

PROGRAMME OF RESEARCH AND ACTION ON THE DEVELOPMENT OF THE LABOUR MARKET

---

FORWARD LOOKING EMPLOYMENT MANAGEMENT IN  
SMALL AND MEDIUM SIZED ORGANISATIONS

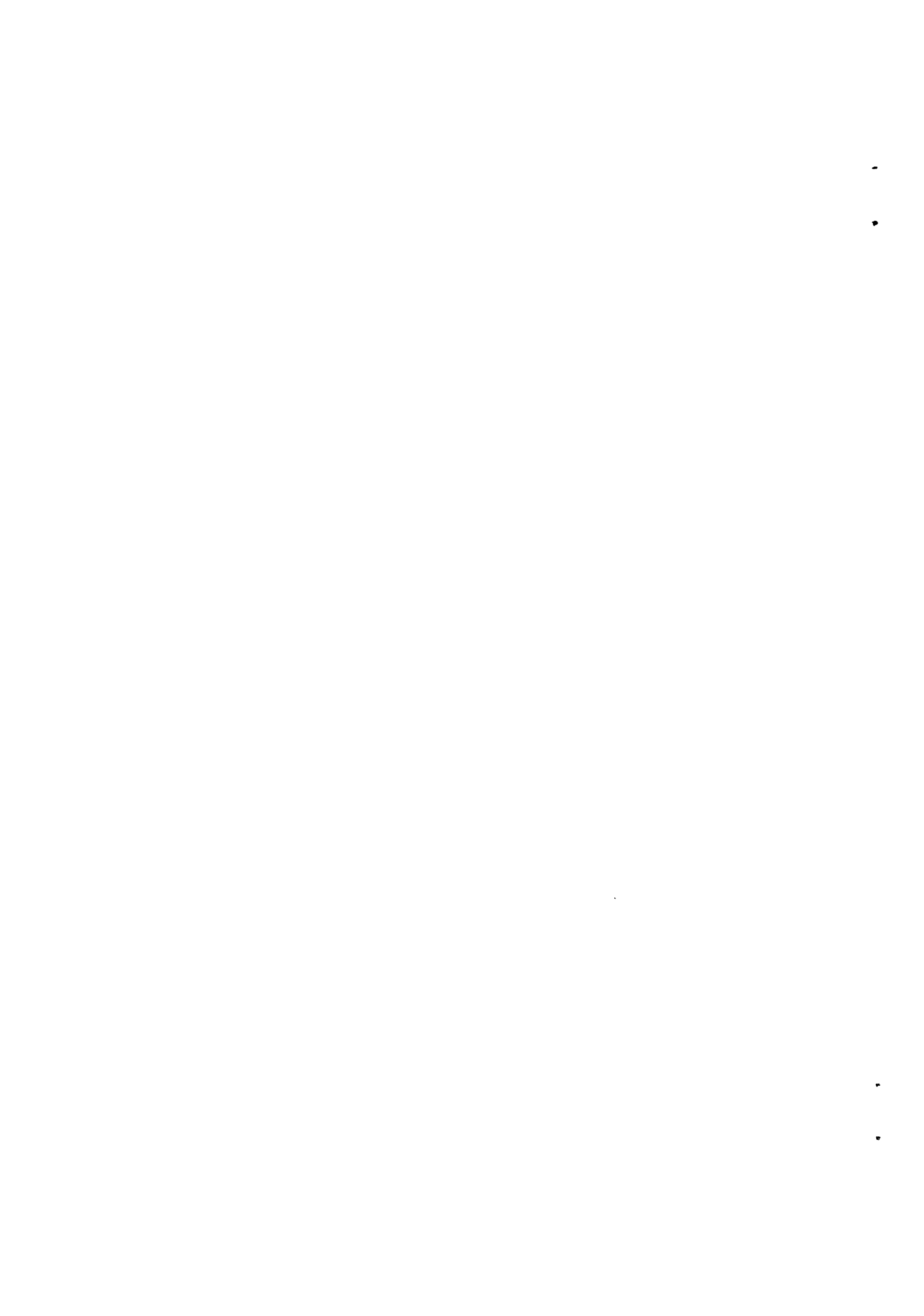
-----

By :  
I.M.S. (Institute of  
Manpower Studies), Brighton

for :  
The Commission of the  
European Communities

CEE: V/87

0. V/1



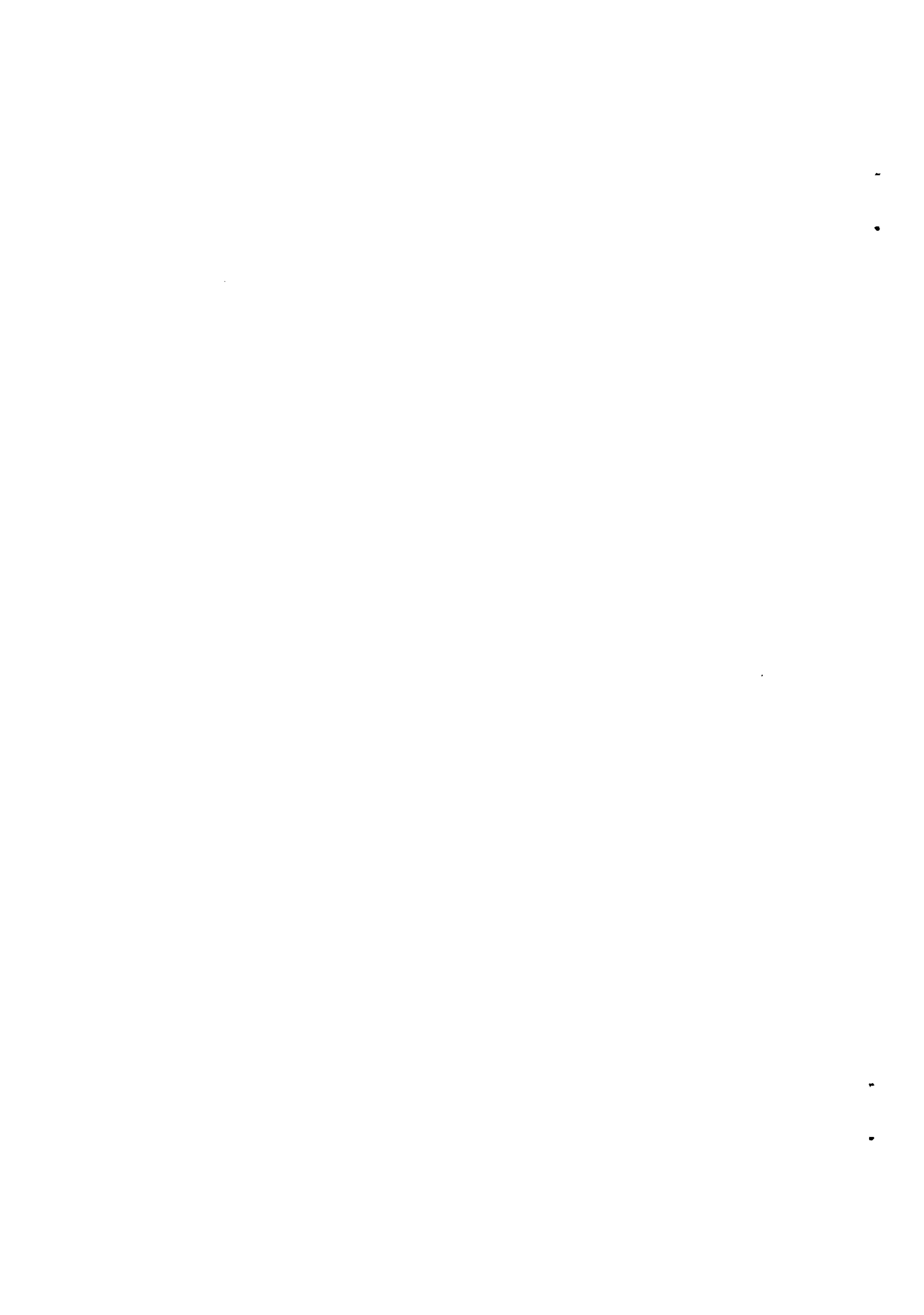
FORWARD LOOKING EMPLOYMENT MANAGEMENT IN  
SMALL AND MEDIUM SIZED ORGANISATIONS

---

By :  
I.M.S. (Institute of  
Manpower Studies), Brighton

for :  
The Commission of the  
European Communities

Study n° 81/45 (a)



Institute of Manpower Studies

FORWARD LOOKING  
EMPLOYMENT MANAGEMENT  
IN SMALL  
AND MEDIUM SIZED  
ORGANISATIONS

By Malcolm Bennison and Geoffrey King, IMS

Rainer Schultz-Wild  
Institut für Sozialwissenschaftliche Forschung,

and Claude Vermot-Gaud, CEGOS

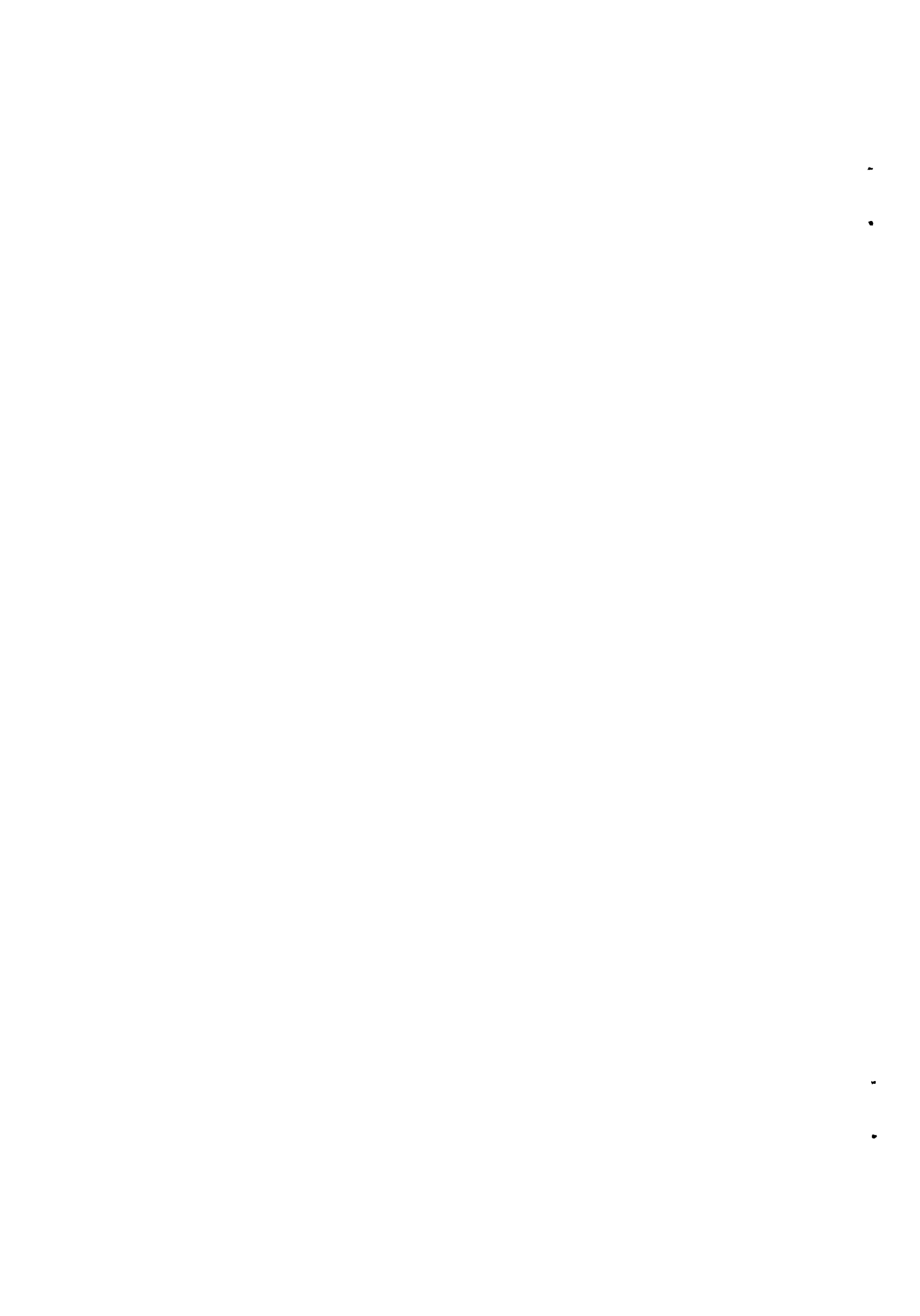
The studies described in this document were financed by the Commission of the European Communities as part of its Programme of Research and Actions on the Development of the Labour Market.

The analysis, results and recommendations are the responsibility of the authors. They do not necessarily reflect any views held within the Commission of the European Communities. The document is circulated at this stage for information and discussion only.

Copies may be obtained, stocks permitting, from the Directorate General of Employments, Social Affairs and Education, Division V/A/1; Commission of the European Communities - 200, rue de la Loi, 1049 BRUXELLES - to whom all enquires should be addressed.

© Institute of Manpower Studies 1982

Institute of Manpower Studies, University of Sussex  
Mantell Building, Falmer, Brighton BN1 9RF  
(0273) 686751



Contents

Section 1

The Four Country Overview - the summarised findings drawn from the individual country studies.

Section 2

The French study

Section 3

The German study

Section 4

The Irish study

Section 5

The United Kingdom study





Section 1

The Four Country Overview - the summarised findings drawn from the individual country studies

**Introduction**

In the Spring of 1981 a series of seminars was organised by the European Community Commission on "Forward Looking Employment Management". Two questions were asked at the end of the series. One of these questions asked whether FLEM was possible in small and medium sized organisations. If it was possible, how was it done and what was the extent of the benefits? The other questions asked whether "Forward Looking Employment Management" could be a means of improving the efficiency of the labour market, improving manpower utilisation and reducing the levels and impact of unemployment.

Two research studies were commissioned to look at these aspects of FLEM. The objectives of the studies are different and the methods by which the studies were conducted are also different but the results should be considered together for a fuller understanding of whether the Commission's objectives in encouraging the development of FLEM will be realised.

- This document reports the results of the research into whether FLEM is possible in small and medium sized organisations.

A team of experts drawn from France, Germany, Italy and the UK, together with staff from DGV-B in the Employment and Social Affairs Directorate, met on 16th September 1981 to discuss how the basic question might be answered. A set of criteria was defined to establish the existence of FLEM within an organisation. It was agreed that the number and variety of organisations employing between 50 and 1000 people was so large that an exhaustive, statistically significant study would be too expensive and too difficult to control effectively.

Studying a small number of companies in depth by structured interview techniques is the best way of gathering sufficient evidence to show whether FLEM existed in such organisations, how it was done, its scope and nature and the benefits that the organisations gained. A number of mini case studies will be written up to communicate the real nature of FLEM, and how it varies with the situation of the organisation employing it.

Objectives added later were designed to give insight into the relationship between FLEM in organisations and in local labour market policies.

## Methodology

The study drew on the experience of experts conversant with Forward Looking Employment Management in organisations in four countries in the Community. These experts were:

- France                    Mdm Claude Vermot-Gaud, Responsable du Secteur Gestion de Personnel Division "Developpement du Personnel et Relations Sociales", CEGOS.
- West Germany            Dr Rainer Schultz-Wild, Diplomsoziologe, Institut fur Sozialwissenschaftliche Forschung E.V.
- UK                        Malcolm Bennison, Deputy Director, Institute of Manpower Studies
- Ireland                    Dr Arthur O'Reilley of Anco was consulted.

It was agreed that the most appropriate approach to this study would be to interview in depth a small sample of organisations from each country. The sample could in no way be representative so organisations selected at random would be asked to co-operate in the study. Attempts were made to split the sample geographically and to include both production and service organisations with manpower numbers across the range specified (50 to 1000 employees). However, this was not a scientifically designed sample.

A questionnaire was drawn up in each country and a pilot survey carried out. A meeting was held to discuss the relevance and value of each of the questions asked and to produce a harmonised final questionnaire. This was necessary in order to allow comparisons of experiences in different countries to be drawn from the studies.

The interviews were then carried out (30 in France, 27 in West Germany, 27 in the United Kingdom and 9 in Ireland), after which a further meeting was held to discuss the national findings and consider their implications. National reports were prepared and integrated by the Institute of Manpower Studies into this overall report.

## Nature of FLEM

Before the basic question whether FLEM is possible in small and medium sized organisations can be answered, its nature must be defined. FLEM is more of an approach and style of management than a package of specific remedies. Unlike some management techniques, it cannot be recorded as a series of steps or actions which progress logically from a beginning to a defined end point.

The nature of FLEM in an organisation that is contracting will be different from the expanding organisation's approach. In looking forward, the contracting organisation would closely examine its rate of wastage to see if the labour force can be reduced by allowing people to leave and not replacing them. It may be concerned that the contraction will reduce the opportunities for promotion within the organisation and that this might affect the motivation of its employees. It will probably not be greatly concerned about the supply of employees in the labour market, especially if it sees its contraction continuing for a number of years.

The expanding organisation, on the other hand, will be deeply interested in the labour supply from the markets from which it draws its employees, and it will be much concerned about its training policy and whether that policy will develop the managers needed over the next few years.

Some evidence from the French study suggests that legislation has caused companies to consider FLEM when they would not have otherwise done so. The contracting organisation is more likely to consider FLEM than the expanding one.

It could be argued that some form of employment management is present in almost every organisation, but it is the quality that varies. To answer the question whether FLEM is possible in small and medium sized organisations, it will be necessary to check not just that some of the techniques for promoting forward looking employment management are present within the organisation but also to what extent they are used, and how effective they are.

In the early discussions a set of criteria was identified which, if met, would indicate that FLEM was being practised in the organisation. The criteria are as follows:-

- 1) The organisation must attempt to forecast its changing business. This will involve looking at its markets, the changing technology and the products it plans to produce.
- 2) The forecasts of the business situation in 1) above should be translated into the personnel requirements of the organisation. It will be necessary to estimate the different occupational groups required as well as the total numbers.
- 3) The organisation must attempt to assess its current manpower resources and the way that these might change over the next few years.
- 4) There should be a personnel plan that attempts to balance the needs and the resources of the business in manpower terms. Whether the plan is for 3 or 5 years is immaterial but, for FLEM to exist in a company, such a plan must be for at least 1 year ahead. Organisations that attempt to reconcile needs and resources for less than a year ahead are not practising FLEM.
- 5) There should be mechanisms within the organisation for achieving the policies that are required to adjust manpower resources to the organisation's needs. Forecasts of demand for manpower are notoriously unreliable, being heavily affected by the general uncertainty of national economies. This suggests that the mechanisms should be geared to answering the question of what happens to recruitment, promotion and training policies if the forecast demand does not come about. A knowledge of how such policies should change as the demand changes is equally important as matching the current resources against the forecasted demand for manpower.

- 6) Finally, it is important to check that the forward looking employment management process is not a paper exercise. Evidence that the process has actually been put into operation is required.

The questionnaires used as the basis of the structured interviews were designed to bring out whether or not these criteria applied to the companies studied.

**Is FLEM possible in small and medium sized organisations?**

The answer is, yes. In each of the countries some of the organisations meet the criteria specified above in total, and a small number meet most of the conditions. Summarising the results in tabular form shows:-

	Meet majority of criteria	Do not meet criteria
France	19	11
Germany	13	14
Ireland	4	5
United Kingdom	11	16
Total	47	46

**FRANCE**

CEGOS have shown that a number of their companies practising FLEM do so for all their employees. These organisations demonstrate a high level of knowledge about future business needs. Sixteen of the companies they studied translate business forecasts into manpower forecasts at least one year ahead and a further four companies three years ahead. These companies analyse their manpower resources and consider their recruitment, training and development policies. The French companies identified as doing FLEM understand the means of achieving the balance of resources, having various adjustment policies such as the use of temporary staff, the use of staff on fixed contracts, and training their own professional staff but tending to look to the labour market for executives and technicians.

In France this process appears to be considerably influenced by legislation, the 'Social Plan' is an important pressure on companies to practise FLEM. The

French study reports a greater capacity to adapt and react to new problems in these companies especially those meeting unexpected problems.

#### GERMANY

Schultz-Wild, in the German study, divided the organisations into two, planning and non-planning organisations. Twenty five out of the 27 companies had some information about the future developments in their business, but 13 could not translate these changes into manpower levels. However, when one looks at the personnel planning machinery of the companies, it is evident that only 13 out of the 27 have written personnel plans for the whole company. In general, these have been introduced within the last ten years but most of them are only plans for one year ahead. They do attempt to take into account resignations, retirement, the age structure and internal promotion and therefore it can be seen that these companies understand how to achieve changes in manpower policies in response to changes in their business policies. However, when one looks for evidence that substantial changes have been faced without crude or dramatic adjustments, then there is a conflicting view.

There is a different pattern of reaction to problems in the companies that plan. There appears to be no more job security for employees but different means are used to adjust to change. For instance, the planning companies will reduce overtime and extra shifts and implement shorter working hours much more readily than the non-planning companies. They will transfer more employees within the company, have fewer employees on temporary work and will attempt to handle the situation by more training.

#### IRELAND

The Irish study contained the smallest number of companies, nine in total, but of these, only five could be said to practise FLEM. The dividing factor between these two sets of organisations is, again, whether or not information about future business change and about future manpower needs is inter-related. The companies that are not regarded as practising FLEM are characterised by having little knowledge of their rates of wastage or their recruitment sources, and develop people not according to a plan but simply as the need arises.

## **UNITED KINGDOM**

Eleven out of the 27 companies visited in the United Kingdom could be said to practise planning. Again, the picture is very similar to that in other countries, with most organisations making a reasonable attempt to forecast their future business needs and the great majority translating these into manpower forecasts. The great majority are attempting to work out manpower policies that will manage changes in employment level about a year ahead.

As in the German study, practising FLEM is no guarantee in the UK that redundancies in the workforce will be avoided. Sometimes the business situation changes so rapidly that the best forecasts are useless. Nevertheless, when change of this sort is forced upon them, the companies who practise FLEM have been able to manage changes of this magnitude more easily than those who do not.

Hence, the very positive answer that can be given to the question, is FLEM possible in small and medium sized organisations? The results show that somewhere between one third and one half of the organisations in the samples from the different countries practise FLEM.

### **Identifying the Factors that Promote or Constrain the Use of FLEM**

The study has not identified a set of conditions that are present in every company that practises FLEM, or even a set of conditions that prevent its use in the non-practising companies. In the individual country reports some conditions appear to be strongly influential in promoting or constraining the use of FLEM in that country's organisations, but these same conditions are not found in all other countries of the study.

Since the individual country reports were prepared, the team has met to consider the factors influencing FLEM and discussed the differences from country to country. Their conclusions are noted under the following headings.

