that small and medium-sized manufacturing enterprises make when it comes to deciding whether to hire labour power directly or from temporary work agencies when there is a need for extra staff, and the role played by structural framework conditions in this regard.

The project is based on two main data sources. First, two workshops were held with the social partners to identify the structural frameworks that ought to be included in the project, and second, 36 structured interviews were conducted with enterprise managers and trade union representatives.

Hordaland as a manufacturing county

Hordaland is Norway's second largest manufacturing county in terms of number of employees, after Rogaland and before Møre og Romsdal. The county saw manufacturing employment decline from 14 000 before the financial crisis to 11 000 in 2010. From 2011 onwards employment increased somewhat, but during the petroleum crisis in 2014–2016 it declined again from 12 000 to less than 10 000. Trends in the age composition among employees in manufacturing indicate that the workforce is gradually ageing, while recruitment of young people is difficult.

After the construction industry, the Norwegian manufacturing sector employs the highest proportion of labour migrants, and Hordaland is one of the counties that has the highest proportion of immigrant labour. The proportion of labour immigrants in the county has remained stable from 2016 to 2019. In the same period, net immigration from the EU-11 countries has declined to near zero, and

in the long term, this may have an impact on the supply of labour to manufacturing enterprises in Hordaland.

Staffing strategies

Enterprises whose activities are largely dependent on the petroleum sector have struggled since the fall in the oil price in 2014. Now, however, nearly all the enterprises that we have interviewed, including those that are not linked to the oil and gas sector, are envisaging positive tendencies in their markets. Most of the enterprises that we have interviewed expect to increase their staffing in the years to come. On the other hand, the enterprises are exposed to large fluctuations in their staffing needs according to their order volume. When the enterprises wish to increase their capacity they use direct employment, while short-term production peaks are addressed through temporary hiring, including from temporary work agencies.

Nearly all of the enterprises that we have interviewed report to use temporary hiring of labour as a strategy to cope with fluctuations in their staffing needs. A little more than one-half of the enterprise managers report to use labour from temporary work agencies on a regular basis. Others hire personnel from manufacturing enterprises locally on a temporary basis. The interviews with trade union representatives leave the impression that temporary hiring of labour is less prevalent than what is reported in the interviews with enterprise managers.

Many of the enterprises experience challenges associated with recruitment of qualified labour. Recruitment of young people to vocational education and training is highlighted by many enterprise managers as one of the causes of their recruitment problems, but there are large variations in the kinds of skills that the enterprises have problems recruiting. For some enterprises, hiring from temporary work agencies is a strategy to obtain skills they do not have inhouse, while others report that temporary work agencies fail to provide them with the specific skills they require. During our workshop, both enterprise managers and trade union representatives referred to productivity enhancements through implementation of new technology as part of a strategy to enable a 20 per cent increase in the level of activity.

A couple of enterprises highlight internal competence enhancement as a key element in their staffing strategy. Although internal training is described as costly and time-consuming, it provides the enterprises with flexibility in their recruitment processes, since they do not have to hire employees with specific qualifications.

The majority of the enterprise managers and trade union representatives in our sample report that their enterprises currently employ apprentices. Many enterprise managers and trade union representatives state that in general, the apprentices are hired after the end of their training period, while others report that the decision to hire the apprentice depends on his or her behaviour and on the market for the enterprise's products. A couple of enterprises report to have downsized during the petroleum crisis and thus were unable to hire their apprentices.

A large proportion of the managers report that their enterprise is dependent on labour immigration, both as temporary and permanently hired labour.

Framework conditions

The majority in our sample of enterprise managers and trade union representatives state that legislation and the system of collective agreements have no significant effect on their staffing strategies. Seven of 22 enterprise managers report that the prevailing regulations favour hiring labour power from temporary work agencies, because permanent hiring prevents adjustments of staffing levels according to fluctuations in the need for labour. Two other enterprise managers take the opposite view, reporting that the rules for temporary lay-offs permit variations in the staffing level, and that the restrictions on temporary agency work favour permanent hiring.