#### **Factors generally thought to promote the use of FLEM**

**Growth.** It has been argued that it is easier to practise FLEM in a company that is growing rather than in one which there is strong contraction. The options available to management in a growing company are much more plentiful

than those in a contracting company. A mismatch between employees and business needs can often be solved by opportunities being created at different points in the growing company. The evidence of the studies is contradictory.

The French Study shows that only 3 out of the 30 companies interviewed has grown strongly in the past 3 years and only 2 of them expected to do so in the next three years. A further 8 companies had grown slightly over the last 3 years. If the companies identified as practising manpower planning were these 11 growing companies that would have been highlighted in the report.

There appears to be a correlation between growth and tendency to plan manpower in the German companies, at first sight, as all 5 companies with an expanding turnover in the last 3 years are planning companies, whilst of the 6 companies experiencing strong recession, 4 do not plan. This impression is not confirmed when data for the last two years are studied because the planning companies have experienced double the reduction in employment of the non-planning companies.

		Planning Companies	Non Planning Companies
UK	Growing	7 out of 11	5 out of 16
	Stable	4 out of 11	7 out of 16
	Contracting	0 out of 11	4 out of 16
Ireland	Growing	3 out of 4	1 out of 5
	Stable	1 out of 4	2 out of 5
	Contracting	0 out of 4	1 out of 5

The United Kingdom and Irish studies show some relationship as can be seen from the above table. Of the 11 Planning Companies in the UK, 7 are growing and 4 stable with none of them declining, but in the Non-Planning Companies 11 out of the 16 are either stable or contracting. Some other factor perhaps found in growing companies may be present in the UK and Irish Planning Companies that is not to be found in the German and French Companies that practise FLEM.

The judgement of the group of experts was that FLEM is a little easier to practise in a growing company but the motivation to do so is much less than in a company experiencing business contraction. The latter companies will often take up the practice of FLEM as they emerge from the crisis to avoid similar problems in adjusting manpower in similar conditions in the future.



## Size

The question of relationship between the size of an organisation and the scope and benefits of FLEM are the fundamental reasons for doing the research. The size criteria of companies to be studied of between 50 and 1000 employees was set somewhat arbitrarily. It is difficult to define a small company in terms of numbers of employees. In a company with 1000 employees covering 20 occupational groups, the scope for FLEM might be limited as each occupational group will be small. On the other hand, a company with 200 employees, 150 of whom are process operators, might find FLEM worthwhile for that group.

Within the size range specified for the study, is there a correlation between size and the practice of FLEM? Data readily available from the studies are summarised in the table below.

	Germany		United Kingdom		Ireland	
	Planning	Non Planning	Planning	Non Planning	Planning	Non Planning
less than 100 emp'ees	1	9	2	2	0	1
100 - 200 employees	4	3	2	5	0	1
200 - 1000	8	2	7	9	4	3

The German study shows that of the 10 companies with over 200 employees, 8 of them have been identified as practising FLEM. In the UK, on the other hand, only 7 out of the 16 companies with more than 200 employees are 'Planning' companies but 2 out of the 6 companies with less than 100 employees practise FLEM. Ireland tends to be midway between the UK and Germany in terms of the influence of this factor.

The important point to be drawn from the research is that even companies with fewer than 100 employees are identified as practising FLEM. There is no evidence to suggest that the percentage of such companies practising FLEM cannot be extended.

## High Technology

In firms employing high levels of new technology as an essential part of their operation, is it the scarcity of people with the required technical knowledge that forces the firms to look at the sources for such people and plan and develop that resource within the organisation? Because the technology is new, it is unlikely that the education system is producing many people qualified in the new areas. As more companies utilise the new technology in their processes, competition in the labour market intensifies and the available supply is taken up.

The shortage of a crucial manpower group induces the organisation to consider other ways of meeting the shortage: sponsored students, internal training schemes, transferring employees with a technical background in less essential areas into the new areas and training them specifically in the technology. To do this it must consider loss rates and the manpower required to meet its business projections, and so it begins to plan this manpower group.

The survey has not found evidence to support this view. In Germany there are only two companies with more than 200 employees who feel that the technology they employ gives them a competitive advantage. Since 8 out of 10 companies with more than 200 employees are by and large those who practise FLEM, even if the other two companies practise FLEM no conclusions can be drawn from the small numbers.

In the UK study, 3 out of the 11 companies who practise FLEM highlight technology as part of their competitive advantage but 4 out of the 16 companies who do not practise FLEM also highlight technology in the same way.

The evidence at best is inconclusive and probably indicates no relationship. It is worth noting a point highlighted in the report of the French study and that is the relationship between Capital Expenditure and manpower planning in companies in the heavy equipment sector of industry. In this sector a firm's capital equipment often consists of a few very important machines which cost a great deal to replace. The new equipment that replaces the old, when the decision to reinvest is taken, may be based on a completely different technology necessitating different skills in the operators. It will take time to retrain existing operators in the skills and so decisions about training and selection of operators must be considered when the decision to replace the machinery is

taken. This is an excellent reason inducing these companies to practise FLEM.

On the other hand, in companies where the production equipment is made up of a large number of small, independent machines, the machinery is renewed periodically. Technological innovation is introduced more progressively and concerns smaller numbers of employees. The result is less pressure to plan employment policy.

### **Employee Skills**

When the skills of employees in the organisation are seen to have a direct bearing on the competitive advantage of the company, is there a pressure to practise FLEM? Nine out of the 11 UK organisations identified as practitioners of the art regarded the skills of their employees as fundamentally important to their competitive advantage. In the German study, only 4 out of 27 organisations saw this as important to their competitive advantage but the general view was that the skill of employees is seen as so fundamentally important by German companies that they would tend to take this point for granted and not highlight it in the survey.

The reaction of French companies was divided. The companies who believed that the knowledge of their employees was an important factor in their current success tended to use FLEM for those categories of employees but not for all employees. Rather interestingly, enterprises that considered that in the future their competitive advantage depended on their knowledge of new technology had not yet developed a systematic approach to FLEM.

The probability is that where the skills of employees are seen to be of commercial importance to the company, that organisation is more likely to practise FLEM.

### **The Existence of a Personnel Function**

All the studies indicate that the existence of a personnel function correlates with whether a company practises FLEM or not. It is, however, difficult to disentangle cause and effect. Does the company have a personnel department because it realises the need to have forward looking employment policies or do companies that have a personnel function then begin to practise FLEM. The facts are as follows.

In the UK, 9 of the 11 companies that utilise manpower planning have an identifiable personnel function but only 8 out of the 16 that do not plan have such a function.

In the other countries the number of companies with a personnel function, whether or not they practise FLEM, is higher. The question must be asked about the effectiveness of the function in decision making. In France, in 12 out of the 30 companies decisions on recruitment and training to fill vacancies are taken by the personnel function. In Germany there is a personnel function in 18 out of the 27 companies but only in the large companies who practise manpower planning is the personnel function playing an effective role.

This question of cause and effect is difficult to determine. It was the unanimous opinion of the experts conducting the national studies, however, that whether or not the initial decision to set up a personnel function reflected the management style of the organisation or an awareness of the need to initiate manpower planning, once in existence, the chance of an organisation practising FLEM increased. The personnel officers employed would tend to have better knowledge of manpower problems and the practice of FLEM and would recognise opportunities that occurred in day to day operations to encourage the management to adopt a forward looking approach.

#### **Multinational Ownership or Subsidiary of Large National Company**

It is remarkable in the Irish study that the 4 companies practising manpower planning are foreign multinationals. It is equally remarkable that 5 out of the top 6 companies practising manpower planning in the UK study are entirely independent, neither a subsidiary of a multinational nor of a UK company. Indeed, of the 16 companies that did not practise FLEM, 11 were autonomous subsidiaries of UK companies.

The French study suggests that many of the companies in the size range 500 to 1000 employees which practise FLEM for all their employees are part of a larger national or multinational group. The implication is that FLEM is necessary for the well being of the group and the procedure for its practice has been defined and all units, large and small, have to participate in the system. In some cases the small firm will apply the procedure intelligently and so gain: others will obey the system without commitment.

The judgement of the group was that this effect was more apparent than real and was a chance effect resulting from the small number of companies studied.

#### **Factors generally constraining the use of FLEM**

**Business Uncertainty.** Almost without exception the companies classified in the national studies as not practising FLEM state that the uncertainty of the future completely foils any attempt to bring a forward looking approach to manpower policies.

The French study shows that, when asked to participate, the first reaction of many companies was to say that they did not have FLEM and even if they attempted to do it, the changable nature of business would mean that it was out of date too quickly. Of the 35 per cent of companies practising FLEM in the French report, some have reduced the forecast planning period from greater than 1 year ahead down to 1 year for this reason.

Company and personnel planning is seen as impossible to many of the non-planning companies in the German study. They argue that the order situation and therefore production levels cannot be seen 2 or 3 months in advance so there is nothing to be gained from setting up personnel planning machinery.

Many of the companies in the UK study had put any considered planning into abeyance throughout the recession. Needless to say, these companies are the majority of those that are not considered to practise FLEM.

**Sceptical Attitude to Planning:** This constraint on the practice of forward looking employment management is also very widespread and it is difficult to separate its effect from that of the previous constraint since business uncertainty leads to a sceptical attitude to planning. The main reasons put forward are:-

- The normal fluctuations in business experienced by a small organisation are so large that personnel plans would have to be revised too often.
- That planning, with its need to evaluate and write down the assumptions and activities of the plan, brings a rigidity into management thinking that stops the necessary corrective initiatives being taken when the level of business changes. In this respect it is harmful and not as effective as managing by the seat of the pants.

Additionally, some of the companies in the UK study were judged as not practising FLEM yet they apparently had personnel plans. When asked what they used the plans for, invariably the answer was as part of the financial and budgetary control systems of the organisation and not as a means of establishing 'forward looking employment management'.

**Employment Legislation.** Broadly, the effect of legislation on whether an organisation will use FLEM is neutral. In France its effect appears to be most positive and CEGOS identified four stimuli:

- a) Since 1974 the regulations concerning redundancy practices are a stimulus to avoid manpower excesses.
- b) The obligation laid on employers to obtain permission to recruit from the 'Inspection du Travail' if they have made employees redundant in the previous twelve months, also acts as a stimulus to manpower planning.
- c) The obligation to spend at the minimum 1.1% of the annual salary bill on training and retraining is another stimulus.
- d) Since February 1982 limitations on the recourse of companies to policies of short term contracts and temporary employment is a pressure to plan.

The German Workers Constitution Act regulates the conduct of lay-offs and redundancies but in the study only two companies spoke of it as having influence on employment policy.

The Contracts of Employment Act and Redundancy Provisions Act in the United Kingdom have severely constrained employment policies in companies, particularly regarding lay-offs. In general, companies are prepared to pay well above the legal minimum requirements of compensation to workers laid off. If the act of making employees redundant has any impact on whether a firm practises FLEM, it is because of the disagreeable personal relationships that are inevitable in redundancies, not the level of compensation that has to be paid. Some companies will turn to planning to try to avoid getting into the situation in the future.

The team have discussed all the above factors at length, attempting to come to conclusions on the conditions under which FLEM is possible and what are the

reasons which induce small and medium sized firms to use it. The conclusion was that the overriding factor is the attitude of management to employment policy. As soon as the top management of the organisation perceive the level of investment that they have in manpower, they begin to link manpower policies to their business situation and cannot help but look forward in employment management.

In one organisation it might be the shortage of skilled workers during a period of very rapid growth that stimulates the emergence of this attitude in management. In another organisation this stimulus could come from the realisation that the organisation's place in the market came from the skills of its employees and in yet another case the reason can be found in the need to invest in machinery requiring different skills in employees.

These are indications that even in these small organisations this attitude of management is increasingly to be found and perhaps in the near future the practice of FLEM in such organisations will be seen to have increased substantially.

#### **BENEFITS OF FLEM**

The companies participating in the study were also asked what they perceived the benefits of FLEM to be. We have attempted to classify the replies of those companies judged to be practising FLEM into a number of groups.

- 1) **Better Profits** - timing the number of employees more closely to the business future needs saves directly on the salary bill. The saving is obvious in organisations that have over-recruited and employ too many people but in the organisations that have underestimated manpower needs it is easy to identify the additional costs. Premium payments for high overtime working and sales revenue lost when production levels are too low to satisfy the market are the costs of having too few people.

Better profits not only derive from relating manpower levels more closely to business needs but, even when the organisation achieves this match, there are still savings to be gained from the more efficient use of manpower resources that is usually to be found in companies that practise FLEM. Such companies will usually have better training plans, will have assessed the potential of their employees and will be able to assess labour wastage more accurately - this improved manpower

performance costs the organisation less and usually leads to higher levels of productivity and so into improved profits.

- ii) **The Better Integration of Manpower and Business Policies.** "Increased insight into employment and business policies" - the German study; "A broader view of the link between manpower and business" - a UK company; "Company direct and manpower policy" - Ireland; and "Integrating personnel management policy" - the French report: these are the comments made by companies practising FLEM when asked about the benefits.

Here the companies are not referring to the financial advantages described in (i) above but to the improvement in the ease and speed with which business decisions can be taken when an organisation can easily assess the manpower implications of alternative business policies.

- iii) **Ensuring the Supply of Skilled Workers.** Only an organisation that looks at its manpower needs in terms of its future business levels can take the longer term decisions needed to ensure the supply of skilled workers. Skills take time to acquire and a shortage cannot be made up easily. Organisations will bid against each other in the shortage situation and the problem is quickly made worse. The early identification of shortages within the organisation enables the firm to take steps before its competitors to protect its supply.

- iv) An organisation that has the right levels of manpower of the right kind to meet its needs is generally a much more efficient one. The quality of the finished goods and the services offered by an organisation is much better when the workforce is properly trained and is matched with the needs of the processes and services offered.

One of the benefits of FLEM envisaged during discussions to set up the project was that companies practising it would show evidence of avoiding lay-offs. This cannot be substantiated in the studies. In each of the countries, planning and non-planning organisations have had to resort to redundancy programmes, but in general the planning companies have used many more options than the non-planning companies in adjusting employment levels downwards.



## POSSIBLE ACTIONS TO PROMOTE THE USE OF FLEM

Does an organisation really have a choice of whether it should practise FLEM or not? In a rapidly changing world where technology is impacting on jobs in a way not previously envisaged, the re-evaluation of manpower policies will be forced on an organisation that has not attempted to think ahead. In the same way, the growing influence of employment protection legislation in most countries does not leave the organisation a great deal of freedom of action.

The previous section has also shown that in addition to the pressures there are tangible benefits, which can be quantified and costed, accruing to organisations that practise FLEM.

If there are strong pressures and tangible benefits, why then is it necessary to encourage organisations to implement such a forward looking approach? The problem is that the barriers which have been identified are such that the necessary attitude of management towards manpower problems is never developed in many organisations. The uncertain nature of business develops an antipathy to planning in general and short term thinking towards manpower policies in particular, e.g. excessive use of overtime working, lay-offs of workers at short notice etc. The first set of actions to promote the use of FLEM should be aimed at removing these barriers.

- 1) Argument and exhortation rarely succeed in persuading an organisation to undertake policies in which they have little faith. To be shown organisations in similar situations who practise such policies often leads to a reversal in attitude. This study, other than producing one or two case studies of companies practising FLEM, has not been able to describe in detail how those companies have gone about it.

It is recommended that the Commission of European Communities finance further projects to examine a sample of the companies identified as practising FLEM, in each country, to produce detailed descriptions of the process of FLEM and its benefits.

- 2) Complementary to 1) above, training should be provided in methods and techniques of FLEM appropriate to small and medium sized organisations.

The Commission could have an important role in producing such training

as it will be difficult to persuade organisations to spend money on training in FLEM when they are not convinced of its benefits. Experience in IMS and CEGOS has shown that when sceptical managers have attended such courses changes in attitude are possible.

- 3) It would be extremely costly to put all the members of management teams through such training courses. The video recorder has established its success as a medium of communication to small groups of people. It is recommended that a programme or a series of programmes on the practice of FLEM and its benefits are produced, aimed at the management teams of small organisations.
- 4) A publication or a range of publications on how to practise FLEM and its benefits to the organisation will reach a much wider audience than training courses or video programmes, and consideration should be given to commissioning such publications.

#### **POSSIBLE ACTIONS AT THE LEVEL OF THE ORGANISATION**

- A) The personnel functions in small and medium sized organisations should be away from salary administration into managing the human resource. The collecting together of information about manpower stocks and flows should be regarded as one of the function's prime objectives. One of the barriers to integrating manpower policies with business needs is the lack of such information.
- B) Organisations should use the generally available tools that have been developed to help the practice of FLEM. Techniques exist which use readily available information in a highly visual way to show up current and future manpower problems. Models have been developed which are useful in relating the numbers and types of employees to business situations.
- C) To assist in the implementation of FLEM in organisations, the workforce must be aware of the interaction between manpower policies and business needs. This means communicating the longer term benefits of FLEM to employees.

CEGOS

"Personnel Management Section"

The Use made by PME's of  
Manpower Planning

(PME - Confederation of Small and Medium-Sized Companies)

June 1982



CONTENTS

Page

Chapter 1. Introduction

Preface

1.1 The Characteristics of Manpower Planning

Chapter 2. Presentation of the results of the survey

2.1 Methodology

2.2 Results of the survey

221 General Remarks

222 Companies consulted

223 Analysis of the replies

A. Economic environment of PME's

B. Awareness of the PME's to their  
employment needs

C. Extent of knowledge of human potential  
in the PME's

D. Is manpower planning a management tool for  
the company

a) Recruitment

b) Temporary employees

c) Fixed-term contracts

d) Training

e) Departures

f) Consultation with staff representatives

Chapter 3. The Effects of Manpower Planning

3.1 The effects according to the type of manpower  
planning

311 Comprehensive manpower planning

312 Manpower planning by category

313 Partial manpower planning

3.2 Case Studies of manpower planning

Case No 1

Case No 2

Case No 3

Case No 4

Case No 5

Chapter 4 Conclusions and Recommendations

4.1 Reasons for the lack of development and  
planning in PME's

4.2 Recommendations for the promotion of  
manpower planning in PME's.

421 Measures to effect attitudes & capacities

422 Measures to effect the means of  
management.

## CHAPTER 1 - INTRODUCTION

### Preface

Manpower planning enables those companies which can evaluate their long-term employment needs, both quantitatively and qualitatively, to take appropriate measures to avoid crises e.g. excess manpower which can lead to dismissals, or a shortage of labour which can create bottlenecks in a company's development.

This is why many large companies include a 3-5 year forecast of employment in their plans. This practice enables them to take decisions regarding sub-contracting, the use of temporary staff, fixed-term staff and the recruitment of permanent staff with the necessary career and retraining structures.

Is what is appropriate to large companies equally applicable to small and medium-sized concerns (100-1000 employees)? This question merits an in-depth study because medium and small-sized companies do not generally have a reputation for anticipating their personnel needs and do not take the necessary steps to regulate employment so as to maintain an economic and social balance within the company no dismissals - no bottlenecks.

Thus the object of this study is to analyse the actual practice of small and medium-sized concerns in France to determine what motivates their behaviour and to formulate recommendations for developing manpower planning in this type of company.

#### 1.1 The Characteristics of Manpower Planning

The basic assumptions are as follows:-

Personnel management is said to exist if:-

1) there is an assessment of long-term needs

This requires a business forecast, concerned as much by technological developments in the market as by increases in productivity.

2) These business needs are translated into personnel needs

Both quantitatively and qualitatively.

3) There is an analysis of actual manpower resources in the company

both for "permanent" members of staff (contracted for a fixed term) as well as for other categories (temporary staff, fixed-term contractors, consultants and other sub-contractors)

This analysis must comprise, in particular, a demographic forecast and include important factors such as turnover.

- 4) There is a personnel plan of 1,3 or 5 years which reconciles requirements and resources and provides one or more proposed ways of bringing about this reconciliation, viz:-
  - .. recruitment
  - change of status (eg from fixed-term contract to unfixed-term contract)
  - internal mobility (transfer and promotion)
  - the facilities for training and promotion
  - contract modifications (eg from full to part time)
  - anticipating future retirement
  - the adjustment of wastage during the course of a career in the form of "aided" redundancies or dismissals.
  
- 5) There is a sure command over the means with which to bring about the anticipated reconciliation. These resources are as much a function of the internal competences of the company (the existence of a personnel manager at a sufficiently high level, or a manager capable of taking a strong hold of a particular problem) as a knowledge of external resources (diverse types of local or regional labour markets).
  
- 6) Finally, there is concrete evidence that manpower planning has been operative, i.e. that a company has made an in-depth examination of its needs and faced up to the necessary changes - or at least those that it saw as being necessary - and so avoided the rude and often dramatic shocks that result from bearing things until the last minute.



## CHAPTER 2 - PRESENTATION OF THE RESULTS OF THE SURVEY

### 2.1 Methodology

The study, which aims to identify the use made by small and medium-sized companies of manpower planning, began with a questionnaire completed through the means of an interview with company management.

The questionnaire was designed with a view to exploring the different characteristics as defined in the previous chapter.

The different headings are:

- Economic environment of the company
- The company's knowledge of its manpower needs
- Management of supply and demand
  - Recruitment
  - Facilities for development of the individual
  - Departures
  - Staff representatives and employment.

The interview, held on the basis of the questionnaire (whether already completed, or filled in during the interview), had at one and the same time: the primary objective of gathering or completing numerical answers, of obtaining binary responses (yes - no), or multiple choice answer: and the secondary objective of allowing the interviewee to explain his responses, giving supplementary information where applicable to give a better understanding of the reasons for and the effects of these practices.

### 2.2 Results of the survey

#### 2.2.1 General Remarks

##### The people contacted

- the majority were personnel managers, heads of personnel or social affairs
- administrative and financial managers who included the social function among other general responsibilities. N.B. On the whole, the people contacted were a little reluctant to reply to some of the questions asked:-  
Indeed, we often encountered the following:-
  - an initial reaction on the part of the company that it did not pursue a manpower planning policy and as such could serve no useful purpose in the study.

-then, to a greater or lesser extent, an admission to a general sceptism towards the very term manpower planning.

-either from the fear of divulging weaknesses in management.

-or from the difficulty of combining the elements: recruitment, structure and an understanding as to how these form part of manpower planning.

222 The Companies Consulted

<u>Companies</u>	<u>Employees</u>	<u>Type of Industry</u>
<b>Paris - Region</b>		
Raboni	55	Construction materials
Metrobus	118	Advertising
Gamlen	137	Chemicals
Cablerie de Cosnes	143	Electrical materials
Caisse Epargne Corbeil	183	Finance
Chantovent	201	Wholesale wines
Satam	390	Mechanical
Cartier	390	Distribution
Glaxo	400	Pharmaceuticals
Helio Corbeil	637	Printing
Geser	711	Cleaning
Institut Pasteur Production	808	Pharmaceuticals
Credit Cooperatif	825	Finance
Comp. Paris de Chauff Urbain	410	Heating
<b>Brittany - Normandy</b>		
Begavel	159	Curing/Salting
Tabur	200	Rubber manufacturers
Le Calbez	308	Transport
Franpac	357	Metal Packing
Marc S.A.	657	Civil Engineering
<b>South-West</b>		
Hennessy	669	Spirits (Brandy)
Collins	167	Electronics
Verrerie	721	Glass Blowing
<b>East</b>		
Holiday Inn	81	Hotel
Forges de Strasbourg	686	Metallurgy
<b>North</b>		
Caron	918	B.T.P.
<b>Rhone-Alps</b>		
La Dauphinoise	180	Metal manufactures
Aciars D'Alleward	648	Iron Smelting
Rassurel	763	Textile
Grosfilex	854	Plastics
Maison Charles Juvenels	135	Clothing

Division by no of employees

>500		12
>200	<500	8
>50	<200	10

223 Analysis of the replies

A. Economic environment of the PME's

Activity 79/81

It appears that over the course of the last three years, the activity of the capital goods sector has been clearly falling at a time when the service sectors, (transport, cleaning etc) and the health sector (pharmaceutical products) as well as both luxury and non-luxury product sectors, have shown expansion or stability.

Future Activity

These trends seem likely to continue over the next three years: industrial companies do not foresee any expansion, at best they are expecting some stability in their activities. At worst service companies foresee a stability in their activities but with a good chance of expansion.

Nature of the market

The majority of companies interviewed produce or trade in a single product and its derivatives. They have a number of clients, mainly private or public companies. Their market is primarily national apart from those companies which deal in luxury health (pharmaceutical), and general consumer goods (e.g. clothing, luxury items, alcohol), where the market is worldwide.

Main developments

Over the next three years, 70% of the companies envisage important developments in technology which will result in new manufacturing techniques and a change in the range of products.

In 50% of the cases there follows the need for personnel either to acquire new

techniques, or to know how to use modern management tools (in the field of information and in the office). There will be a pressing need for training schemes to centre on future needs of the company (compare this view with the way training is presently organised).

#### The control of the current market

In 50% of the cases price competition ensures the control of the Company's market. 40% of the companies stress the quality of their management and technicians, considering them essential factors in their acquiring their present market share. 35% cite their mastering of new technology as a factor in the control of the market.

It is noted that the factors which will, in the future, permit the control of the market (technological developments) do not correspond with the current main factors (price/management quality) but this discrepancy is not seen as a great risk. It is never spelt out but one's perception of the future is not a sound enough basis on which to take decisions and make profitable strategies until more hard-core information becomes available. While technological developments are recognised as fundamental, they are not so much anticipated as put up with.

#### B. The knowledge which the PME's have of their employment needs re manpower planning

- 35% of the companies make forecasts of 1 year
- 52% of the companies make forecasts of 1 year
- 10% of the companies make forecasts of 3 year.
- 3% of the companies make forecasts of 3 years

There is no significant relationship between the size of the company and the length of its forecast. On the contrary, the type of business seems to be the determining factor. The 35% of the companies which make forecasts for one year, practically all belong to the industrial and collective capital goods sector. Some of them state that they went back to one year forecasts having previously made forecasts of more than one year.

Elsewhere the existence of abundant manpower on the market does not provide the right incentive for companies to make their own forecasts. Companies, which traditionally have a reputation of playing on high unemployment as an excuse for paying low salaries, have poor working conditions and are subject to significant

turnover (textiles and distribution), make forecasts of less than one year.

In companies making one year forecasts the forecast results from the contents of the annual budget.

The usefulness of manpower planning is recognised by the majority of those companies which forecast, at best, stagnant activity over the next few years. Only the companies which are currently experiencing economic difficulties deny any interest.

The importance of financial investment and the type of investment the company must make, constitutes a motivating factor for the instigation of a forecast.

In heavy equipment companies where the industrial potential consists of a few important machines (e.g. printing, steel) each change of machine corresponds to a new generation of technology which is only introduced into the company at the time when the new machine is put into operation. It is therefore necessary to forecast both the qualitative and quantitative personnel adjustments consequent upon the investment decision in order to prepare all of the staff for the change.

On the other hand, in industries where the industrial capacity consists: of numerous small machines, all independent of each other and costing less, the plant renewal is made periodically. Technological innovations are introduced more progressively and concern less significant groups of people - a few in each workshop. This reduces the need for forecasting, adaptability to change remaining possible because of the smaller number of people involved each time and the less important nature of the change.

Whether implicitly or explicitly, the companies consulted considered that manpower planning could result in a better overall profitability in that it allows (reasons advanced in order of decreasing frequency):

- in respect of budgets, the monitoring and cost adjustment within the total salary matrix.
- a forecast of necessary appointments, a forecast of actions that will increase appointments, a classification of appointment and career schemes.
- in respect of foreseen developments, a better selection procedure and an improvement in training.
- a more stable workforce, a reduction in turnover.

- a better social climate, leading to easier communications with the company's partners.
- a total quality control of products, an improvement in the company's image in the eyes of clients as evidenced by more rigorous management.

However very few companies see manpower planning as an integral part of management systems (the level of qualifications and the intellectual standing of the management are seen as determining factors). Most of the time, the advantages of manpower planning cannot be seen in terms of concrete facts and figures: a control of the total salary bill facilitates the fulfilment of other objectives (avoiding delays). This can explain why manpower planning does not appear in a long-term plan and why it does not more often give rise to an elaboration of an overall strategy defining coherent and consistent tactics in the matter of recruitment, training, internal promotion, integrating such parameters as age structures, turnover and the simulation of the total wages bill.

The main problems when drawing up a manpower planning forecast, are usually connected with the need to make an economic forecast. No other factor, such as the human factor, is mentioned as restricting the company's capacity for working out a manpower plan.

Forecasts are effectively the responsibility of general management even if there is a personnel department.

This forecast is initially worked out systematically, department by department in the first place from the economic developments provided from within the business and, secondly, from technological developments. Production appears to be only a small part of this forecast.

It is only after this departmental approach that the forecast is consolidated at the level of the company. The monitoring and realisation of the plan are confined to the personnel department. The manpower forecast systematically takes into account the replacement needs due to retirement. Replacements due to theoretically internal promotions are only taken into account in 60% of the companies consulted.

In companies employing a poorly qualified workforce doing difficult jobs, resignations and turnover are integrated into the forecast. There is also a tendency for resignations to be taken into account in high-technology companies

where the staff is aware of conditions in the labour market (the attraction of pay).

Other companies suggested there was no need to take resignations or turnover into account.

C. Degree of awareness of human potential in the company.

In the case of small-sized companies, the need to reach a systematic and formal appraisal of human potential is a little resented. Attempts at classification are often met with failure, or with refusal due to clumsy presentation of the possible benefit or with the subsequent non-use which only puts into prominence its uselessness. Often obstruction on the part of the old establishment can be distinguished. The setting up of a formalised system is seen as creating a barrier preventing direct communication with management.

Direct communication is the only means of conveying this potential in 40% of the companies.

The establishment of a more formal approach is not a function of the size of the company.

Among 60% of the companies having a system for evaluating potential:

- 40% of them combine a system of performance evaluation (based on objective or job description) with a system of hierarchical assessment (each system is applied step by step through the hierarchy.)
- 60% of them have only a system of hierarchical assessment.

Nevertheless, this assessment only gives rise to an interview with the interested party in 50% of the companies which have a system.

Whatever the terms and conditions of the appraisal system, the results primarily serve the purpose of: promotion and training; and, secondly, salary revisions and retraining. The appraisal of performance and of potential is not widespread.

D. Is Manpower planning a management tool for the company?

a) Recruitment

According to the report, of the total number of posts to be filled, external recruitment accounted for at least 50%, internal promotion for 40% and transfers without promotion 10%. The 1981 report indicates that there was a 10% increase



in external recruitment vis-a-vis 1980. In order to acquire the necessary technical know-how companies recruit the great majority of their trained personnel and higher technicians from the market. This is a very clear trend. It should be noted that in most of these cases, companies recruit more in relation to function than a defined post. They look to adapt the services of a specialist to a specific field. This specialist will be able to envisage the developments of the function and respond to them when the time comes. For example: the recruitment in a company of between 300 and 400 people of a personnel manager who has a very varied working experience, whose salary level is sometimes high and who, in the first instance, will be over-qualified for the post. On the other hand, companies prefer to teach new skills to manual workers and clerical staff through professional training, and so recruit personnel with few qualifications.

In the case of a vacant post, priority is given to in-house personnel, in the case of clerical staff, though not in the case of trained personnel. It is management and the personnel department who decide upon the ways used for staff recruitment in the companies consulted.

Two-thirds of external recruits are based on function needs for up to a year. In 60% of the cases recruitment needs are defined by the means of job description.

The two sources most frequently used for recruitment are: firstly, l'ANPE and l'APEC (job centres), for convenience and for the main salary ranges of the proposed candidates, to ascertain the lowest cost of those to be engaged and from the point of view of being on good terms with the administration. Secondly, and often simultaneously, companies call upon advertising agencies, which have the essential recognised qualities of speed, preciseness of target and a more effective return than either l'ANPE or l'APEC. The use of candidates who have come forward independent of any advertisement or who are relatives of other members of staff, depends on the type of activity (particularly for staff with few qualifications).

#### b) Temporary Employees

Since 1979 there has been a significant fall in the number of temporary employees. Between 1979 and 1980 they fell by 60% and there was a further 5% fall in 1981. There is a great variation in the average length of employment between companies and within a company from year to year. The average period for 1981 was 1 months.

c) Fixed-term contracts (CDD)

The usual reasons for using fixed-term contracts are found in all companies (temporary increase in production and replacement). Certain companies have recourse to fixed-term contracts to bring in personnel and specific skills of which they have no permanent need. Two extremes are clearly marked: either very little CDD for traditional reasons or a lot of CDD, always for traditional reasons, but in the framework of a defined management policy to avoid dismissals and particularly to use the period of CDD as one of pre-hire.

d) Training

Training - promotion is a decision taken at a top level with the personnel department having a certain measure of involvement. Even though they may take heed of suggestions and look into salary scales, management clearly holds the initiative. Spontaneous demands for training by salaried staff are not generally integrated directly in the training plan. The management hierarchy and the personnel department tend to control training opportunities, making their decisions together. In the rare cases where the salaried staff themselves initiate a request for training, there generally exists an internal, collective system of training defined by professional categories (clerical management skills etc.).

Training schemes as a result of restructuring are, on the contrary, almost entirely at the initiative of the salaried staff (even if they are integrated in the training plan).

In most of the companies, training-promotion is not seen as a constraint and it is very rare that it is subscribed to merely as a means of keeping peace within the company; training promotion is seen to be an obvious benefit, studied according to departmental needs and to specific company needs even if it is only short term (1 year).

Training Objectives

Individual training schemes are decided according to departmental priorities and functional needs of up to a year. They are rarely planned several years ahead except for heavy investment plans - such as those in the printing industry - or restructuring plans - banks.

Even in cases where there exists an appraisal system for formulating individual development plans, departmental needs take priority. Individual training plans are firstly tied to departmental needs and secondly to the needs of the company as a whole.

It is only in these companies with a workforce of 500 or more that general aims are systematically set out as a forerunner to the formulation of the plan. These aims are defined by general management although the personnel department has a leading role (more than in the recruitment decision). The idea that it is better to spend a legal 1.1% rather than to save it is no longer a major incentive.

#### The percentage of the budget allocated to training

Most companies keep to just the legal minimum or only slightly above. 20% of companies greatly exceed the budget (no good reason related to either the size of the company or the type of activity can be found). Those attending the organised training courses are known in almost all cases before the year end, or are subject to subsequent changes in the case of other priorities coming to light or of the unavailability of the interested party at the time of the course.

#### e) Departures

Collective dismissals: the number of collective dismissals in companies corresponds roughly to the number of dismissals forecast in the company's plan as submitted to the works council. The slight difference is due only to pressure from staff representatives or to humanitarian considerations. The measures taken in the company's plan for limiting collective dismissals are: early retirement with financial aid from the company, where the incentive to leave is based on bonus payments or an attempt at relocation in another company (most of the time without success). Help from the FNE or from public or professional regional organisation is mentioned only in a small number of cases and does not seem to be appreciated. Over the course of the next two years, a sixth of the companies envisage a reduction in staff. The others expect stability.

#### Early-retirement departures

They take place most often at the request of the company and because they are voluntary redundancies they do not pose a problem. In some cases, the decision

is taken by the company after a preliminary request by the interested parties.

f) Arrangements with staff representatives

All the companies consulted have a company committee. In cases where there is an employment - training board within the company committee, its role seems all but non-existent in the field of manpower planning.

The question most asked by staff representatives concerns the provision for youth employment and the guarantee of employment.

The register of new entrants and departures is practically never consulted by staff representatives. Where there is an obligation to produce a company balance sheet, it is sent solely to the people concerned as required by law. It is very rare that it is sent to all members of staff, though it is at their disposal.

CHAPTER 3 MANPOWER PLANNING AND ITS USES

3.1 Results according to the type of manpower planning

Analysis of the results of the enquiry shows us that the companies can be classified in three categories:-

311 Those with a comprehensive manpower planning policy which comprises:-

- a precise evaluation (of at least one year) of the quantitative and qualitative personnel requirements
- a thorough recruitment policy aimed at bringing about the necessary qualitative changes
- a training policy aimed at bringing about the necessary changes in qualifications

Examples of 2 such companies are examined in detail in the next section of this chapter (3.2)

The advantages of this kind of manpower planning policy are set out below:  
in economic terms

- with regard to budgets and the control of staff expenses
- with regard to industrial aims. Indeed, it should be noted that to further its own industry and (or) development, the company introduces this kind of manpower planning policy to work alongside its most important industrial objectives (see examples 1 & 2) Manpower planning is thus a means of regularly ensuring that the necessary alterations at both the quantitative and qualitative level take place and make an effective contribution to the anticipated changes
- through a greater awareness and use of potential
- through a more profitable recruitment policy. Since the advisability of recruitment is the subject of an in-depth study, this leads to a more precise screening of candidates and more rigorous selection procedure
- through a better use of the training budget: by defining more precisely, the needs and anticipated results a greater control of the efficiency of the training plan is possible

in psycho-sociological terms

- through a greater participation of training personnel in manpower planning
- through closer co-operation among staff themselves
- through greater personnel mobility and a reduced resistance to change
- through a greater facility to adapt to change and for the company to face any contingent new problems in a concerted fashion

- through more complete information from staff representatives, as much concerned with economic activity within the company as employment management.

312 Those which practise a category of manpower planning

There is a deliberate choice within the company to limit manpower planning to a professional category or a single function.

The company concentrates its efforts on a manpower planning forecast that it considers as essential to its functioning and future success. It begins on the principle that as company's "savoir-faire" resides in a few individuals who have had to acquire for themselves or develop these skills.

This manpower planning results in a forecast of the precise needs, quantitatively as much as qualitatively. Recruitment is carried out on a contingency basis even before the needs are realised, the company agreeing to put up with the costs of unproductiveness or partial productivity. Training is seen as an intellectual and psychological stimulus.

Categories and expendable functions are considered as non-essential. Surplus or scarcity, quantitatively as much as qualitatively, is not seen as being dangerous, and can be regulated by resorting to dismissals in the case of surplus, or in the case of scarcity by fixed-term contracts, sub-contracting as an interim measure. Remuneration for these categories is very low when compared with the average, though the turnover is very high (see housebuilding and luxury products - examples no 3 & no 4)

313 Those which practise partial manpower planning

Here there is no precise preliminary forecast of the quantitative and qualitative needs, but there is an initiative approach (through departmental or professional categories) that approximates to the quantitative and qualitative trends.

It is thus from the starting point of non-quantified general aims that particular recruitment and/or training policies can be derived.

One of the limiting aspects of this manpower planning policy is that during certain periods it leads to the exclusive use of external recruitment with a view to acquiring new skills. The possibility of acquiring these skills through

in-house personnel training is therefore excluded.

With regards to training, there are two possibilities: trying to look at all facets of the category together, or allocating a larger proportion of the training budget to developing the skills of certain individuals who are considered as being the key personnel of the future. This manpower planning method approximates to 'blow by blow'. The innate long-term advantages of these practices are more difficult to appreciate than in the comprehensive form of manpower planning. In general, these practices only allow companies to avoid the problems of quantitative and qualitative non development of their employees which in time would emerge more dramatically: it only avoids the issues by postponing their emergence.

### 3.2 Examples of applications of manpower planning

#### Case No 1 Comprehensive Management

##### The Business

Type of activity: large-scale printing (catalogues, periodicals) Origin: it had belonged to a printing group which dissolved due to financial difficulties. The termination of the group's activities in 1975/77 was accompanied by significant and far-reaching company upheavals. Only one part of the old company was taken over by the present group's ownership. Number of employees in the new company: at the beginning 800 people - today 637.

##### Problems faced by the new company

- Regain an acceptable level of productivity and the confidence of customers
- Face up to radical technological changes, necessitating significant investment (85 million francs)

The first problem was dealt with by a restructuring of activities, involving a regrouping of previously decentralised establishments. The second problem involved defining a 3-year manpower plan and taking the necessary measures (in terms of men and procedures) to effect its realisation. The company set up its own personnel department, comprising, besides a skilled personnel manager (well qualified and with experience of personnel work), someone in charge of training management. The operation of the manpower plan was entrusted to the personnel department which, among other things, is in charge of administrative management and relations with the parent companies.

### Characteristics of Technological Changes

They reside:

- in the change in the manufacturing process, in particular leading to a radical upheaval in techniques of preparation (photo composition) and the disappearance of certain services in upstream production.
- in the forced automation of different processes (preparation, production - distribution)

Their consequences are:

- the total renewal of the machine shop and the reduction in the number of machines
- the reduction in the total number of jobs
- the replacement of certain jobs by completely new ones in terms of function.

Example: the increased importance of specialised maintenance jobs (electronics) which can no longer be entrusted to non-qualified staff or left to staff to do themselves. Increase in the number of supervisory and control posts

- the alteration in the company's structure - the complete disappearance of certain departments.

### Special circumstances

On the question of heavy investment it was not possible to make gradual changes of personnel as machines were being renewed, for each renewal was en bloc and the new material and manufacturing process had to be adapted overnight. The problem was thus to prepare all employees to assume their new functions, when the moment came, and from then on to continue to ensure production with traditional equipment which demands different needs in terms of personnel.

### Procedure

Using the given calculations derived from an in-depth knowledge of conditions and functioning of the new manufacturing procedure and the new structures put in place the company is concerned with:-

- drawing up an inventory of necessary posts (in number and qualification) and defining the requirements of each of the listed jobs.
- to work towards a systematic evaluation of staff potential with the participation of trained personnel who were asked the question: what can a person do in addition to his normal responsibilities? This evaluation was completed by setting up a system of appraisal, comprising an interview with the interested parties.



- in the case of each post, to match up possible internal candidates with the necessary complementary training
- to define a policy based on external recruitment in those cases where there is no suitable internal candidate
- to define a training policy comprising a number of collective actions. Staff were told of the nature and objective of these training procedures in the hope that they would volunteer for them.

### Results

From the outset, staff representatives were told of the complete plan, of its different phases and the anticipated means of realising them.

To face up to the initial over-staffing due to the closures of the decentralised establishments and the quest for higher productivity, the company can count on the fact that large percentage of the employees are over 56 years of age. The anticipated termination of activity involving nearly 60 people had been possible in the first year that the plan had been put into operation, within the framework of the national employment fund. This agreement also provided assistance for the retraining of staff.

For two years, the evaluation and training of potential candidates paid for itself by the increase in internal mobility that characterised each year: 20 promotions, 15 internal moves without promotion. It permitted the firm to define more precisely the extent to which personnel shortages put at risk certain specialities and to adjust the annual recruitment plan accordingly - 3 people were recruited in 1980 - 9 in 1981.

Since 1980, the percentage of the salaried workforce's time devoted to training increased by 1.6% in 1983, at the same time as the modernisation plan is to come on stream and the new equipment arrive, there will be some overstaffing. These will be almost entirely reabsorbed by the retirement of these people aged 56 years or more. (There has not been any such retirements during the past three years). By not replacing natural departures (20 a year on average) (resignations, disablements - the disbanding of design personnel) in the interim period up to retirement, the problem of overstaffing will be solved.

## Case No 2 - Comprehensive Management

### The Company

A provincial financial establishment, collecting private savings, essentially from source, through the expedient of thirty agencies. It is located in a town near the outskirts of greater Paris (40 km from Paris). In 1980, it employed 1816 people, with an average of 3 people per agency.

### The problem faced by the company

- A market study has highlighted that the company's rate of market penetration is not very significant given that it is in a service industry undergoing vigorous expansion
- a development plan was established in 1980. It comprised:-
  - the creation of new client services (promissory notes and cheque accounts)
  - the opening of 20 new offices within three years
  - the growth of information facilities

### The characteristics of change

In this branch of activity, personnel management is very regulated (the existence of very detailed and advantageous collective agreements). There exist professional training schools (traditionally skills are acquired by passing through these schools. The enrolment for professional diplomas is voluntary and at the initiative of personnel). As a consequence, external recruitment is only concerned with non-qualified people capable of acquiring these skills. There is little inter-company mobility. The average age of the employee is 29 years. Slight mobility of the population. The creation of new offices suggests an increase in employment, notably full professionals and trained personnel to manage the offices. In order to achieve the success as envisaged in the plan, the company has therefore to resolve a problem both quantitative and qualitative in nature.

### The procedure

- to develop the all-round capabilities of the staff. To use the excess of administrative staff to encourage personnel to work their way from the bottom to the accountant in a commercial section
- to develop an internal promotion policy to facilitate this transaction
- starting from the precise knowledge of the quantitative needs and of their people in each agency, to determine whether, after training, they can hold down

the jobs created

- to regulate external recruitment to the needs of the new branches opened, take into account training, first of all ensuring that the duration of employment is fixed prior to taking up employment.

#### The results

Over the course of the last two years, 16% of personnel took part in a training course in each year. All the posts created in 1980 and 1981 had been filled by internal promotion. External recruitment increased to 18 people in 1980 and 25 people in 1981. No recourse was needed in the interim and there was a personnel team creating a multi-disciplinary body of staff.

#### Case No 3 Manpower planning in certain categories

Regional public works company specialised in road building and civil engineering. Permanent employees at 31/12/81 657 people of whom 120 are trained personnel and skilled people.

#### Problems of the business

In the majority of cases, contracts are obtained through a system of public tenders (price submissions). Among other things, activity is very sensitive to economic fluctuations and to the investment policies of the local community and of large-scale investors (the state, Electricite de France).