The majority of the enterprise managers state that they discuss staffing needs with trade union representatives in regular meetings, while others report that staffing needs are discussed continuously. A handful of enterprise managers discuss the staffing situation with the trade union representatives as the need arises. According to most of the trade union representatives, these discussions are held in meetings at regular intervals.

The majority of the enterprise managers report to primarily agree with the trade union representatives in their assessments of staffing needs and the choice of staffing strategy. Nine of the enterprise managers report that they tend to both agree and disagree with the trade union representatives. A couple of them told us that temporary hiring from agencies is a topic likely to give rise to conflicts, but that the trade unions tend to accept this solution when the management explains the enterprise's financial situation. Three of the enterprise managers report that a degree of conflict with the union representatives may arise with regard to specific topics. One enterprise manager reports frequent conflicts between the management and the trade union.

According to most of the trade union representatives, they frequently agree with the management in their assessment of staffing needs and the choice of strategy to be used for upsizing, but disagree when it comes to downsizing. In the latter case, conflicts tend to revolve around the criteria for lay-offs and terminations of employment. Three of the trade union representatives report to frequently disagree with the enterprise management when it comes to staffing strategies. On the other hand, the trade union representatives report that the petroleum crisis and the challenging processes associated with it have strengthened the social partnership, rather than the opposite.

Conclusion

Finding the right volume of basic staffing is described as a challenge for the enterprises, since they may face relatively large fluctuations in their markets. The enterprises therefore take care not to grow too quickly now that the business situation appears to be improving. They claim that markets will always be volatile and positive trends may easily be reversed. Increasing the basic staffing and permanent hiring is therefore a strategy that the enterprises use when the increased need for staffing appears to be stable.

Although the enterprise managers and the trade union representatives differ somewhat in their descriptions of the use of temporary hiring from agencies, whereby the enterprise managers report more widespread use of this practice

than the trade union representatives, our material shows that temporary hiring from agencies is a key aspect of the staffing strategies pursued by most of the enterprises. Both the trade union representatives and the enterprise managers we have interviewed, refer to temporary hiring as necessary to deal with production peaks and provide the enterprise with a flexibility that reduces the likelihood of lay-offs and terminations of employment in periods when the order volume is lower. On the other hand, temporary hiring from agencies may cause employment conditions in the industry as a whole to become less stable for those workers who are hired on a temporary, rather than a permanent basis. This can be described as a process of dualisation, where a core of permanently hired workers have secure jobs, while a peripheral workforce of temporary employees are called in only when the need arises, and thus face a more uncertain and insecure situation. Temporary hiring, including from agencies, is an exception to the main rule of permanent and time-unlimited employment. During the crisis years, it could be argued that such exceptions were necessary for the enterprise's survival. Our findings may indicate, however, that this exceptional situation has been extended into economically better years.

The trade union representatives generally report well-functioning partnership relations, including in difficult times, when the management and trade unions discuss issues related to staffing on a regular basis. In these difficult periods, some enterprises were forced to establish local solutions, and the system of collective agreements has served as a good basis for dealing with challenging situations.

We can see some tendencies towards an ageing workforce in the manufacturing industries in Hordaland county, while many enterprises are struggling to attract the labour power they need or want. The lack of skills will not immediately disappear when times get better, as evidenced by some of the manufacturing SMEs that we have interviewed. The upturn in the oil and gas sector has caused the large enterprises to hire a growing proportion of the available skills base.

Many enterprises also claim that more active and targeted efforts must be made to strengthen recruitment to vocational education and training. One aspect of the recruitment problem that the enterprises are facing is that they attract few girls, i.e. half of each age cohort. Increasing the attractiveness of vocational education and training for girls could thus help improve recruitment. Some also refer to introduction of new manufacturing technology as a further strategy to increase recruitment to the industry, as this could help increase the attractiveness of the manufacturing industry among young people. On the other hand, widespread use of temporary agency work may be a barrier to recruitment of young people to the manufacturing industry. A sector characterised by temporary employment and insecure jobs will have greater difficulties in attracting young people than sectors that provide permanent employment and job security.