#### Personnel policy and manpower plan

The 120 trained and skilled personnel who constitute the permanent structure represent the genuine 'know-how' (technical and site management). As a consequence, for this category the company has developed a contingency manpower plan based on maintaining the structure's potential. In order to do this, it evaluates potential (based on objectives) and individual or collective development plans (communal training schemes according to type: site supervision, accountancy, knowledge of new construction techniques etc). In 1981, in spite of a very unfavourable climate, the company hired trained personnel. Among other things, there was a definite need for the installation of telephone equipment so it created and developed a team of workers skilled in telephone engineering (40 people)

Training budget: 1.1%, but utilises to the maximum the free training courses provided by training schemes organised by the Federation of Construction Industries. When the construction of a nuclear power plant in the region was halted in August 1981, the company had to run down the jobs of 35 workers at the

end of the third quarter 1981 and lay off 50 other skilled and semi-skilled workers.

Cas. No 4 Manpower Planning in certain categories

This company manufactures articles of jewellery - gold plate and a range of luxury leather products. It designs the articles itself and makes them abroad or under sub contracts. It sells them through its own boutiques or through licence - holders. Exports account for 70% of the total turnover. It employs 390 people split between several establishments.

Its problem

It has had to innovate continually and manufacture high quality articles that are in keeping with the company's market image. It has to make use of a wide range of technical skills. It has had to build up and maintain a distribution network adapted to the type of product. There are limited promotion prospects for the staff carrying out many of the functions (administrative, salesmen, store keepers, after-sales services). The creativity and technical skills which comprise the firm's know-how cannot be learnt through experience, either on the job or through training.

Personnel policy and its manpower plan

Personnel management is very decentralised. The people in charge in the profit centres themselves ensure that the employees are managed within the fixed framework as laid down in the official budget (i.e. in terms of cost and the numbers employed). They themselves, recruit directly and training is undertaken on the initiative of staff. They practice a low salary policy. For the trained personnel, on the other hand, management is centralised and the object of a clearly defined policy:-

- estimates of recruitment necessary to acquire innovative skills and valued techniques (micro-electronics etc.). It practices a policy of high salaries.
- the development of all aspects of training schemes to develop the potential of and to motivate the trained personnel.

Results

At the employee level in 1980:-

- 6 posts filled by internal promotion
- 4 posts filled by movements without promotion
- 60 recruitments (turnover 23%)

At the level of trained personnel:

- 10 recruitments

- 5 dismissals for economic reasons (the posts no longer exist)

### Trend

Market difficulties, the narrowing of margins lead to the need to find ways of cutting costs and of setting up a manpower plan to increase staff loyalty. In order to do this, they hired a personnel manager whose objective was to set up a centralised personnel management system, carry out recruitment and work out training plans.

### Case No 5 Partial Manpower Planning

The business specialises in road transport including three main types of activity: parcel delivery, freight and removals. It comprises several regional agencies and expects to open two further ones. Total employment on 31st December 1981 was 308 people of whom 13 were trained personnel and 41 skilled workers. There are a few different professional categories (essentially drivers, mechanics and warehousemen).

### The problem of the business

It is not possible to have precise cargo plans in advance. Only 'parcel delivery', which is carried out through regular pick-up rounds, permits a prior knowledge of the necessary numbers to employ. "Freighting" on the other hand, requires almost daily assignments. The lorry leaves when it has a sufficient load and only when a full return load is assured. 'Removals' is a seasonal and very fluctuating activity. The business must therefore face up to these large variations in its employment requirements which may affect one or all of its activities. Its desire to open new agencies, for which the number of employees has been forecast both in quantity and quality puts the company under obligation to forecast transfers, but staff mobility is slight.

### Personnel policy and its manpower plan

- To reduce to the maximum extent the number of workers engaged in seasonal or fluctuating cargo plans and, in times of increased cargo activity, to use surplus labour from other activities, or to make use of fixed-term contracts.
- In order to facilitate inter-activity mobility, to develop a multi-disciplined labour force through successive assignments to different jobs and through professional training (drivers, mechanics).
- Pay special attention to certain people who, following training, will benefit from promotion and who will accept their transfer into the new agencies as and when they are set up.
- It is the person responsible for the administration of personnel management

who co-ordinates assignments. Management asks him to provide them with an appreciation of the potential of individuals, his opinion of possible assignments and the possible training schemes.

Results

In 1981

- 5 promotions
- 12 transfers without promotion
- 188 personnel changes of which 25 resulted from the departure of fixed-term contracts.

Training plan: 2.2% of the salary budget.

CHAPTER 4 - CONCLUSIONS AND RECOMMENDATIONS

4.1 The reasons for the lack of development of manpower planning in the PMEs

The study of the practices of small and medium-sized businesses as regards to manpower planning, highlights the fact that this form of management, such as it is defined in the preface to our study, has been little developed by these companies. Among the reasons for this lack of development, we can cite:-

1. The difficulty experienced by the small and medium - sized companies in making their economic forecasts sufficiently accurate and viable.
2. The management and employees of these companies are convinced that an effective manpower planning policy can only be attained with the backing of a reliable economic forecast. Nevertheless, the enquiry has enabled us to ascertain that in all the small and medium-sized concerns which have set up a comprehensive manpower planning policy, the economic forecast has not been the only criteria for the existence and development of this kind of management. In these firms, the determinant factors have been the desire and ability to compile a study of the company in terms of its strengths and weaknesses in relation to the profession, the competition and, above all, technological developments. Manpower planning supposes the existence of a well-defined company policy. This is a condition that was not fulfilled in many of the companies which were consulted.
3. To a large extent, the lack of development of manpower planning in small and medium-sized companies can be explained in terms of the management and organisational methods used by these companies. The thoughts and aims of those responsible for these companies are centred on production, trading and finance and they rarely give a thought to analysing how the company functions or how changes could be made. Even if these managers explain that technological changes will mean capital for the maintenance and development of their company, they will still remain vulnerable because of the expectation that these developments would lead to specific changes in the company. When it comes to management methods, most managers have few ideas or systematic techniques at their disposal (witness the family origins of some companies, or the university or college backgrounds which do little to develop the awareness or the teaching of these methods).
4. The concept of personnel management remains archaic and strongly influenced

by traditional values, juxtaposing man/work, salary/employer. It is very rare that companies succeed in effectively and harmoniously integrating a personnel policy into their general policy framework. The interdependence of the economy and the company is not recognised: the company remains to a great extent dependent on the economy, whereas it is vital for manpower planning to be based on the notion that the company is at one and the same time, a cause as much as an effect of the economy. It should be stressed that present legislative trends in France tend to reinforce this split and confirm the prejudices of companies.

5. The lack of a clearly defined personnel function effected by a specialist administrator in the organisation encourages the small and medium-sized companies to continue in their ad-hoc approach to management. In companies with less than 500 people the personnel function is diffuse and assumed (in so far as it applies to administrative and legal aspects) by other functions (particularly finance) to whom it is a sideline and whose main aim is solely cost control. In those companies practising a more sophisticated form of manpower planning we have, on the contrary, always met well-qualified personnel, specialists in their function, with communication skills and a capacity for abstract ideas. These men are well versed in the techniques of manpower planning methods (belonging to associations, recycling etc.)

6. The attitudes of management and trained personnel in small and medium-sized companies with regards to the necessary quantitative aspects of personnel within the business also tend to retard the development of a comprehensive manpower plan in these companies. In these businesses the evaluation of the potential of the existing human resources meets with psychological barriers. The establishment of formal means (definition of function, systematic analysis of performances) is perceived as an obstacle to direct communications which exist naturally according to the size of the companies. The recourse is rejected since it is thought to create a barrier among individuals. At the same time, as regards to training, the analysis of requirements is not imagined (for the same psychological reasons) as being a rational, comprehensive and realised course for aiding the support staff in the function of the company's needs.

7. Staff representatives do not actively participate in the management of employees: this remains the concern of management. They are informed of its consequences but do not make a contribution to the determination of the terms and conditions of employees. This attitude is understandable firstly because of the fact that most unions wish to protect their bargaining position vis-a-vis management and secondly from the point of view of unemployment which leads then



to focus their attention on the question of guaranteed employment.

#### 4.2 Propositions for the promotion of manpower planning in the PME

From the conclusions of the study, we can formulate the following recommendations regarding the small and medium-sized companies.

All action looking to the promotion of manpower planning in small and medium-sized companies, must take account of the general lack of development of management methods in these companies and seek to increase the level of management in them. It doesn't appear to be possible to speak of manpower planning if the management concerned is not in a position to integrate personnel management in the company's overall policy and to grasp the relationship of cause and effect which exists between manpower planning and the planning process. In the second place, it is necessary to provide management and the skilled personnel in these companies with the means of analysis, then of action which will permit them to define and to establish a manpower plan compatible with the position and the objectives of their company.

#### 421 Measures to affect attitudes and capacities

Increase in the potential of those responsible for management in the PMEs. Through the means of information and training schemes made available through state organisations, private or professional, to develop the skills of business leaders and trained management in the methods of analysis of their company's position. In order to do this they need to acquire the technical knowledge and develop their capacity to conceptualise, decide and work out plans for development and for improvement without waiting for a pronounced decline in their situation.

#### Increase in the potential of intermediate grades

Trained personnel in small and medium-sized companies should be offered the means to acquire a knowledge of modern methods of manpower planning. These trained personnel, too often concerned with day-to-day routine and the "survival" of their business, abandon this type of improvement because it doesn't seem immediately useful to them and is not demanded by the management. To instil throughout the organisation a more intelligible concept of manpower planning by those interested parties and removing the obstacles encountered (the belief in a similar economic forecast which will permit the definition, the establishment and the pursuit of a manpower planning policy, removing psychological resistance to the quantification of human resources).

The development of a more forward-looking attitude on the part of management and trained personnel, notably in the field of technological change. In this regard, employers, organisations and professional unions must play a leading role. It rests with the curiosity and imagination with which they follow the effects of technological change in their profession, the repercussions on employment in terms of qualification, training, remuneration, structure and organisation within the company and not only in terms of figures and production.

To encourage small and medium-sized companies to develop a structured personnel function entrusted to specialists capable of managing human resources rather than someone whose sole function is the administration of payment. To face up to the operation of the additional costs incurred in supporting the creation of such a function, it is perhaps useful to develop inter-company services for human resources management, either with identical professional activities at the centre, or at the level of employment reservoirs.

#### 422 Measures to effect the means of management

The receptiveness of small and medium-sized companies to manpower planning and the measures to effect an improvement will be brought about by making available the necessary tools that will enable the company to define and to establish a manpower plan. These tools are seen as enabling PME's to use, without their recourse to specialists whom they cannot support because of costs, the essential techniques of personnel management and manpower planning. Among these tools:

The methods to make a comprehensive study of the company that will permit a review of the strengths and weaknesses of the different aspects of its management and its policies, to locate where to find its challenge and to think up ways of overcoming it.

The controls used by the personnel function. The use of a range of controls by the personnel function is little developed among the small and medium-sized companies (viz the difficulty in obtaining requested figures). If they exist, they are composed of ratios and incompatible indicators. The compulsory provision of a balance sheet has not been extended to the idea of systematically collecting data on personnel.

The controls composed of indicators and significant ratios for these companies would help top management in small and medium-sized companies to acquire the habit of taking an interest in personnel data. They would develop their capacity to associate personnel management with economic and technical management of the

company.

This diffusion would have to be accompanied by a strict definition of the elements used in working out the ratios and indicators as well as an explanation of their predictive value and some training to show the type of analysis that they would allow.

Focussing on a method of diagnosis in the field of qualification and remuneration of employees with regards to foreseeable trends

Here, the role of professional unions is dominant. Complementing the aids to which they can lead, with respect to the awareness of technological change in their particular branch of activity (see 4.2 - 1.4), it would be their responsibility to provide models for forecasting qualification which would be able to serve as a reference for the manpower plan. They will provide the bases on which companies could launch their manpower plan giving them the objectives to be attained in the short, medium and long term.

These models would permit an activity or a product line to be defined (for different types of turnover) and indicate the methods, techniques and machines that will be necessary to put them into operation. Following on from this will be an evaluation of the types and numbers of necessary employees, their qualifications and remunerations, as well as an evaluation of employees before their departure.

The simplified techniques used in job evaluation and job description

Job evaluation and job description are presently not very widespread. They would provide an indispensable base to form an objective evaluation of performances and staff potential. Among other things, they would be a trump card when it comes to making a diagnosis of the company's problems.

Flexible methods of regular evaluation (every 2 years) of human resources

easily usable by the hierarchy and acceptable by personnel. They could consist of, for example, using grids for each level and type of job within the profession. When filled out jointly by the hierarchy and the interested parties they would permit the collection of what each person knows about his own particular task, the skills that he has, but doesn't use, what he can do and what he would like to do.

Pre-determined training schemes enabling the gradual acquisition of the necessary skills and the preparation for the essential re-training within

different categories characteristic of the profession. Beginning with their knowledge of technological and structural changes the organisations and professional unions could develop such programmes. They would compensate for the lack of forecasting capacity in the company with regards to employment trends and would facilitate an analysis of the very real training needs. These training programmes would be guides to the evolution of qualifications for each level and type of job or function. They would avoid scattered and wasted training schemes and those instances where training is not sufficiently complete to be effective. They will set up logical staging posts that lead towards a new given qualification and would assure a regular progression of recycling, retraining and improvement. Each staging post would correspond to a new awareness and degree of professional qualification from which it would be possible to orientate the potential of the interested parties to the needs of the company.

Dr. RAINER SCHULTZ-WILD  
Konradstr. 16 - T. 089/345581  
8000 MUNCHEN 40

**Manpower Planning and Employment Policy**

**in small and medium sized companies**

**in West Germany**

**A Study for the EEC**

**Directorate General for Social Affairs and Education**

Munich, June 1982

Contents

1. Introduction
2. The interviewed companies
  - a) Branch of industry and size of company
  - b) Legal form, status, age
  - c) Manpower structure
3. Market and Development
  - a) Products and customers
  - b) Market development
  - c) Development of turnover and employment
  - d) Future expectations
4. Manpower policy and manpower planning
  - a) Development of company and manpower planning
  - b) Manpower planning systems
  - c) The status of manpower management
  - d) Involvement of Employee Representatives
5. Employment and qualification policy
6. Summary
7. Appendix: Brief comparison of two cases

Bibliography

## 1. INTRODUCTION

During the past few years the Directorate General for Social Affairs and Education (DGV) has increasingly occupied itself with questions of Employment Policy and Manpower Planning at the firm level as well as their consequences on the labour market. In this context a series of conferences took place during the spring of 1981 with representatives of employers, trade unions and employment agencies of the member countries of the EEC, during which the situation in the individual countries was set forth and discussed (see EUREQUIP 1981) using the results of researchers and reports of experts.

It was shown that, on the one hand, the results of such available national studies can only be compared to one another in a very limited fashion, and, on the other hand, that the research and expert reports mainly reflected the employment possibilities and problems of large enterprises. Hence, during the autumn of 1981, the DGV ordered an internationally comparative study of FLEM in small and medium-sized enterprises (up to max. 1000 employees) in France, Great Britain, Ireland and West Germany, which study is co-ordinated by the Institute of Manpower Studies (IMS) in Brighton, Great Britain, and the French section of which will be executed by CEGOS of Paris.

We herewith present the results of the part-study relating to the Federal Republic of Germany and Berlin (West).

Generally speaking, this study has the character of a pilot study. Orderer and supplier are united in the view that the interesting question, viz, to what extent small and medium-sized enterprises operate a forward-looking employment policy, as is already extensively used in large enterprises, has first to be examined in a very limited number of enterprises of different sizes and sectors before, during a second phase, representative results can be provided by means of extensive research from a quantitative viewpoint.

During the autumn and winter 1981, the research groups taking part produced a suitable method of survey, which, after the execution of some Pre-Test-Interviews was mutually adjusted and (with the exception of a few national peculiarities) extensively standardised in the three languages (English, French, German). Using this method, enterprise management and/or manpower management of, in each case, 25 to 30 different companies were interviewed.

The company interview were carried out in the spring of 1982. In the majority of cases the interviewees from the companies showed a great willingness to co-operate; for this co-operation as well as, in particular, for the often difficult collation of the statistical information, we herewith expressly thank all contributors. We also thank the contributors of Agas, in particular our colleague G Phimmann, for encouragement and support during the survey work.

Munich, June 1982

The author



## 2. THE EXAMINED COMPANIES

Since, in relation to the size and extent of variation in the area of small and medium-sized companies, we could not aim for quantitative representativity of the research results, no detailed conditions were made for the selection of the companies. The only conditions made were that there should be the greatest possible variety in the fields and branches of industry concerned, related to the companies of different sizes (measured by the number of employees, up to a max. of 1000 employees) as well as a regional distribution from the point of view of the inclusion of different labour market situations.

A number of companies in different branches of industry and of different sizes were contacted, partly by means of particulars of companies in the Chambers, partly by means of other lists of addresses, in three areas, viz, the small town rural economic area south of Augsburg, the city of West Berlin as well as in the conurbation Munich and surroundings. They were requested either by telephone or in writing (in some cases having previously been sent the questionnaire) to take part in the research. (During the selection of the companies we did not aim towards the interesting criterion of a planning or forward-looking manpower and employment policy, so that the results from this aspect are random).

Access to companies proved difficult to varying degrees, particularly for reasons of time. Due to this a systematic preparation of the field of research, using more extensive written information from the Chambers and confederations of employers and the aim of the research, was not possible and, due to the small number of companies to be interviewed, could hardly be expressed in a meaningful cost-return ratio. In the Augsburg and Munich areas after on average, 2-3 contacts, a company interview could be carried out. In Berlin - apparently owing to the frequency of local company enquiries, 3-4 contacts had to be made before one was taken up, with 29 companies contacted in order to carry out 8 interviews.

Altogether, 27 company interviews were carried out, which took a minimum of 1½ and a maximum of 3-4 hours each. In Berlin 8 companies, (mostly medium-sized, having 100 to 200 employees) were researched into; in the Munich area we also researched into 8 companies, (mainly 300-600 employees) and finally in the Augsburg area 11 companies were researched into (the majority having less than 100 employees).

**Table 1: Branches of Industry and Size of Company**

		Companies having ....to ..... Employees							
		40-100		100-200		200-1000		40-1000	
		10		7		10		27	
Number of Companies		N	E	N	E	N	E	N	E
Branches of Industry									
2	Manufacturing comp.								
20/21	Chemical Industry Manufacture of synthetic materials	1	100	-	-	1	592	2	346
24	Steel, light metal machiners and vehicle industry	2	85	2	138	1	315	5	152
25	Electrical Engineersing Ind.	1	96	-	-	-	-	1	96
26	Wood and paper processing and printers	1	80	2	111	-	-	3	101
27	Leather processing, textile and clothing industry	3	56	2	316	-	-	5	485
28/29	Food and luxury goods	1	90	-	-	3	425	4	341
3	Constructure industry	1	80	-	-	-	-	1	80
4	Trade	-	-	-	-	2	681	2	681
5	Traffic	-	-	-	-	1	308	1	308
7	Services	-	-	1	178	2	436	3	350
<b>TOTAL</b>		10	79	7	142	10	472	27	241

1/ N = Number of companies

E = Average number of Employees per company

**a) Branches of Industry and size of Companies**

More than two thirds, viz, 20 out of 27 companies, are manufacturing companies, of which 9 out of 10 companies have between 100 and 200 employees. Above all, the machinery and vehicle manufacturing as well as the leather, textile and clothing companies of which there were 5 each, play an important role within the manufacturing companies; 4 further companies (among which are 3 of the large ones) are food and luxury goods companies, 3 are wood and paper manufacturing companies or printing companies. The chemical industry and synthetic materials processing industry are represented by 2 companies, the electrical engineering industry is represented by one company.

Apart from the manufacturing industries, 3 companies belong to the services sector, 2 to the trade sector and one each to the construction and to the traffic sector. (See Table 1). Altogether, these 27 companies had 6,500 employees at the beginning of 1982; the smallest company had 40 employees, the largest had 920. In the smaller companies the average number of employees is 79 per company; in the medium-sized companies 142, and in the larger companies 472.

**b) Legal Form, Status, Age**

With the exception of an inland harbour and warehouse company belonging to the public sector, the study is concerned exclusively with private sector companies. Most of them operate as Limited Liability Companies (GmbH) (12) or as Limited Company and Limited Partnership (GmbH und Co KG) (8), 4 companies are Limited Stock Corporations (KG: 3, KGaA: 1); finally there are two one-man businesses.

Almost half the companies were founded before the 2nd World War, of which 5 were even before 1900. The time of founding of the 2nd half of the companies, founded after the 2nd World War, is mostly in the 1950's and 1960's; only 5 companies have existed for less than 5 years in their present legal form, of these four had been in existence for decades as precursor companies. Thus, there were hardly any newly-founded firms amongst the relevant companies; most companies already had a decade of tradition to look back upon.

When the status of the companies is examined, then only one company (a printing firm of medium size) is an independent branch establishment; altogether 14 companies (7 smaller, 5 medium and 2 larger ones) are companies without branch establishments in the remaining twelve cases the examination took place in the

Head Office of a company having branch establishments. In 8 cases these are larger companies (together with 3 small companies and one medium sized company); the number of branch establishments oscillates between one and 100; apart from the case where a company has an extensive network of largely independent branches, these branches are included in the research.

### c) Manpower Structure

As already mentioned, these 27 companies had a total of 6,500 employees at the beginning of 1982, three quarters of these being employed by the 10 larger companies having at least 200 employees, approximately 15% by the medium sized companies and 12% by the small companies. (Table 2).

The employees are, for the greater part, permanently employed with an unlimited contract of employment; only 4% were employees with a limited contract of employment or were employed on a contractual basis (without exception in the larger companies); altogether only 10 (= 0.15%) employees were temporarily employed (in one of the larger companies). More than 4/5ths of the employees worked full-time, 13% worked part-time. Almost without exception all part-time employees are women; the main occupation of these women is sales in the head office or branches of the larger companies; apart from this a few administrative positions are occupied by part-time employees.

Table 2 Manpower Structure

Number of Companies	Companies with ... to ... employees									Total Companies		
	40-100			100-200			200-1000			F	M	F/M
	F	M	F/M	F	M	F/M	F	M	F/M			
F = Female M = Male												
Employees as of 2.1.82 (absolute)												
Of whom (in %) there were:	257	528	785	489	455	944	2400	2377	4777	3146	3359	6505
- permanently full-time employees (including apprentices)	27	67	94	44	48	92	32	47	79	33	50	83
- permanently employed part-time employees	6	0	6	8	0	8	15	0	15	13	0	13
- temporary	-	-	-	-	-	-	-	0	0	-	0	0
- employees having a limited contract of employment or working on contractual basis	-	-	-	-	-	-	3	2	5	2	2	4
<b>Total</b>	<b>33</b>	<b>67</b>	<b>100</b>	<b>52</b>	<b>48</b>	<b>100</b>	<b>50</b>	<b>49</b>	<b>99</b>	<b>48</b>	<b>52</b>	<b>100</b>
Of the permanently employed there were:												
- German	21	56	77	41	42	83	48	45	93	43	46	89
- Foreign	12	11	23	11	6	17	2	4	6	5	6	11
- workers on wages	22	47	69	37	34	70	13	19	32	17	25	42
- salaried employees	10	14	24	13	14	27	35	29	64	28	25	54
- industrial apprentices	1	5	6	0	2	2	0	1	1	0	2	2
- non-industrial apprentices	1	1	2	1	0	1	2	1	3	2	1	2
Of the workers on wages there were (in %)												
- skilled workers	1	43	44	1	25	26	1	35	36	1	34	35
- semi skilled workers	21	12	33	33	10	43	31	18	49	30	15	45
- non skilled workers	10	13	23	18	13	30	7	7	14	11	10	20
Of the salaried manpower there were (in %)												
- Extra contractual salaried/higher level employees	3	16	19	6	12	18	3	10	13	3	10	14
- other white collar employees	38	43	81	43	39	82	51	36	87	50	37	86

The small companies employ about one third women two thirds men. The ratios in the individual companies are different: whilst in the 3 companies manufacturing leather goods, textiles and clothing more than three quarters of the employees are women and in the synthetics company the number of male and female employees is roughly equal, the remaining companies in machinery construction, electrical engineering, paper processing, the beverage industry and the building industry mainly employ men (in most cases over 80%).

In the 7 medium-sized companies there is a slight preponderance of female employees (52%) here also the ratio differs with individual companies. Three quarters of the employees of the two construction companies are men, in two companies processing wood and paper 6 out of 10 employees are men, whilst in two companies in the textile and clothing industry and in one services company (laundry) 7 out of 10 employees are women.

In the larger enterprises the number of male and female employees were equal on average, although here again different situations are typical for individual companies: Thus, a machinery and vehicle construction company only has approximately 7% female employees, in the public harbour company only 16% of the employees are women, on the other hand the ratio is almost equal in a medical supplies company and in three companies in the food and luxury goods industries, and in the trade companies 7 out of 10 employees are women.

The employment of foreigners is altogether approximately 11% in the examined companies, the number of foreign male employees was slightly higher than the number of female employees. The proportion of foreign employees decreases with the size of the company: whilst in the small companies almost a quarter of the employees are foreign, in medium-sized companies the number drops to 17% and in the larger companies it drops to 6%. The quota of foreign employees also varies greatly between the individual companies: The one extreme is the largest company, which is a wholesale and supply company and has only 1.3% foreign employees, whilst the other extreme is a small company in the synthetic materials industry which employs up to 90% foreign employees. In the case of more than half of the companies, the quota of foreign employees is clearly below 10%, in four companies of the processing industry the quota lies between 10 and 25%, in four further companies (textile and clothing industry, printer, laundry) the quota is about one third of employees.

If the employees are subdivided according to status, viz, into skilled workers,

salaried employees and apprentices, then different manpower structures also become obvious. The differentiations between trades and the different job structures associated with this also show. In the small and medium-sized companies, where manufacturing companies are in the majority, on an average 7 out of 10 employees receive wages and only about a quarter are salaried workers. In the larger companies, on the other hand, where the tertiary sector plays a more important role (both in as much as four companies are in the trade or the services sector, and that companies in the food and luxury goods industry have a network of retail branches) there are almost double the number of salaried employees compared to blue collar workers.

The apprentice quota is particularly high (on average 8%) in the small companies, where, in particular in the production sector, young men are trained to become skilled workers, and a few girls are also placed in industrial or non-industrial (sales etc) apprenticeships. Whilst the apprentice quota in the small companies lies at just 8%, in the medium-sized companies the level drops to below 3% and in the larger companies it is under 4%. In the medium sized companies male apprentices in industrial jobs are most important, in larger companies on the other hand it is mostly girls in commercial apprenticeships.

The varying number of different qualification groups of workers corresponds to the varying importance of apprenticeships in employment ratios. In the smaller companies male, skilled workers clearly dominate (43%); the next group is less than half as large, this being semi-skilled women (21%); male (13%) and female (10%) unskilled workers and male semi-skilled workers (12%) are of similar size. Women are very rarely employed as skilled workers.

As mentioned above, in the larger companies, workers on the whole are less significant; almost half of them are semi-skilled, women are almost twice as numerous as men. More than a third of the manpower is skilled workers, also almost exclusively men; the proportion of unskilled workers plays a comparatively small role with a total of 15%.

It is remarkable that, even if the number of industrial apprentices is not related to the total number of employees, but only to the number of skilled workers, the training quota in the small companies is almost twice as high as in the medium sized and larger companies. This can be partially explained by the fact that in the larger companies the number of skilled workers shows a technically inhomogeneous structure, which makes the organisation of the relevant apprenticeship schedules more difficult, if not partially impossible.

(Thus, a bread factory, although it employs a number of trained bakers, cannot train people in this trade, since not all the processes to be learnt are practised in this company).

In the case of salaried manpower discriminating recording of the qualification structure had to be waived, in order not to overload the research system. A distinction is made solely between extra contractual salaried employees (AT) who are paid outside or above the going rate or so called "higher level manpower", 86% were other salaried employees, which include both skilled workers in trade, in services or representatives of industrial companies, as well as semi-skilled manpower (such as sales personnel).

In all the classes of company size far more (2 to 5 times as many) men than women are amongst the higher salaried employees in the case of other white collar manpower there are, on the other hand, more women in the medium - size and larger companies; in small firms which are mainly manufacturing companies, there are again more men. The largest single group is made up by the (mostly female) sales personnel in the larger companies.

### 3. MARKET AND DEVELOPMENT

In the following, the market situation of these companies as well as the development of turnover and employment during recent years, will be outlined briefly.

#### a) Products and Customers

Almost half the companies offer several products or services; surprisingly this is the case for most of the smaller companies; they are however a minority in the case of medium-sized and larger companies. Almost equally large is the number of companies which offer variations of a certain product or a certain service; this applies to the majority of the larger companies (examples are for instance the manufacture of cigarettes, cigars and tobacco by one company or laundry and chemical dry cleaning by another). A small company (Manufacturer of watch straps, albeit of different sizes) and a large company (publication of a daily newspaper) concentrate on one product.

Most companies work for a number of national clients, at times with a strong regional concentration (such as in the case of the laundry, the bread factory and also the daily newspaper). One of the larger companies deals exclusively



with one customer (coffee roasting company), in one small company (textile finishing company) one customer dominates a few other customers. Nine companies also deal with the European market besides the domestic market and three also supply outside Europe (2 machinery construction companies, 1 embroidery company). To a lesser extent a few other companies also have foreign customers, partially through indirect exports, for instance the daily newspaper or a textile company.

Seven of the larger, 3 medium - size and 4 small companies, have no exports or no noticeable export quotas - altogether over half of the examined companies. In the remaining companies the dependence on the foreign market varies greatly: 2 of the smaller companies and 2 medium sized ones each have export quotas up to 10%, 4 smaller companies and one larger one have export quotas between 10% and 25%, one medium - sized textile manufacturing company and one machinery construction company have an export quota between 25 and 50%, the export quotas for the tobacco company lies between 60 and 80%.

Table 3 Products and Market Outlets

Total number of Co's	Companies with... to ...		Employees	All Companies
	40-100	100-200	200-1000	
	10	7	10	27
<hr/>				
The company offers: (choices)				
- a single product/single service	1	-	1	2
- variations of a product/a service	3	4	5	12
- several products/services	6	3	4	13
<hr/>				
The market outlet situation is shaped by: (multiple choice)				
- a single customer	-	-	1	1
- a major customer with a few other customers	1	-	-	1
- a number of domestic customers	9	7	8	24
- customers in European countries	4	3	2	9
- customers outside Europe	1	2	-	3
<hr/>				
Exports:				
- no exports/or indirect exports only	4	3	7	14
- export contribution to the turnover in 1981				
- up to under 10%	2	2	-	4
- 10% to under 25%	4	-	1	5
- 25% to under 50%		1	1	2
- 50% and higher		1	1	2
Export quotas of the exporting companies	10.9%	31.5%	33.3%	22.4%
<hr/>				
Important advantages of the company over its competitors were seen as: (Multiple choice)				
- the qualifications of the employees		2	2	4
- in the market situation itself			1	1
- in type, quality etc of the products or services offered	5	2	6	13
- in production engineering	2	3	1	6
- in a traditionally strong position of the company on the market (for instance Grand name manufacturers)	3	6	2	11
- special system of distribution/retail trade	-	-	1	1
- special production (of furniture) in accordance with customer's wishes	1	-	-	1
- permanent core of established customers		1		1
- no advantages			1	1

When asked if the company maintained a position of monopoly in the particular market outlet, only a few paper-processing companies (packaging industry) claimed this to be the case and then only to a limited extent. Almost all companies find themselves opposed by a substantial competitor in their market outlets.

Almost half the companies concerned see the type and quality of the offered products or services as important advantages over their competitors; an almost equal number of companies see themselves as having a traditionally strong market position (partially limited to regional market outlets) - both producers and service companies, which have long been in existence, claim this to be so. Only six companies claim a particularly progressive or economical production engineering policy; these are two textile and two paper processing companies as well as the laundry and the inland harbour company. Four companies (the laundry, textile company, bread factory and paper processing company) saw the qualification of their own employees as advantageous; other reasons, such as the production in accordance with client specifications, a permanent clientele etc. were only mentioned sporadically.

**b) Market Development**

The development in market outlets during the last three years is mainly seen as being negative by the companies: six companies which determined strong shrinkage tendencies are contrasted by only one company which is active in a strongly expanding market. A further six companies spoke of weak shrinkage tendencies or a basically stable development, a further eight on the other hand mention slight growth tendencies. A few companies have determined different development in several segments of the market. No consistent tendencies can be determined with reference to market development either relating to the company size or to number of branches, - apart from the fact that the development is not viewed particularly optimistically anywhere, with one exception (the leasing of televisions, videorecorders etc). Even in companies which are in the same field, slightly different tendencies are recorded for the different market sections. Equally inconsistent are the answers to the questions whether these development tendencies are affected more by cyclical or structural influences. In a third of the companies the question could not be answered consistently or both cyclical and structural influences were seen to apply. In the remaining companies the opinion of the majority was that structural factors carry more influence. This applies both in negative development, as well as in times of slight growth; in

contrast, other companies saw both positive and negative development as being due to the course of business cycles.

Table 4 Market Outlet Developments

	Companies with ... to ... empls			All cos. 27
	40-100	100-200	200-1000	
<b>Number of Companies</b>	10	7	10	27
The development on the market of the company is characterised by:				
- strong shrinkage tendencies	3	2	1	6
- weak shrinkage tendencies	2	2	2	6
- stable development	2	1	3	6
- slight growth tendencies	3	3	2	8
- strong growth tendencies			1	1
Seasonal oscillations in the market outlets of the companies are characterised by:				
- strong seasonal fluctuation	3	1	2	6
- medium seasonal fluctuation	-	4	2	6
- weak seasonable fluctuation	3	-	6	9
- no seasonal fluctuation	4	2	-	6

As far as seasonal fluctuations in the market outlets are concerned, these provide no special problems for more than half the companies, since only weak or no fluctuations occur during the year. In the case of six companies, strong or medium-strength fluctuations occur. In some of the manufacturing companies (for instance building, machinery and paper processing companies) as well as in the textile trade and in services companies, seasonal fluctuations play an important role.

### c) Development of Turnover and Employment

The mainly negative evaluation of the development of the market outlets does not mean that the majority of the examined companies had to suffer restrictions of turnover in the last few years. This, in fact, is not the case: five companies have had an emphatically expanding turnover development in the last three years and so further companies have had a slight expansion in turnover development; in four companies the situation was more or less stable (which, in certain circumstances could mean a negative development). Moreover, six companies have strongly reduced turnovers (three small companies: textile and leather processing, construction companies; three larger companies: machinery construction, tobacco and medical supply companies) as well as one small and one larger company which have slowly decreasing turnovers. Seen in total, the turnover development in the medium-sized companies is at its most advantageous; (six slightly expanding, one more or less stable); it is most disadvantageous on the other hand in small companies (three strongly, one slightly retrograde and only one is clearly expansive). Among the larger companies six have retrograde or stable development and are contrasted by four companies having clearly increasing turnovers (TV leasing, daily paper, coffee roasting company and food suppliers).

Market outlet and turnover development are important factors for the development of employment; however they do not determine this alone - especially since the numbers of personnel per production unit can be reduced by means of technical-organisational rationalisation processes. This is also made clear by the results relating to the change in numbers of employees between 1979 and 1981.

From an overall point of view the development in employment is more negative than could be expected from the information regarding the market outlet situation or the turnover development. Altogether in twenty four out of the

twenty seven examined companies (for three larger companies - viz one with a clearly negative, two with a clearly positive turnover development - no information was available) a 6% loss in jobs had occurred in the last three years. (See table 5). In particular in the medium-sized companies the reduction in jobs was shown to be great (minus an average of 8.5%), in smaller companies job loss was relatively low (minus 4.1%). More than half the companies exhibited a negative employment development: Seven companies exhibited a jobs loss of, on average, 17.5% as opposed to only two companies exhibiting an almost equal jobs gain. The clearly positive employment development was exhibited by a small clothing factory as well as by the TV Rental firm; one small company in the beverages industry, one metal processing company and one laundry as well as the medical supplies company and tobacco processing company exhibited particularly high job losses. In most companies the development during the three year timespan exhibited one single direction (positive, negative or stable); in only four companies was fluctuation between reduction and expansion or vice versa observed.

**Table 5 Development of Turnover and Development of Employment**

	Companies with ... to ... empls						All cos.	
	40-100		100-200		200-1000		27	
<b>Number of Companies</b>	10		7		10		27	
The Turnover Development of the company from 1979 to 1981 had the following tendency:	N		N		N		N 1)	
- approx. stable	1		1		2		4	
- slightly retrograde	1		-		1		2	
- strongly retrograde	3		-		3		6	
- slightly expansive	4		6		-		10	
- clearly expansive	1		-		4		5	
The no. of employees has changed between 1979 and 1981 in the following manner:	N	V	N	V	N	V	N	V 1)
- reduction in employment over <del>10%</del>	2	-15,0	3	-18,1	2	-17,6	7	-17,5
- reduction in ployment over 1% to under 10%	4	- 5,4	1	- 4,6	1	- 9,8	6	- 8,4
- stable employment (-1%, 0, + 1%)	2	+0,0	1	+0,0	1	- 1,0	4	- 0,5
- increase in employment over 1% to under 10%	1	+ 8,0	2	+ 5,5	2	+ 2,7	5	+ 3,6
- increase in employment over 10%	1	+19,4	-	-	1	+17,5	2	+17,7
<b>Total</b>	10	- 4,1	7	- 8,4	7	- 6,0	24	- 6,0
No information	-	-	-	-	3	-	3	-

1) N = no. of companies

V = change in no. of employees in % from the situation in 1979

**d) Future Expectations**

What are the main expectations for the future development of the company considering the given market outlet situations?

A third of the examined companies sees in the development of the market outlets a distinctive variation for possible changes in the company situation. In the appraisal of market chances, there is extensive insecurity, i.e. both positive developments (such as a renewed economic upswing, improvement of the prospects for the construction industry due to a changed interest-policy of the state etc.) are seen as possible as well as negative developments (for instance increased imports from Japan, which threaten a furniture manufacturer; negative influences through increases in duty in the tobacco processing factory etc.). The assessment of the technical development is similarly ambivalent depending upon whether a company hopes for advantages over their competitors due to improvement in its own production engineering or whether it sees itself in a situation where the market position worsens in spite of the technical developments. A few companies hope for an improvement or at least stabilisation of their own situation due to changes in production organisation or else to product diversification strategies.



**Table 6 Expectations for Company Development**

	Companies with ... to ... empls			All cos.
	40-100	100-200	200-1000	27
<b>Number of Companies</b>	<b>10</b>	<b>7</b>	<b>10</b>	<b>27</b>
The following developments could influence the situation of the company within the next three years:				
- engineering developments	2	2	2	6
- structure of the company	2	-	2	4
- organisation of production	1	1	-	2
- changes in production (diversification)	1	4	-	5
- new marketing channels	2	1	3	6
- new qualification requirements	-	-	1	1
- Economic/Market Development	4	1	4	9
<b>Total (multiple choices)</b>	<b>12</b>	<b>9</b>	<b>12</b>	<b>33</b>
No information	-	1	1	2
What results could such developments have for the employment requirements of the company until 1985?				
- need for a strong reduction (over 10% per year) in employees	1	-	1	2
- reduction of no. of employees up to 10% per year	4	-	1	5
- approx stable employment	2	3	3	8
- increase in No. of employees of up to 10% per year.	2	2	2	6
- greater increase in no. of employees (over 10% per year)	-	-	1	1
<b>Total</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>22</b>
No information	1	2	2	5

The uncertainty of the expectations is also reflected in the answers about the consequences of important influences on the company situation relating to employment. Five companies did not express an opinion on this topic; a further eight use a more or less stable development of employment as a basis for their reply. Only one company (TV Rental) expects a substantial increase in employees, two companies in each class are hoping for at least a slightly positive employment development in the next few years (up to a maximum 10%). A clearly negative development in employment (reduction in personnel over 10%) was expected by one small company (textile company, due to import competition) and one larger company (coffee roasting co., due to new production engineering). One larger services company as well as 4 smaller production companies expected lower to medium job-losses (up to 10% for the next few years.

In most cases the future expectations are strongly influenced by experiences which the companies have had during the past few years in the development of employment.

#### 4. Employment Policy and Manpower Planning

The main interest of the study lies in the extent to which small and medium sized companies operate a forward-looking manpower and employment policy. This question cannot be answered solely through the criterion of the availability of manpower plans which can be easily registered (for different periods); much more, it required a comprehensive structure. The following questions had to be answered\*:

- Is a forecast available for the development of the company, which includes both economic and technical developments on the market outlet or outlets and which also calculates the development of productivity in the company?
- Are these tendencies of technical-economical development translated into conditions for manpower development (quantitative and qualitative, in particular taking into account qualification requirements)?

---

\* This list of questions applies to the hypotheses developed by CEGOS within the framework of the study; compare project instructions by CEGOS, 1981.

- Is there an analysis of the available manpower resources of the company and its development tendencies, based on the age structure of the workforce, the mobility within the company, the fluctuation to be expected etc.?
- Are the forecast magnitudes of the supply and demand developments in the manpower field opposed to one another in the manpower plans (over what period?) and are recruitment and manpower reduction plans developed in order to compensate between supply and demand?
- Which institutional and informative conditions are given for carrying out an effective FLEM? (What is the position of the personnel department or personnel management)? What knowledge is there about developments outside the company on the local or regional labour markets? (Contacts with labour office or other companies for solving manpower problems? etc.).
- To what extent are the representatives of the employees/works' councils included in the FLEM?

Since FLEM should not be used as an end in itself - especially since it brings certain costs with it - we should measure it finally by its results, by its use to the company on the one hand, to the company's employees and the general labour market on the other hand. This can be determined by whether the development of the company is not inhibited by quantitative or qualitative bottlenecks in the field of manpower or whether processes of adjustment in the manpower field, also in the case of negative company development, can run their course without sudden and unforeseen decisions and dramatic actions (layoffs).

#### **a) Company Development and Manpower Planning**

In the previous section we tried to ascertain which future expectations for the market outlet and company developments are used as a basis for planning by the companies and what the consequences are for employment. We have already noted that in a whole series of companies there exists uncertainty with regard to the future economic development and the possible consequences for employment (see Table 6).

To what extent are these more or less uncertain expectations translated into manpower plans, or do they even provide the initiative for manpower planning concerns, since extensive changes in employment are feared or expected?

We will begin with the second question: two companies have expressed the opinion that, until 1985, reduction in employment of over 10% could become necessary, in one company an increase in employment of over 10% is expected in this period of time. In none of these companies was this seen as an initiative for manpower planning. In the expanding (larger) company manpower planning methods have been in existence since 1975; in the second, also larger, company planning is carried out in accordance with the recently introduced reorganisation of the company; in the third, a small textile processing company, the experience of the last few years has been that comparatively strong fluctuations in employment can be coped with on a short-term basis, since almost exclusively a semi-skilled female workforce is employed. Company and personnel planning is seen as impossible in this case since customer demand development cannot be foreseen.

The argument, that the order situation and hence the utilisation of the production capacity, cannot be foreseen more than 2 or 3 months in advance, is expressed by many companies which do not use manpower methods. Moreover, time and again, the survey ability of the company is given as a reason. Both factors are related in some way to the size of the company and it is therefore not surprising that the spread of personnel planning (as already determined in earlier research - see Maase, Schultz-Wild, 1980) is related to the size of the company (though not exclusively to this factor) in this field of research as well (see Table 7).

Only one company out of the companies with up to 100 employees uses manpower methods covering a period of 1½ years); here it is important that the company in question is a company whose success depends quite obviously upon the special qualifications of a part of its employees (skilled workers and technical staff) and that simultaneously in the case of these employees, due to their sought-after qualifications, there exists a great danger of employees leaving. Here FLEM serves both for medium to long-term orientation of the centrally important qualification policy (a very high quota of apprentices) as well as for increasing flexibility in the use of teams and the highly necessary measures of adjustment due to fluctuations in production.

**Table 7 Manpower Planning Methods**

	Companies with ... to ... empls			All cos.
	40-100	100-200	200-1000	27
<b>Number of Companies</b>	10	7	10	27
<hr/>				
There are written manpower plans or a plan for the entire company	1	4	8	13
<hr/>				
Manpower Planning was introduced:				
- before 1970	-	2	-	2
- 1970 - 1975	-	2	3	5
- 1976 - 1980	-	-	4	4
- after 1980	1	-	1	2
<hr/>				
The manpower plans have a term of (multiple choice):				
- up to 6 months	-	2	2	4
- 6 months to one year	-	1	5	6
- over 1 yr & up to 2 yrs	1	1	2	4
- over 2 years	-	1	1	2
<hr/>				
Manpower planning is based on an assessment of the development of (multiple choice):				
- the entire company	1	2	8	11
- the individual sections	-	3	6	9
- the individual categories of employees	-	1	2	3
<hr/>				
Manpower Planning takes into account the results of (multiple choice):				
- resignation by the employees	1	2	6	9
- retirement	1	4	8	13
- the age structure of employees	1	3	6	10
- internal promotion	-	1	5	6
- total fluctuation	1	4	7	12
<hr/>				
External developments taken into account in manpower planning (multiple choice):				
- order situation, market outlet	-	2	8	10
- technical development	1	1	4	6
- labour market	1	-	2	3

In the case of medium sized companies (between 100 and 200 employees) 4 out of 7 have had manpower planning for 1 year or more, in one case only short-term, 3 month, plans are available, whilst in the three other cases the plans extend one to three years into the future. Of the three companies of this size, which do not operate FLEM, 2 are machinery construction companies or metal processing companies, where the employment of skilled workers is of importance to a greater or lesser extent; qualification policy is not the central issue here, as was the case in the above mentioned example. The third company which does not use manpower planning is, again, a textile processing firm which, almost exclusively, employs semi-skilled women; in this company the level of utilisation can only be foreseen in the (very) short-term.

In the case of the larger companies in the sample, 8 out of 10 had written manpower plans or (in one case) a general company plan, which also made reference to aspects of FLEM. The majority of planning terms were at least one year, in 3 companies 2 or 3 years; a trading company (with a high proportion of female sales personnel) was satisfied with a four-month planning term. On average the manpower or company planning in these companies was initiated slightly later than in medium-sized companies; in one case the planning system is not yet fully in force, its complete introduction not being envisaged until next year.

Two companies of this size operate without a planning system and do not plan its introduction in the foreseeable future; these are one machinery construction firm and one retail company. The reasons for the absence of planning are different:

- The retail company exhibits a relatively clear structure and a rather stable development; manpower policy is limited mainly to the need for handling the considerable fluctuation (20% or more) in the mainly female workforce; on the labour market of this large town there are no specific qualification problems, especially as the company itself trains apprentices (in steady numbers).
- The machinery construction company is situated in a rural labour market and has very little competition in the field of recruiting. The activity of the company is in three areas (production of 2 different types of machines as well as a repair section), which show different "business cycles". The

degree of utilisation can only be foreseen in the (very) short term (partially due to dependence as supplier of another company, partially due to the unforeseen level of repairs). Personnel adjustment occurs (on a very short-term basis) in reaction to the state of the market, both within the company by means of transfers between the different operational sections of the company, as well as on the external local labour market. Since there is little competition on the labour market workers, who were earlier laid off and who are qualified, can be re-employed in the short-term if necessary.

Those companies who practice FLEM in any form whatsoever, list the following advantages:

- increased insight into the use of labour and into employment development;
- securing sufficient labour capacity from a quantitative and qualitative point of view;
- orientation of qualification policy (above all apprenticeships) especially since even in times of high unemployment recruitment of skilled workers on the labour market is often impossible.
- cost-savings by avoiding erroneous appointments and erroneous decisions; early recognition of possible bottlenecks and for orientation of the recruitment policy;
- development of manpower reserves within the company and their management;
- avoidance of expensive "surprises" of problematical, in some cases conflict-laden manpower decisions;
- finally, in one case, the intention to give employees clear career chances was mentioned.

#### b) **Manpower Planning Methods**

In all planning companies the employment plan forms the basis of the manpower plan, mostly connected with a manpower assignment plan, the latter being limited to certain important groups, such as skilled workers. A type of back-up planning, i.e. determining which person will replace another, permanently or in the case of temporary absence, is relatively important for certain key

positions.

Employment plans and back-up plans are also present in some of those companies, which have no written manpower plans; in other companies this is more implicitly contained in the organisation plan of the company (For instance, by means of rules relating to machine attendance or the assignment of foreman, etc.).

Moreover, in most companies having manpower planning a comprehensive company plan is also available, normally of the same duration as the manpower plan; there are however also comprehensive plans having longer or shorter durations than the manpower plan.

Manpower requirement plans, usually having a duration of one year, are also regularly included in manpower plans. Only rather occasionally, however, a change-over in recruitment or reduction plans of longer terms does take place; the manpower requirement plans, together with actual manpower requirements in the company; are normally sufficient for the orientation of the employment policy. For instance, none of the companies had a manpower reduction plan with a duration of more than one year, as is common these days in large scale enterprises, such as the steel industry in the context of part-stoppages in production.

In three of the planning companies FLEM is exclusively based on an estimate of the development of the entire company; in the other instances a differentiated estimate is taken for the individual sections of the company. In only three companies the development was related to the individual groups of employees. FLEM is differentiated also with reference to the different reasons for jobs becoming available; reductions due to retirement, the age structure and total fluctuation were taken into account almost everywhere, on the other hand the results of internal promotion processes were taken into account less often.

Among developments outside the company, included in FLEM, mention was made mainly of market outlet, order situation and technical developments; much less often the labour market situation, which is of some importance, when determining the number of apprentices.

In almost half the companies, among whom some do not practice FLEM, special plans exist relating to reduction in staffing due to retirement; in the main these are of relatively long-term duration (3 to 10 years). Three of the companies, who practice manpower planning, reject such plans either because all



their staff are still young, or because (as in trade) fluctuation is so high that such plans would have to be revised too often.

Only in six companies including one without any manpower planning whatsoever were there analyses available about the causes of fluctuation; from these were drawn the consequences for the manpower policy. In more than half the companies, monthly or quarterly statistics are taken about the reduction in number of employees; in only three cases, however, were prognoses deduced from these, which were then included in FLEM.

Altogether, the results in this field show that there exists a relatively narrow common basic system for manpower planning in all planning companies. Moreover, manifold and different individual systems are used, depending upon the different internal and external operational requirements and the manpower problems connected with this. With the exception of plans relating to retirement, in general, relatively short planning horizons of up to one year predominate.

#### **c) Status of Manpower Management**

Decisions concerning FLEM problems are made mostly by top management in companies of the size examined here. This applies not only to basic questions of manpower policy, but often also to decisions about the creation or filling of vacancies. In smaller and medium sized companies there are usually no separate special manpower departments or managements with autonomous decision making powers. In most cases these manpower policy functions are substitutionally carried out by the wages department in order to prepare management decisions or carry them out (for instance appointments and lay-offs).

Table 8      Status of the Manpower Department/Management

	Comps with.....to.....			Employees All Comps.
	40-100	100-200	200-1000	
No of Companies	10	7	10	27
Contribution of the manpower dept. to decisions regarding the refilling of open jobs:				
- in the case of workers				
- the manpower dept. decides alone	-	-	2	2
- the manpower dept. takes part in decision making	-	-	6	6
- in the case of (non leading) salaried employees				
- the manpower dept. takes part in decision making	-	-	7	7
Participation of the manpower dept. in the decision between several applicants for the same job:				
- in the case of workers	2	1	9	12
- in the case of salaried employees	1	1	9	11
- in the case of leading salaried employees	-	-	3	3
Participation of the manpower dept. in the evaluation of employees:				
	-	1	3	4
The manpower dept. or manpower management of the company as a whole is consulted before a decision is made regarding in-house transfers or promotion:				
	7	2	9	18
Participation of the manpower dept. in some manpower policy decisions (for inst. the giving of notice:)				
	-	1	6	7

In contrast to this a personnel department and management does exist in most of the larger companies, which - mostly in close agreement with company management - carries out manpower policy and manpower planning functions. Decisions regarding appointments are made here, at least for workers and lower-grade salaried employees within the scope of manpower management. Above all, this is done within the framework of manpower plans which has been accepted by the company management. When the decision in question regards applicants for one position, then this is mostly the concern of the company management in the case of small and medium sized companies; in a few companies the personnel representative also takes part; in one case the decision about the applicant is made even without consulting the company management - in co-operation with the prospective superiors.

The structure in the large companies is different; with one exception the personnel department or management is always included in the decisions regarding the different applicants; in the case of workers and low-grade salaries employees the decision is normally taken without consultation with the company top management, together with the prospective superiors. The fact that an independent manpower management is of more importance here is underlined in three companies by the additional availability of more formalised evaluation systems and the participation of manpower management in the evaluation process. In the case of greater autonomy in decision making for manpower management, agreement with company policy is achieved by means of co-ordination meetings with company management, normally once a week.

#### **d) Involvement of Employee Representatives**

FLEM should also include the early transmission of information to the company's employee representation about plans and decisions in manpower policy.

In five of the examined companies (4 smaller as well as 1 larger, which operates a great number of branches throughout the country) there is no works council so that already the conditions are missing to supply regular information about manpower planning to the employee representatives in accordance with German Works Constitution Act.

In the other companies information to the works council is maintained to different degrees and with varying regularity. This happens most comprehensively in the case of lay-offs, since there is a compulsory regulation, the disregard of

which might have severe consequences for the company if it comes to industrial court trials. Instruction of the works council is equally extensive in the case of appointments, less extensive on the other hand in cases of internal promotion and internal transfers.

Eight out of 13 planning companies regularly instruct the works council regarding manpower planning; this is not the case for five companies, or where no works council exists. On the other hand, a few of the smaller companies, which do not have manpower planning, say that they do inform the works council of employment policy evaluations and intentions.

The influence of the works council (or in the case of public companies; of the personnel council) on the company's employment decision making is judged differently by the questioned manpower experts or company management; the employees themselves were not questioned during the research. If one takes into account that 4 out of the 10 smallest companies do not have a works council, then, seen in total, the influence of the works council on employment policy is lowest here; only 2 companies (construction industry, electrical engineering) speak of a strong influence and one (furniture industry) of some influence of the works council on employment policy.

In medium sized companies, which all have a works council, in 3 cases (printing, textile processing, machinery construction) a strong influence is attributed to it, and in the remaining 4 cases a weak one.

Table 9      Engagement/Involvement of Labour Representation.

Number of Companies	Companies with ... to ... empls.				All
					Cos.
	40-100	100-200	200-1000	40-1000	
	10	7	10	27	
The company has a:					
- works council in accordance with the Works Constitution Act	6	7	8		21
- council in accordance with the personnel representation act (public service)	-	-	1		1
The works council is engaged in the following processes (multiple choice):					
- in manpower planning, forecasting of employment development	4	2	5		11
- in the case of appointments	6	7	9		22
- in internal promotions	2	3	9		14
- in internal replacement/transfers	3	6	9		18
- in the case of dismissals	6	7	9		22
- in the case of other manpower reduction actions (for instance early retirement, severance pay regulations etc)	4	3	8		15
The influence of the works councils on employment policy decisions by the company, in particular if important changes occur in employment policy, is seen as follows:					
- no influence	2	-	-		2
- little influence	1	4	3		8
- some influence	1	-	3		4
- strong influence	2	3	2		7
- quite discriminatory	-	-	1		1

In the larger companies there is again one which does not have a works council; in the remaining companies the works council is allowed at least a slight influence on employment policy; however, in only two companies were they allowed a stronger influence. In the case of one company it was expressly stated that the influence asserted by the works council was of different levels of strength depending upon the type of employment policy decisions being taken.

In 14 out of the 22 companies having a works council, no distinctions were observed in the influence exerted by the representatives regarding different groups of employees; in the case of the other eight companies however, according to the information given, the works council is mainly engaged for industrial workers, representing the interests of these workers more than those of salaried staff and in particular those of higher salaried employees. This can be due both to the fact that the workers are often organised in unions to a higher degree than salaried staff (and therefore often take more seats in the works council) as well as the fact that employment policy measures, which affect the interest of the employees (for instance transfers, dismissals), are more frequently applied in this area.

## **5. Employment and Qualification Policy**

### **a) FLEM**

Altogether 13 of the 27 examined companies are shown as using different manpower policy methods and are well disposed towards FLEM. As shown, the degree of expansion, the planning horizon, the internal position of the manpower department or management, etc., are all highly individual. In the following, these companies are simply described as "planning" companies and are contrasted with the other companies; they are 8 out of 10 larger companies, 4 out of 7 medium-sized companies and 1 out of 10 smaller companies.

If we first examine turnover development, then the total impression is that during the last 3 years on average the planning companies have fared better than the non-planning ones. All 5 companies which have a clearly expanding turnover are planning companies, whilst of the 6 companies experiencing a strong recession in turnover development, 4 are non-planning companies.

Table 10: FLEM

	Planning Companies	Non Planning Companies	All Companies
No of Companies	13	14	27
Average no. of employers per Company	356	133	240

Turnover Development 1979-1981 had the following tendencies:

- strong recession	2	4	6
- weak recession	1	1	2
- approx stable	2	2	4
- slightly expensive expanding	3	7	10
- clearly expanding	5	-	5

Between 1979 and 1981 the number of employees changed as follows:

	N	V	N	V	N <sup>(1)</sup>	V <sup>(1)</sup>
- reduction in employment over 10%	4	-18	3	-15	7	-18
- reduction in employment over 1% to below 10%	2	-9	4	-5	6	-3
- more or less stable employment (-1%, 0, +1%)	2	-1	2	0	4	-1
- increase in employment over 1% to below 10%	1	+2	4	+6	5	+4
- increase in employment over 10%	2	+18	-	-	2	+18
Total	11	-7	13	-3	24	-6
No Information	2		1		3	

1) N = No of companies; V = Change in No of employees in % since 1979

During 1981 a reduction in personnel was necessary:	6	3	9
Dismissal of.....employees was planned:	215	43	258
In fact.....employees were dismissed:	195	40	235

Besides/instead of dismissal the following measures were taken for adjustment of the no. of employees

(Multiple Choice):			
- none	2	5	7
- fewer temporary employees	4	-	4
- reduction in foreign orders	2	1	3
- reduction in overtime	6	2	8
- reduction in extra shifts	2	-	2
- short time work	3	2	5
- no recruitment/use of fluctuation	8	9	17
- early retirement	1	-	1
- termination contracts/ severance payments	3	1	4
- bridging by further training	-	-	-
- transfers within the company with/without re-training	5	1	6

Average No of measures taken per company	3.1	1.8	2.5
--	-----	-----	-----

From this it might be expected that the current employment development in the planning companies is more positive (or at least not as negative as the average) than in the other companies. This expectation is, however, not confirmed by the available data. In the case of the planning companies the quota for manpower reduction between 1979 and 1981 was on average more than double that in the non-planning companies (7.3% to 2.9%).

The above mentioned expectation is only confirmed in the small companies; here the only planning company is also the only one which has an increase in employment which lies well above 10% (+ 19.4%) whilst amongst the non-planning companies one showed an increase of 8%, two showed stable employment, and six a reduction in employment, so that in total these companies show a reduction in employment of 13%. In the case of non-planning companies the figure is only 1.2% and in the case of larger companies, a non-planning company shows a 4% employment increase whilst for the six planning companies a reduction in employment is shown of just 7% - regrettably for three companies of this size, information is not available.

The sometimes expounded expectation that planning companies offer a high degree of job security for their employees or offer a positive contribution to the development of the labour market, is not confirmed by these research data. The results indicated more clearly the argument constantly brought forward by the trade unions in Germany since the 1974/5 recession, that FLEM by the companies is used in the first place as an instrument for rationalisation. As already indicated several times, the results of this pilot study are not sufficiently indicative to confirm or reject this thesis. In so far as the companies taking part in the research are concerned, the apparent contradiction between the positive turnover and the negative employment development of the planning companies can be explained above all by the more rigorous technical-organisational rationalisation processes (detailed information about this was not included in the study).

Since a negative employment development prevails in the examined companies, the first question must relate to manpower reduction policies.

Out of the 13 planning companies, during the year 1981, 6 have reduced the number of employees, 3 have increased in number, 2 remained stable, and for 2 companies no details are available. In 4 out of 6 companies reducing their number of employees, a reduction in manpower was also achieved by means of



lay-offs, in the other two companies manpower reduction was achieved solely by using the regular turnover. For these 4 companies, on average, the manpower quota for dismissal is approximately 10%. These companies had foreseen an excess of employees approximately 10% higher than were in actual fact dismissed, and increased short-time work could be arranged by one company.

In the case of the 14 non-planning, usually smaller companies, eight reduced their number of employees during the year before the survey, two expanded (considerably), three had a stable development, and no information was available in the case of one company. In only two out of eight companies reducing their number of employees was this achieved by dismissals, in the others normal turnover was sufficient to regulate employment. In the case of the smaller and medium sized companies it was only individual employees who left the company and who were not replaced. In the two companies where dismissals took place, these concerned approximately 20% of all employees.

The expectation that, by means of FLEM, dismissals can be largely avoided, cannot be confirmed making reference to the available research results. In the cases where jobs have been cut more extensively during the course of one year, both in the case of planning and non-planning companies, lay-offs play an important role; only where the quota of manpower-reduction is low, is this achieved exclusively by means of deliberate non-recruitment and use of the "natural" turnover. This result differs from our earlier researches into large companies, which mainly renounce dismissals or mass lay-offs, also in cases of substantial manpower reduction actions; (See Schultz-Wild, 1978).

When asked which other systems are applied by the companies for adjusting manpower requirements, besides or instead of lay-offs, then in both planning and non-planning companies - as pointed out above - non-recruitment or use of turnover are quoted most often. Apart from this (in agreement with our earlier research results) it is shown that the planning (and thus, on average, larger) companies to a wider extent prefer other manpower adjustment measures to lay-offs. The planning companies, more extensively than the non-planning companies, use the reduction of temporary employees, the reduction of overtime and of special shifts, of internal transfers with or without retraining as well as the conclusion of contracts. On average, a planning company using manpower-adjustment measures applied 3.1 different measures; in a non-planning company on the other hand, the figure is only 1.8, which of course can also depend on the different sizes of the companies, and on the different degrees of pressure to adjust. It should be pointed out that neither the planning nor the

non-planning companies made use of bridging the gaps in employment by means of increased further training of their own employees.

**b) Manpower Planning and Qualification Policy**

In the Federal Republic of Germany, the training of apprentices in the so-called dual system (combination of state normalised and controlled in-house training plus instruction in public vocational schools) still plays a central role in company qualification policy, especially in the manufacturing industry. Above all, where skilled workers are of great importance in the production process, there arises the question as to what extent the company itself trains its young employees for these jobs or whether it relies on the recruitment possibilities of the external labour market. Apart from this, especially in industry, but also in the services sector, there exist some less pretentious and less formalised training processes for unskilled and semi-skilled workers; in addition to this there are more or less systematic facilities for further in-company training for skilled workers and lower management employees, whose primary education was mainly obtained in state schools and universities.

The first question is whether the planning companies themselves trained apprentices more for the long-term security of their skilled employee requirements. The question brought the following results:

Out of the 13 planning companies 2 do not provide any training whatsoever. However, the majority of 11 companies did provide training, all to a different extent. In two larger companies the quota of apprentices (related to the total number of employees) is under 1%; in the small planning company on the other hand the quota is about 24%. On average the quota of apprentices lies at barely 5% in the companies with vocational training and approximately 4% when related to all planning companies.

Table 11                      Manpower and Qualification

	Planning Companies	Non-Planning Companies	All Companies
No of Companies	13	14	27
There is a 'manpower reserve', i.e. employees, whose use is not immediately necessary who will however gain knowledge and experience to be used by the company in the mid-term within the company	6	3	9
Means of further education are offered or subsidized within the company:	11	6	17
- in company seminars	5	3	8
- schooling outside the company	5	3	8
- courses within the framework of apprentice instruction	1	1	2
Apprentices are trained:	11	8	19
- the average quota for apprentices (related to the no. of employees in the company) is:			
- related to companies with vocational training	4.7%	9.2%	6.6%
- related to all companies	4.0%	5.3%	4.6%
- the average quota of apprentices (related to the no. of workers employed) is:	13%	15%	14%
The work of the employees is evaluated (Multiple choice):			
- without certain targets	2	8	10
- by comparison with a job description	7	-	7
- by comparison with predetermined objectives.	7	6	13

A larger number, i.e. 6 companies out of 14 non-planning companies, do not train apprentices, however, in the case of the remaining 8 companies the apprentice quota is, at 9%, almost twice as high as in the case of planning companies and accordingly the apprentice quota related to all non-planning companies is also higher, at 5%.

Therefore, it cannot be said that the planning companies build on the traditional dual training system in their qualification policies to a greater extent than non-planning companies. This is partially dependent upon the different activity and employment structures of the, on the whole, larger planning companies.

The result is, however, also confirmed when an attempt is made to relate the number of industrial apprentices to the number of employed skilled workers or to relate - which is only approximately possible with the research material - the number of non-industrial apprentices to the number of professionally qualified employees. In the 11 planning companies employing skilled workers, the apprentice quota, related to these skilled workers, is approx 13%; in the non-planning companies on the other hand the average is almost 15%.

These results can certainly not be interpreted only as a result of different manpower policy and manpower planning strategies of the companies. Rather they depend on a number of varying conditions and structures of the different industrial production and work processes. Thus, for instance, we already mentioned that a bread factory, although it has a (relatively small) requirement for skilled workers, cannot train them in baking skills, due to the narrowness of skills required in the industrial production process. All in all the impression is gained that the industrial apprentice training plays a more central role for manpower and qualification policy in the smaller non-planning companies, which rely relatively heavily on skilled workers, than is the case in the larger, mostly planning, companies. Here, on the one hand, the use of unskilled and semi-skilled labour is of greater importance, and on the other hand, recruitment of skilled manpower is more often effected by making use of the external labour market - not only for skilled workers, who have served apprenticeships elsewhere, but also for more highly qualified specialists. A pointer to this is the fact that six out of the 13 planning companies maintain 'manpower in stock' (for instance trainees) from a training policy perspective, whilst this is the case in only 3 out of the 14 non-planning companies.

Moreover, in planning companies, the need for further education measures plays a greater role: 11 out of 13 planning companies either provide in-company seminars or financially support further external training of their employees; this applies to only 6 out of 14 non-planning companies. The information about further training expenditure, which can be compared to a limited extent only, moreover shows that the financial commitment for further training of the larger planning companies is greater, whilst in the other companies the training of apprentices is of greater importance. Seminars and other measures of further training aim much more at the salaried employees, especially the more highly paid salaried employees. Branch specific technical courses are to the fore, schooling in electronic data processing plays a role in several companies; in the larger companies general organisation and management courses are also provided (for instance labour law, manpower management etc.)

A few of the interviewees pointed out the risks of a policy of significant training: the migration of well qualified workers is feared. In many, above all the smaller companies relying on skilled labour, the solution of these manpower policy problems is seen in a certain over-estimation of the number of apprentices in comparison to the skilled workers requirement, an attitude that in the last few years has been exacted again and again from a labour market policy point of view, due to the problem of rising youth unemployment. Now it is in part put up with; upon completion of training not all apprentices in the company are taken into a normal job situation. Moreover, several of the companies which provide training have reduced their intake of new apprentices over the last few years.

Finally, one specific strategy of the training policy must not be overlooked, which is of importance especially in smaller, but also medium-sized companies, in which the owner or owners work themselves: it is the fact that the company management itself has to a greater or lesser extent the qualifications which are central to the production process of the company, or that they familiarise themselves with new machinery or systems, in order, in the case of migration or drop-out of workers, to fill the gap themselves or to be able to train other workers in a short space of time. This procedure is for instance found in machinery construction companies, in which the owner himself not only constructs the machines to be sold, but also, at least partially, constructs his own machine tools. Similarly, this procedure also occurs in the more complex data processing systems in office technology. This relieves manpower policy at least partially of the problem to tie up qualified personnel; it allows for more independence of developments in employment inside the company and on the

external labour market that are hard to forecast and to control. Thus the pressure on a long-term FLEM is reduced.

## 6. SUMMARY

The aim of the study was to research into the interesting question of the characteristics of in-company manpower and employment policy in a relatively small number of small companies, which are characterized by different internal and external conditions. Accordingly, almost 30 companies of different sizes, branches and regional situations were interviewed. The results clarify the variability of the situations (for example: different market outlet developments even in companies of the same branch and of similar size) from a number of aspects which are of importance for manpower policy: they also show a broad spectrum of different types of manpower policy systems and reactions. Since, however, we could not aim for a representative selection of cases within the framework of the study, considering the very great number of companies having up to 1000 employees in the German Federal Republic, the results can only be generalised within very narrow limits and compared to those from the other countries in a limited fashion.

The expectations for outlet chances and employment requirements in many, especially the smaller, companies are characterised by substantial uncertainties, which are certainly not independent of the earlier, for many years relatively depressed and inconstant, economic development. On the other hand the situation on the labour market has relaxed from the point of view of the companies compared to the earlier full-employment phases; it is easier than before to recruit using the external labour market - at least as long as the company is not looking for highly skilled workers, which still are rare to some extent. Both factors reduce the pressure on a long term oriented in-company manpower and employment policy.

In addition there are structural factors: on the one hand many of the companies are transparent enough for company management from the point of view of size and structure of staff, even without manpower planning systems or analyses; on the other hand, there is a greater liberty of action in manpower policy compared to larger companies together with relatively less importance of labour market problems. Smaller companies can more easily achieve a certain percentage increase or reduction in employment for a number of reasons: less people are affected by this than is the case in larger companies and, for instance, restrictive legal limitations (see the so-called mass lay-off procedures) have

much less effect; the pressure of the public, based on labour market policy, plays a less important role, image problems rarely occur and also employee representation either does not exist or has little influence.

Most certainly connected with those factors are the phenomenons that many of the interviewed companies do not follow the development of the external labour market very closely. In spite of often rather high fluctuation rates - the causes of turnover are hardly analysed with care, and if done, the results of analyses are not translated into the management of the manpower. In particular, with reduced manpower requirements the dismissal of employees appears acceptable or necessary from the view point of manpower policy to a greater extent than is the case for larger scale enterprises.

Nevertheless, there are - as shown - in companies of the size researched here, a number of trends towards a manpower and employment policy more related to future developments. On the one hand mention should be made of the great importance of traditional apprenticeships for many, above all smaller, companies which rely on the use of skilled workers; on the other hand we should mention the manpower planning process, which occurs in almost 50% of the (mostly larger) companies included in this survey. Indeed, the planning system often is not very extensive and the planning terms are mostly relatively short; yet there is a clear indication of change as against the situation of short-term, most unplanned manpower adjustment which has prevailed in this field as little as one decade ago.

To what extent such reorientating of manpower and employment policy do not only play a role in some of the companies included in this study, but are of general validity, and thus also obtain an increasing bearing on the labour market policy, ought to be determined by a broader study.

## APPENDIX

### Brief comparison of two companies

Two enterprises with less than 100 employees were chosen. They each show a number of similar structural characteristics but differ in organisation and manpower policy objectives.

Company A manufactures and delivers office, shop and consulting room furnishings to the specification of individual customers. Company B belongs to the hat industry and produces both semi-manufactured and, in greater numbers, finished goods. Company A was established as a Limited Liability Company in 1961. Company B was formed as a Limited Partnership and has remained so for over 100 year. Both businesses are geared towards buyers in the domestic market (A's custom rather changeable, B's partially stable) with some also in other European countries. (Export shares: A approximately 11%; B approximately 15% of the turnover). The trend in market growth during the last three years was for A, weak expansion; B was described as stable/stagnating. Both companies have registered a slight expansion in turnover growth since 1979 and showed a wage cost share on the turnover of about 40%.

Since 1979 the developments of employment have experienced divergent trends: Firm A positive (79/80 + 15%; 80/81 + 4%); Firm B negative (79/80 - 8%, 80/81 - 4%); the average quota of fluctuation during the last three years has been similarly high for both firms: around 17% for A and 19% for B. The manpower structures of the two companies show characteristic differences:



	<u>Company A</u>			<u>Company B</u>		
	Men	Women	Total	Men	Women	Total
Employees 1982	65	16	80	27	48	75
- Full-time	64	13	77	27	46	73
- Part-time	-	3	3	-	2	2
- Germans	53	15	68	17	28	45
- Foreigners	11	1	12	10	20	30
- Workers	35	3	38	24	38	62
- Skilled workers	28	1	29	3	3	6
- Semi-skilled workers	7	2	9	21	35	56
White collar workers/ salaried employees	13	10	23	3	8	11
Extra contractual salaried employees	3	3	6	3	-	3
Other white collar /salaried employees	10	7	17	-	8	8
Industrial apprentices	16	2	28	-	2	2
Other apprentices	-	1	1	-	-	-

Company A mainly employs male workers; among these the skilled workers play a central role in the manufacturing process and specially qualified employees in outdoor services, whereas almost two thirds of the employees in company B are women and the proportion of skilled labour is very small. The great importance of qualified manpower in A is reflected in the fact that almost a quarter of its employees are apprentices; B has only two apprentices.

These structural differences are mirrored in the resulting company and manpower policies. Company A attributes a central element of its success to its highly professionalised measures of qualification (even beyond the pertinent professional requirements, i.e. of carpentry) of a large number of its employees, completed by further in-company education, whereas B, like so many industrial companies,, can work with semi-skilled machine operators after only a brief training period. (This is why in the majority of cases women and foreign workers, mostly without any professional qualifications, can be employed.

In company A guarantee of qualification therefore is a cornerstone of manpower and employment policy. Besides the internal training of manpower from the external labour market, the company also relies on a certain reserve of qualified staff and particularly the in-house training of apprentices which gives them independence from the qualification standards of the labour market in the recruitment of the most important group of employees, viz., skilled workers. Since the qualifications procured represent an intermediate stage to further education for a certain number of apprentices (study of architecture) and since these qualifications are very much looked for on the labour market, a comparatively high number of apprentices are trained to compensate for the expected exodus of qualified manpower. By comparison, such factors are insignificant in company B.

In Firm A manpower assignment and organisation of work are characterised by craft-orientated teamwork with comparatively high independence of the groups, whilst B shows the strong hierarchical division of labour structures characteristic of industrial mass production.

Related to these differences is the fact that A (as the only one of the companies of this size covered) disposes of FLEM (consisting of the company's three year global plan, a one and a half year manpower plan, a ten year projection of retirement to expect, an analysis of the reasons for fluctuation etc.), whilst company B, for expenditure reasons as much as for the clearer

manpower structure and the easier exchangeability of manpower via the external labour market, can dispense with such a planning framework (the exception being a two year prognosis of retirements).

Both companies are subject to considerable insecurity with regard to the future development of markets and consequently their employees' jobs. In a recession, company A would first respond with a reduction of overtime work and short-time working and then, as far as is possible, the staff would only be reduced in line with regular fluctuation; company B on the contrary would first give notice to certain male or female semi-skilled production workers and then bring in short-time working for the more qualified permanent staff.

In company A there is regular understanding about manpower policy decision with the works council, to whom certain weighty concessions are made, especially where the interests of the skilled workers are involved. In company B on the contrary, a works council does not even exist. Decisions related to manpower policy are made by the management who only admits advice by the heads of departments.

In company A there are at least dispositions for independent manpower policy functions (a set-up of FLEM, influence on relevant decisions according to labour criterions on a long-term approach) - even though they are not as obvious as in many larger companies. In comparison, firm B maintains the traditional pattern of short-termed adaptation of manpower to employment requirements, instant decision being taken by the management.

Company B maintains more intensive and continuous contacts to the labour administration (greater orientation towards the external labour market). On the contrary, company A shows the policy of reinforcing apprenticeships - as it has been propagandized from the labour market point of view in recent years - although consequently because of poor economic growth less and less of these fully trained workers are incorporated in the staff.

PLAN (for personnel planning and business policy)

Brief comparison of two firms.

Two enterprises with less than 100 employees were chosen. They each show a number of similar structural characteristics but differ in organisation and personnel policy objectives.

Firm A manufactures and delivers office, shop and consulting room furnishings to the specification of individual customers. Firm B belongs to the hat industry and produces both semi-manufactures and, in greater numbers, finished goods. Firm A was established as a limited liability company in 1961. Firm B was formed as a limited partnership and has remained so for over 100 years. Both businesses are geared towards buyers in the domestic market, (A's custom rather changeable, B's partially stable) with some also in other european countries. (Export shares: A approx 11%, B approx 15% of the turnover). The trend in market growth during the last three years was for A weak expansion; B was described as stable/stagnating. Both firms have registered a slight expansion in turnover growth since 1979 and showed a wage cost share on the turnover of about 40%.

Since 1979 the businesses have experienced divergent trends: Firm A positive (79/80 +15%; 80/81 +4%); Firm B negative (79/80 -8%, 80/81 -4%); the average volatility during the last three years has been similarly high for both firms - around 17% for A and 19% for B.

The personnel structure of the two firms shows characteristic differences:-

	Firm A			Firm B		
	Men	Women	Tog.	Men	Women	Tog.
Employees 1982	64	16	80	27	48	75
- Full-time	64	13	77	27	46	73
- Part-time	-	3	3	-	2	2
- Germans	53	15	68	17	28	45
- Foreigners	11	1	12	10	20	30
- Workers	35	3	38	24	38	62
- Skilled workers	28	1	29	3	3	6
- Semi-skilled workers	7	2	9	21	35	56
White collar workers/ salaried employees	13	10	23	3	8	11
Extra contractual salaried employees	3	3	6	3	-	3
Other white collar / salaried employees	10	7	17	-	8	8
Commercial trainees	16	2	28	-	2	2
Other trainees	-	1	1	-	-	-

Firm A is comprised mainly of skilled male workers in the manufacturing process and highly qualified workers who play a central role outside the office, whereas almost two-thirds of the employees in firm B are women and the proportion of skilled labour is very small. The importance of qualified personnel in A is reflected in the fact that almost a quarter of its employees are trainees; B has only 2 trainees.

These structural differences are mirrored in the resulting business and personnel policy: within its own professional field (carpentry) A is a highly specialised, forward looking company which attributes a central element of its success to its internal policy of encouraging further education among a large number of its employees; whereas B, like so many industrial concerns can work with semi-skilled machine operators after only a brief training period (this is why in the majority of cases women and foreign workers, mostly without any professional qualifications, can be employed) .

In firm A obtaining a qualification is correspondingly a cornerstone of personnel and business policy. Besides the internal training of outside recruits, the company also benefits from a secure reserve of qualified staff and particularly the in-house training of apprentices which gives them independence from the market place in the recruitment of skilled workers. Since the qualifications gained represent an intermediate stage to further education (study of architecture) and are looked for on the work market, a comparatively high number of apprentices are trained to compensate for the expected exodus of qualified personnel. By comparison, such factors are insignificant in B.

In firm A employment of personnel and organisation of work are characterised by craft-orientated teamwork with comparatively high independence among the groups, whilst B. shows the strong hierarchical division of labour structures characteristics of industrial mass production.

Together these differences indicate that A (as one of the companies of its size covered) has had at its disposal a personnel planning system (the firm's three-year global plan, a one and a half year personnel plan, a ten year contingency plan for retirement; a study of the reason for fluctuation etc.) whilst firm B, out of cost factors as much as the clearer personnel structure and the easier exchangeability of personnel through the external work market can dispense with such a planning framework (the exception being a two year contingency plan for retirement).

Both businesses are subject to considerable insecurity with regards to the future development of markets and consequently their employees' jobs. In a recession, firm A would first respond with overtime reduction and short-time working and then, as far as is possible, the staff would only be reduced in line with changing needs: Firm B would in comparison first give notice to appointed trainee production workers and women employees respectively and then bring in short-time working for the qualified skeleton staff.

Firm A holds a regular ballot, with the works council able to influence personnel/ policy decisions especially where the interests of the skilled workers are involved. In firm B there is no works council. Decisions concerning personnel are made by the management who are only advised by the head of departments.

In firm A, there are at least the beginnings of personnel function (a personnel planning structure; the decision making process is influenced by the long-term approach to personnel planning) even if they are not as obvious as in many larger concerns. In comparison, firm B maintains the traditional pattern of adapting its personnel to the short-term needs of the business, decisions being taken by management.

Firm B maintains more intensive and continuous contacts in the management of its workforce (greater orientation towards the foreign market). In comparison, firm A has, in recent years, stuck to its policy of youth education though it was aware that, because of the poor growth prospects, less and less of those fully trained would be incorporated in the workforce.

## EEC FLEM REPORT

### Ireland

#### Company and Manpower Backgrounds

- 1.1 Nine companies were seen in the Irish Republic, five in the Dublin area, the commercial centre where 20 per cent of the population live, and four in Shannon, Limerick and Galway in the West Coast of the country.
- 1.2 Five of the companies seen are foreign-owned and relatively new employers in the Republic. The four Irish-owned companies vary from one created at the time of the Irish Free State establishment in 1921 to one company less than a year old.
- 1.3 The foreign owned companies' markets were international, albeit one sells only to its parent company, whilst the Irish companies' markets are national only.
- 1.4 Only one company produced many products, the other eight having either a single product or service, or variations on the theme.
- 1.5 The number of employees in the youngest company is some eighty people; the others employ between 160 and 980 staff. These could be broken down thus:

more than 500	4
200 - 500	3
50 - 200	2

- 1.6 One company, operating in a contracting market, sees the need to reduce manpower levels; one is considering a completely new related market to grow into with new skills being acquired as well as more staff; the others are either going to tie their numbers of staff to the market rate of growth, or in three cases, are expecting to face a growing market without planning to increase the numbers of staff. One of these is introducing new technology and reducing considerably one element of its salesforce.

1.7 The foreign-owned companies are either in technical engineering, high technology sectors or providing professional services. With only one exception, these companies consider that their professional research or design staff contribute more than other groups to their competitive advantage. The Irish-owned companies either see their management team or no group at all as being the most significant group.

1.8 Unions, with the one exception of the company providing professional services, were always present. In the one case already described where new technology is being introduced and an element of the salesforce considerably reduced, the unions ask for and get a lot of information about manpower. Its influence on manpower decisions is significant. This is also the only company with a no-redundancy agreement. Everywhere else, the remaining seven companies, either union involvement is negligible because they have not taken the initiative or any involvement is due to management using the union or staff association as a forum for discussion about the company prospects and, via productivity, manpower needs.

1.9 The cost of manpower, as a percentage of total costs, whilst varying considerably (from 7 per cent to 56 per cent) averaged 21 per cent for the foreign owned companies (including the professional services company) and 40 per cent for the Irish-owned companies.

1.10 The people interviewed were:-

2	managing directors
1	general manager
5	personnel managers/directors
1	personnel officer



# General Grid Chart

Analysis of Small & Medium Firms Ireland

PREPARED BY  
GDK

DATE  
May 1982

## BASIC COMPANY DATA

	EMPLOYEES		SALES (STERLING MILLION)	MANPOWER / COSTS %	INTERVIEWEE'S POSITION	OWNERSHIP	PROFITABILITY	PRODUCT RANGE	CUSTOMERS	COMPETITIVE ADVANTAGE					
	0-50	50-99	100-199			PUBLIC PRIVATE FOREIGN		SINGLE VARIABLE MULTIPLE	NATIONAL INTERNATIONAL	TECHNOLOGY PRODUCT STAFF					
Electronic Products	4	†	22		MD	USA	Y	S	I	S/I					† CONFIDENTIAL
Computer Peripherals	5	30	15		PO	USA	Y	S	I	P/I					
Consumer Products	6	12	22		PM	USA	?	M	I	S/I					
Specialist Electrical Products	4	45	7		PM	USA	N	V	I	S					
Construction	0	2	52		MB	D	†	V	Z	S					† LESS THAN ONE YEAR OLD
Publishing	5	14	56		PM	I	Y	S	Z	P/I					
Insurance	9	?	12		PH	I	Y	V	Z	P					
Engineering consultancy	1	14	40		PM	USA	Y	V	I	S/P					
Building Society	2	N/A	38		GM	I	N/A	S	Z	P					



## Knowledge of Future Manpower Requirements

Note: the approaches vary tremendously from very structured to unsystematic assessments for various manpower systems.

### 2.1 Frequency of assessment

None	1
Continual/weekly	2
Monthly/quarterly	2
Annually/half yearly	5
	10*

### 2.2 Period ahead looked at

Less than a year	2
1 to 3 years	3
Greater than 3 yrs	4
	9**

\* One company looks quarterly at the following five quarters and annually at the following five years - hence some double counting.

2.3 All but one of the companies state that they consider external developments when examining their manpower requirements. The exception has its operations dictated by its foreign owners. The main factor mentioned is the economy and its impact on business level; technology is the second most frequent factor and one company recognises the impact new local companies might have on their own manpower.

2.4 In-house commercial or technical developments are considered in two thirds of the companies.

2.5 Of the various effects on their manpower caused by

- resignations
- retirements
- the age structure
- internal promotions
- total turnover

the one that led to most comments was the age structure. One company had expanded rapidly in the late 1940s and realised that all its management will be "cleaned out in less than 10 years" with no-one groomed to follow. A second realised it will need to take in apprentices to keep a balanced, skilled workforce; a third realised it needs more older people; and a fourth had been concerned about the youth of its workforce when older people were not available but, as they had proved successful, intended to maintain this emphasis on young people.

# General Grid Chart

Analysis of Small & Medium Firms Ireland	PREPARED BY GDK
	DATE May 1982

## KNOWLEDGE OF FUTURE REQUIREMENTS

	ASSESSED	INTERVAL	FORECAST PERIOD		NO OF LISTED EFFECTS CONSIDERED	EXTERNAL FACTORS	INTERNAL FACTORS
Electronic Products	Y	1-2	5-10		2	BIBLAR TECHNOLOGY	Y
Computer Peripherals	Y	1-2	5-10		4	BUSINESS LEVEL	Y
Consumer Products	Y	1-2	3-4	SALARIES DENT	2	ECONOMY & NEW COMPANIES	N
Specialist Electrical Products	Y	1-2	1-5		3	Y	N
Construction	Y	1-2	2-6	M	1	Y	N
Publishing	Y	1-2	10-15	5-6	5	Y	Y
Insurance	Y	CONT	3-4	Y	3	TECHNOLOGY NOT ECONOMY	Y
Engineering consultancy	Y	4-5	3	M	1	NONE	Y
Building Society	N				2	Y	NEW MACHINES

## Recruitment

- 3.1 Most companies in UK and Ireland did not differentiate between internal promotions and transfers. The following therefore compares filling a vacancy from internal sources with filling it from outside the company.
- 3.2 Further, companies attempted to exclude minor promotions where the jobs performed remained substantially the same.
- 3.3 Given that variation in definition will make comparison difficult, the ratio of vacancies filled ranged from three internally to every one externally to one filled internally to 15 externally.
- 3.4 However, as the latter extreme is weighted by recruiting young office staff or operatives, this does not disprove the stated policy of most of the companies: namely if a vacancy were to occur above the usual entry point then a thorough examination of all internal staff for potential to fill a post would be undertaken before externally recruiting.
- 3.5 At some variance to this statement, all the foreign-owned companies had recruited from outside at director or vice-president level. The highest levels into which the Irish-owned companies had recruited were general sales manager, inventory manager, foreman and managing director.
- 3.6 At three companies, authority for all recruitment at present rests with the managing director, in one case it rests with the works manager (the smallest company with no personnel function) and in all the others with personnel and the relevant manager.
- 3.7 All the companies are prepared to use short term employees, either contract staff or agency staff and only one was not actually doing so at the time of the interview. Six companies had between two and four such people, one had ten and the last fourteen.
- 3.8 Three companies, one in electronics, one in insurance and one in construction, are presently employing a pool of manpower not essential to immediate requirements but was gaining knowledge for the medium term benefit of their company. A further four had done so and/or are considering doing so.

# General Grid Chart

Analysis of Small & Medium Firms Ireland

PREPARED BY  
GDK

DATE  
May 1982

## RECRUITMENT

		RECRUITS : PROMOTIONS	RECRUIT OUTSIDE ONLY	ADVERTISE INTERNALLY	EXAMINE INTERNAL STAFF	HIGHEST LEVEL OF RECRMT	AUTHORITY FOR RECRMT	USE OF SHORT-TERM EMP'S	1982 RECRMT LEVELS KNOWN
Electronic Products	50 : 50		✓			MD	MD	Y	Y
Computer Peripherals	25 : 25		✓			Dir	MD	Y	Y
Consumer Products	8 : 100		✓			Dir	MD	Y	Y
Specialist Electrical Products	100 : 30		✓			MD	Ward Pers M	Y	Y
Construction	10 : 40	✓				Fore- man	Mgr	Y	Z
Publishing	1 : 9		✓			Mgr	G.M Pers	Y	Y
Insurance	0 : 61		✓			Mgr	Mgr Pers	Z	Z
Engineering consultancy	4 : 10		✓			Dir	Pers	Y	Z
Building Society	2 : 30		✓			MD	Pers	Y	Z

## Development and Training

- 4.1 Only one company, that providing professional services, did not see an obvious development path for someone in its employment.
- 4.2 Of the remaining eight companies only one would not in practice indicate to the employee the opportunities for future development.
- 4.3 Four companies take on school leavers with a career path ahead of them, one takes them on but does not have a development path, and the remaining four do not take them on, although one of these will shortly need to.
- 4.4 The company providing professional services was just introducing some training for its staff by bringing in management development training. The other foreign-owned companies all provided comprehensive training at all levels. This was carried on a specific budget allocation with only one exception, where the costs were borne by the employee's department. The level of training provided by the Irish-owned companies was markedly less and the costs incurred carried on general administration or something similar.
- 4.5 An individual's performance, if formally assessed, is invariably against pre-determined objectives rather than a job description. In two cases no formal assessment is made; in a further company a job description is also used.
- 4.6 Invariably the individual's boss is involved in the assessment, as one would expect. There are two interesting variations, both in foreign-owned companies. In one the assessment is done by a committee including personnel and top management. In the other, the individual writes his own objectives and is responsible for assessing himself against these in conjunction with his immediate superior.



4.7 The reasons for assessment are as follows

for promotion prospect	66%
for salary revision purposes	44%
for training and development	33%
for union discussions	11%

4.8 Nearly always, before any movement of an individual is agreed, whether for a training programme, promotion or transfer, the person responsible for manpower is consulted. Only once was it admitted this was not necessarily the case and this was in the largest company seen with sites throughout the country.

4.9 Excluding the very new company, five of the remaining eight companies are not experiencing a slowing down of opportunities for development.

4.10 When considering an opportunity for movement, only one company did not base its decision, at least in part, on the needs of the company. A third of the companies gave this as their only reason. Four companies also give the expectations of the individual as a reason, one saying that it is not possible to separate the individual's expectations from the needs of the company. The time an individual had spent in the organisation ranked third in priorities and was mentioned by three companies.

4.11 If an individual has reached as high as he is going to in a company, none of the Irish-owned companies would inform him of this fact. Three of the five foreign-owned companies would tell the man.

# General Grid Chart

Analysis of Small & Medium Firms Ireland

PREPARED BY  
GDK

DATE  
May 1982

## DEVELOPMENT AND TRAINING

	EXISTENCE OF DEVT PATHS	EMPLOYEES INFORMED	SCHOOL LEAVER INTAKE	DAYS PA TRAINING EXPECTED	TRAINING BUDGET	PERFORMANCE ASSESSED VS OBJECTIVES OR DESCRIPTION	BY BOSS, PERSONNEL, MGT.	FOR SALARY, TRAINING, PROMOTION	MOVEMENTS BASED ON TIME, EXPECTATIONS, COMP. NEEDS	CONSULTATION WITH PEERS	CHANGING LEVELS	INDIVIDUAL TOLD WHEN AT CEILING
Electronic Products	Y	Y	Z	0	25 000	OB	B	SPT	T	Y	=	Y
Computer Peripherals	Y	Y	Y	10	40 000	*	B	ST	Z	Y	-	Z
Consumer Products	Y	Y	Z	10	CARRIED BY BOSS	0	BPM	PT	EN†	Y	=	Y
Specialist Electrical Products	Y	Y	Y	5	50 000	0	B	P	F	Y	-	Y
Construction	Y	Z	Y	2	-	INFORM	B	P	Z	Y	NA	Z
Publishing	Y	Y	Y	3	OR GEN. ADMIN.	0	B	P	BY	Y	+	Z
Insurance	Y	Y	Y	VARY	NOT SPECIFIC	0	B	S	Z	NOT ALLOW	=	Z
Engineering consultancy	Z	Z	Z	BEING DEVELOPED FROM NIL	INFORM	0	B	PS	NT	Y	-	Z
Building Society	Y	Y	Y	12	FEE AS NEEDED	0	B	*	NT	Y	=	Z

\* SELF ASSESSMENT  
† THE TWO ARE INSUPERABLE

\* PROTECTION FROM UNION ATTACK

## Wastage

- 5.1 All the companies interviewed keep records of people who leave them, and only one does not record the reason for leaving.
- 5.2 However, four companies do not conduct exit interviews, relying on informal sources to understand why an individual has decided to leave.
- 5.3 Two companies already had an analysis of why individuals leave them; two analysed the reasons for the previous year's leavers at the time of the interview; the remaining five generalised.
- 5.4 The reasons varied with occupation groups and locations as one might expect:
- on the West Coast of Ireland people are prepared to travel considerable distances to work: in one company about 10 per cent of the workforce travel over 15 miles and distances twice this are not uncommon. However, if a suitable opportunity arises near his home, an operator will often take it
  - movements to the Irish Civil Service, Army and Garda were also significant in 1981, perhaps overlapping with that above
  - movements between local companies appear to be limited
  - the other significant reasons for operators moving are emigration to the United States and pregnancies
  - salaried staff appear to move to management posts elsewhere
  - management staff move to set up on their own in business.
- 5.5 Only one company did not know how many retirements are due in the next three years, albeit four of the eight remaining companies have none due.

- 5.6 Two of the four which know how many are due, have considered how they will replace these losses.
- 5.7 No company made a formal estimate of the total losses of manpower in some future period, but six make a mental estimate and then compare this with an on-going monitoring of the losses.
- 5.8 All had observed that there were differences in an individual's likelihood of leaving depending on sex, or occupation group. Distance from home to work has also been noted, as have age and state of the economy. None mentioned length of service as a significant factor.
- 5.9 In two companies their knowledge of wastage was sufficiently highly tuned that when a particular group's rate of leaving had varied from that expected this was understood and, in one of these companies, action taken to rectify the cause.

# General Grid Chart

Analysis of Small & Medium Firms Ireland

PREPARED BY  
GDK

DATE  
May 1982

## WASTAGE

	RECORDS OF LEAVERS	EXIT INTERVIEW HELD	REASON FOR LEAVING HELD ANALYSIS	PLAN FOR RETIREMENTS	ANTICIPATE LOSSES	MONITOR LOSSES	OBSERVED SEX & OCC. FACTORS	OTHER FACTORS	RECENT CHANGES	
Electronic Products	Y	Y	Y	5 PEOPLE ALL DIFFER	N/A	Y	Y	Z	SHIRTS DEPT	Y
Computer Peripherals	Y	Y	Y	BETTER JOBS	N/A	Y	Y	Y		↓ 1.4%
Consumer Products	Y	Z	Y	JOBS NEARER HOME *	Z	Y	Y	Y	DIST 1500	↓
Specialist Electrical Products	Y	Y	Y	DITTO + * EMIGRATION	N/A	Y	Y	Y		↓ ↓
Construction	Y	Z	Y	MONEY	N/A	Z	Z	Y	DIST 1500	↓
Publishing	Y	Z	Z	TO TELEVISION	Y	Z	Z	Y		
Insurance	Y	Y	Y	-	Y	Z	Z	Y	DEPT OKY	Y
Engineering consultancy	Y	Y	Y	MONEY & IRISH ARMY	Y	Y	Y	Y	AGE	↓
Building Society	Y	Z	Y	-	Y	Y	Y	Y	DEPT OKY	↓

\* 15 PEOPLE TRAVEL 15 MILES  
SOME TRAVEL 35 MILES

## **Manpower Management**

- 6.1 All of the foreign-owned companies and none of the Irish-owned companies said that their company prepared a manpower plan.
- 6.2 However, one Irish-owned company included a manpower element in its financial planning, and the Personnel and Training Manager clearly contributed centrally to the forward looking management of this company.
- 6.3 A second Irish-owned company has thought about the implications of a change in structure on its manpower needs and, whilst it has created an understanding amongst its workforce after some union resistance, it recognises the need for someone to plan the whole process more completely.
- 6.4 It should also be added that one of the foreign owned companies, which has only been planning its manpower for some 18 months, recognises that it is still very much in the early stages in this field. Its business which is subject very much to peaks and troughs, is only met by extreme commitment in terms of unpaid overtime from its staff during the peaks.
- 6.5 Of the remaining four companies practising forward looking employment management, two see the advantages in terms of identifying shortfalls of certain skills and an opportunity to examine developments and assess where the company is heading. The other two see it mainly as a control on manning levels.
- 6.6 The difficulties encountered included understanding the cultural differences and estimating the demand for manpower.
- 6.7 Only two companies had monitored the variation between their plan and what actually happened to demand for manpower; one being on target and one below plan.
- 6.8 In the first case their supply of manpower had not dropped as fast as they had wanted due to a decreasing wastage rate and in the second they were able to match their supply of manpower to the demand.

- 6.9 In only one company has it been necessary to make anyone redundant in the last few years. In 1979 the market for a product which was being introduced collapsed and action had to be taken.
- 6.10 Elsewhere either redundancy has been avoided (in two companies) or the matter has not arisen (in the remaining six).
- 6.11 It may be relevant that most companies in the Irish Republic actively liaise with their competitors, both on a product basis nationally and on an employment basis over issues such as local salary rates and training.

# General Grid Chart

Analysis of Small & Medium Firms Ireland

PREPARED BY  
GDK

DATE  
May 1982

## MANPOWER MANAGEMENT

		HOW LONG DOING FLEM ADVANTAGES GAINED	DISADVANTAGES FOUND	VARIANCE IN SUPPLY & OR DEMAND	MANPOWER POLICY MAKER ROLE IN MANAGEMENT	COMPETITOR CONTACT	LOCAL EMPLOYERS CONTACT	GOVT AGENCY CONTACT				
Electronic Products	10	IDENTIFY SKILL SHORTAGE	CULTURAL DIFFERENCE	BOTH DOWN - RELATED	MD PM	CENTRAL	Y	Y	Y			
Computer Peripherals	17	CONTROL	PREDICTION PROBLEMS	SUPPLY SLOWS DOWN DEMAND	MD	CENTRAL	Y	N	N			
Consumer Products	9	CHANCE TO ASSESS	-	-	PM	CENTRAL + U.S. LAISON	Y	Y	Y			
Specialist Electrical Products	SINCE SET UP	-	NOT MEANINGFUL UNTIL WORK STUDY INTRODUCED	-	MD PM	CENTRAL	N/A	Y	Y			
Construction	NOT				MD	CENTRAL	N	N	Y			
Publishing	ONLY IN FINANCIAL TERMS				PM	CENTRAL	Y*	Y	Y			* A LOT OF CONTACT
Insurance	NOT	-	-	DEMAND GREATER THAN EXPECTED	PM	THROUGH EXECUTIVE	Y	Y	Y			
Engineering consultancy	1 1/2	LESS PANIC		LESS AT PEAK PERIOD	MD		N/A	Y	Y			
Building Society	MANPOWER		NOT CONSIDERED				Y	N	N			



**Summary**

7.1 It is difficult to draw many conclusions from a sample of nine companies. However a clear distinction can be drawn between foreign-owned and Irish-owned companies, in their approaches to forward looking employment management.

	Very Well	Good	Trying	Not trying
Foreign	2	2	1	
Irish			2	2

7.2 Those in the high technology production environment also approach FLEM better, although there is some correlation between these first two reasons (see company profiles).

7.3 Cost of manpower compared with total costs is not a relevant factor, nor is overall size, when considering a company's ability to practice FLEM.

### Company Profiles

- a) Electronic products - US owned - 400 employees
- b) Computer peripherals - US owned - 520 employees
- c) Consumer products - US owned - 600 employees
- d) Specialist electrical products - US owned - 450 employees
- e) Engineering consultancy - US owned - 160 employees
- f) Publishing - Irish - 510 employees
- g) Insurance - Irish - quoted 980 company employees
- h) Construction - Irish privately owned - 80 employees - less than a year old
- i) Building society - Irish - 260 employees

UNITED KINGDOM

Company and Manpower Backgrounds

- 1.1 27 companies make up the sample in the UK.  
3 in Scotland  
2 in the North East  
4 in the North West  
2 in the South  
5 in the South East  
1 in the East  
5 in London suburbs  
and 5 in Central London
- 1.2 Dividing these simply into manufacturing or service organizations, 7½ are manufacturers or distributors, 10½ primarily provide a service (one company both running hotels and a construction operation) Six of the companies are foreign owned operations; nine are privately owned: 11 are quoted companies, or autonomous units owned by a quoted company; the remaining one, a building society, is a non-profit making organization.
- 1.3 14 companies have completely world wide markets, 2 are European based, the remainder national only with one large company only having the vast majority of its business with one customer.
- 1.4 Only three companies are based on a variety of products or services like the one above; 9 are based on a single product or service; the majority (15) having variations of a single product or service as their bases.
- 1.5 The number of employees spanned the complete range, from 50 to 1000 people broken down as follows:
- |                    |              |
|--------------------|--------------|
| more than 500      | 7 companies  |
| 200 - 500          | 9 companies  |
| 50 - 200 employees | 11 companies |

- 1.6 Only five companies anticipate a decline in numbers employed from their present position, whereas eleven are looking to overall future growth in the region of 10% per annum. A common theme whether looking for growth or decline overall is that there will be an emphasis on technical skills and less need for unskilled or semi skilled staff.
- 1.7 Half the companies considered that their staff was the most significant element in their advantage over their competitors, particularly in the service companies. (One company felt it had no competitive advantage at all). This is most noticeable amongst companies whose main asset is the knowledge and skills of their employees (in this study these were a Public Relations company, a computer software house and a stock brokers).
- 1.8 Unions, although present in over half the companies, have remarkable little involvement in manpower policies. Only in one company was it stated that unions have a significant influence relating to decisions about manpower. A second company agreed that their unions had some influence. In the other twenty five companies involvement was either at management's instigation through a consultative process when change was necessary or it was non existant. (Unions are taken to include staff associates in this definition).
- 1.9 The cost of manpower, as a percentage of total costs, varies considerably (from 10% to 70%). In one company this measure was well known by the company's representative (its financial director) and there was a positive intention to adjust this to a desired level. Elsewhere the figure was not generally accurately known, the representative often contacting the accounts department.
- 1.10 The people interviewed were:
- 5 managing directors/partners
  - 5 company secretaries/financial directors
  - 2 general managers
  - 14 personal directors/managers
  - 2 personnel officers

# General Grid Chart

Analysis of Small & Medium Firms	UK	PREPARED BY	GDK
		DATE	May 1982

## BASIC COMPANY DATA

	EMPLOYEES 0-25000 (1=100-250, 2=250-500, 3=500-1000, 4=1000-2500)	SALES (£ million)	MANPOWER/COSTS %	INTERVIEWEE'S POSITION	OWNERSHIP	PROFITABILITY	PRODUCT RANGE	CUSTOMERS	COMPETITIVE ADVANTAGE						
				MANUFACTURING	RETAIL	EXPORT	SINGLE PRODUCT	MULTI-NATIONAL	INTERNATIONAL	STAFF	PRODUCT	MARKET	REGIONAL		
Public Relations	0	12	62	M	V	Y	S	I	SP						
Software House	0	4		P	V	Y	V	I	S						
Pharmaceuticals	6	2	30	M	F		V	I	PS						
Chemicals	4	40	40	PM	F	Z	V	E	P						
Air Filtration	4	10	25	CS	F		V	I	ST						
Building Society	1	N/A	50	PM	B	N/A	S	R	M						
Dyestuffs	2	7	25	PM	P	Y	V	I	SP						
Air Movement Systems	5	12	40	PM	B	Z	V	I	PS						
Medical Equipment	3	8	60	PD	B	Y	V	I	PS						
Stock Brokers	1	5	40	Other	P	Y	S	I	S						
Construction	6	40	12 <sup>†</sup>	PM	B	Y	V	R	S						† DIRECT ONLY 30% INC CONTRACT
Auto Engineering	0	?	15	PM	B	Z	S	I	P						
Fashion Wear	1	?		PM	F	Y	S	Z	P						
Publishers	4		30	PD	F		V	I	S/PT						
Construction	9			PO	B	Z	S	R	None						
Brewery	2	12	30	PM	P	Y	S	R	S/P						
Textiles	1	2	20	MD	B	Y	V	Z	S						
Advertising	6	25 <sup>1/2</sup>	25	MD	B		V	Z	P						
Mining Equipment	9	22		PM	B	Z	V	S	P						
Shipping	4	15 <sup>1/2</sup>	21	CS	B	Z	S	I	ST						
Aircraft chartering & eng.	3	9	27	PM	P	Y	V	I	ST						
Air conditioning	0	2	50	MD	P	Y	V	R	S/M						
Medical equipment	1	9	16	PO	F		V	I	TS						
Suppliers to shoe industry	1	5 <sup>1/2</sup>	10	GM	B	Y	S	I	S						
Retailing	9	100	70	FD	B	Y	M	Z	S/M						
Hotels and Construction	3	5 <sup>1/2</sup>	50 <sup>†</sup>	FD	P	Y	M	Z	P						† INCLUDING CONTRACT
Protective Equipment	1	3		CS W.M.	B		V	I	P						

# General Grid Chart

Analysis of Small & Medium Firms	UK	PREPARED BY GDK
		DATE May 1982

## INFLUENCE OF MANPOWER

	TO STAFF LEADING				TO UNIONS				
	MANAGEMENT	RESEARCH/DESIGNERS	SALES/BUYERS	OPERATIVES	PRESENCE	INVOLVEMENT	NO REDUNDANCY AGREED	GROWTH/DECLINE IN FUTURE PARTICULAR STAFF	
Public Relations	✓				0			+	ACCOUNT HANDLERS
Software House	✓				0			+	TRAINERS
Pharmaceuticals		✓	✓		0			-	RESEARCH CHEMISTS
Chemicals		✓			0	0+	0	=	
Air Filtration		✓			0	0+	0	+	MORE TECH LESS MANNING
Building Society					0	0		-	
Dvestuffs		✓			0	0		=	
Air Movement Systems		✓			0	0	0	=	
Medical Equipment	✓	✓	✓		0	0	0	=	PROF ENGINEERS SMALL +
Stock Brokers	✓	✓	✓	✓	0			+	MARKETING
Construction				✓	0	0	0	+	MORE TECH.
Auto Engineering		✓			0	0+	0		
Fashion Wear					0	0	0	+	OPERATORS
Publishers			✓		0	0		+	COMPUTERS EDITORIAL
Construction	NOT APPLICABLE				0	0	0	=	
Brewery		✓			0	0	0	-	DRIVERS
Textiles	✓	✓			0	0	0	=	
Advertising		✓			0	0	0	-	EXHIBITIONERS PLASTERERS
Mining Equipment	NOT APPLICABLE				0	0	0	-	OPERATORS (MORE D.O.)
Shipping			✓		0	0	0	=	
Aircraft chartering & eng.			✓		0			+	PILOTS & CREW
Air conditioning	✓		✓		0	0	0	+	
Medical equipment		✓			0			=	
Suppliers to shoe industry	✓		✓		0	0	0	=	
Retailing			✓		0			+	ST ACQUISITION
Hotels and Construction		✓			0	0	0	-	CONSTRUCTION HOTELS
Protective Equipment	✓	✓			0			=	

KEEP A SHIP INFORMED  
IT "VERY NOISE"  
+ PARTICULARLY REGARDING RECRUITMENT

Knowledge of Future Manpower Requirements

Note: the approaches vary tremendously from very structured to intermittent assessments for particular occupation groups.

2.1 Frequency of assessment

None	4
Monthly/quarterly	6
Annual/half yearly	15
Intermittently	4
	—
	29*

2.2 Period ahead looked at

Less than a year	3
1 to 3 years	12
Greater than 3 yrs	10
	—
	25*

\*These figures include two companies who look monthly at their annual manpower requirements and annually at their longer term requirements.

2.3 12 of the companies consider external developments when examining their manpower requirements, and only half of these actively explore the implications of alternative outcomes. Of the other 6 companies several expressed concern that the formal plan was too "airy fairy". Many of the remaining 15 companies have put any considered planning into abeyance throughout the recession, though they may still go through the motions.

2.4 Looking at internal developments was more widespread with 19 companies considering the effects of computerization particularly minis and micros, increased productivity, the introduction of new equipment and rationalization of staffing needs.

# General Grid Chart

Analysis of Small & Medium Firms

UK

PREPARED BY

GDK

DATE

May 1982

## KNOWLEDGE OF FUTURE REQUIREMENTS

	REQUIREMENTS ASSESSED FREQUENCY PERIOD			NO OF STATED EFFECTS CONSIDERED	EXTERNAL FACTORS	INTERNAL FACTORS
	Y	M	Q			
Public Relations	Y	1M	5Y	4	GROWTH INDUSTRY (HOME ECONOMICS & FOOD)	COMPUTERS & WORD PROCESSORS
Software House	Y	6M	5Y	3	CLIENT DEVT (SURROUND)	
Pharmaceuticals	Y	1Y	5Y	1	COMPETITION THROUGH MARKET RESEARCH	PRODUCTIVITY IN PLANT DEVT.
Chemicals	Y	1M	2Y	3	-	COMPUTERIZATION
Air Filtration	Y	1M	5Y	4		COMPUTERIZATION
Building Society	Y		1Y	3		
Dyestuffs	Y	1Y	3Y	4		
Air Movement Systems	Y	1Y	1Y	4	TOP DOWN SALES THEN BOTTOM UP THROUGH FINANCE	COMPUTERIZATION
Medical Equipment	Y	1Y	5Y	4	EXPORT MARKETS	
Stock Brokers	Z	CONTINUAL TOP GROWTH		3		COMPUTERIZATION
Construction	Y	3M	1Y	0	CONTRACTS	COMPUTERIZATION & ESTIMATING
Auto Engineering	Z		9M	3	MARKET FOR NEW CAR - SUB CONTRACT TO TOP UP	
Fashion Wear	Z	CONTINUAL GROWTH		2		
Publishers	Y	1Y	5Y	5	TECHNOLOGY	
Construction	Y	1Y	5Y	2		RATIONALIZATION OF STAFF NEEDS
Brewery	Z		1Y	4	DEMAND	COMPUTERIZATION IS AHEAD ACCS STAFF
Textiles	Z			1		PRODUCTIVITY
Advertising	Y	1Y	5Y	3	COUNCIL POLICIES	
Mining Equipment	Z	1Y	1Y	4	"AIRY FAIRY" FORMAL PLAN	
Shipping	Z			1		
Aircraft chartering & eng.	Z	1Y	5Y	1	NEW MARKETS	NEW FLEET OF PLANES
Air conditioning	Z		2Y			
Medical equipment	Z	1Y	5Y		IN ABSTANCE	
Suppliers to shoe industry	Z					NEW EQPT
Retailing	Y	3M	1Y	2		COMPLICATED COMPUTER SYSTEMS
Hotels and Construction	Z	1Y	1Y	0		COMPUTERIZATION
Protective Equipment	Z	1Y	1Y	2		

+ MOVING PENSION AGE TO GO



### Recruitment

- 3.1 Most companies in UK and Ireland did not differentiate between internal promotions and transfers. The following therefore compares filling a vacancy from internal sources with filling it from outside the company.
- 3.2 Further companies attempted to exclude minor promotions where the jobs performed remained substantially the same. Also re-organizations confound this distinction.
- 3.3 Eight companies were not able to obtain the information on recruitment from outside vis - a - vis internal promotions, some employing large numbers of transient people at different locations. Eight were able to distinguish not only between recruitment from outside and internal movements, but also identify how many were recruited at the lowest entry point and how many positions were filled by recruitment when promotion or transfer was a possibility. In several organizations, again primarily the professional organizations already mentioned, it was pointed out that promotion equated to self development. Further, one organization was only a year old, leading to many short service people not ready for promotion.
- 3.4 Considering all the caveats above, the underlying pattern of promotions to recruitment is in the region of one to two.
- 3.5 When asked what policy a company had with regard to recruiting only from outside through to internal promotions only, the spread of responses was fairly even. Engineering or manufacturing companies advertised internally at the same time as externally recruiting, whilst the professional and financial companies tend to thoroughly examine internal staff before thinking of external recruitment.
- 3.6 Over half (14) the companies have recruited someone in at director level, the next quarter had only recruited as high as management in the last five or so years, the remaining companies lower still, into positions such as chief draughtsman, accountant, department head.

- 3.7 Authority for recruitment at the lowest level lies with the managing director in 10 of the companies visited, with managers in a further 9 and with personnel in 4 and with supervisors, works foremen and the like at the remaining 4.
- 3.8 12 companies do not employ short term staff as a matter of policy; of the remaining 15 it is an essential part of the operations of three companies, either through seasonal demands or through varying levels of contracts using labourers. On the whole, those companies who plan ahead better tend to be those who are prepared to employ short term staff.
- 3.9 9 companies employ a pool of manpower not essential to immediate requirements but held for the medium term benefit of the company. Most of the people are in some sort of training programme, (work experience, sandwich courses etc.). One company though was maintaining the nucleus of a product group together throughout the recession.

# General Grid Chart

Analysis of Small & Medium Firms	UK	PREPARED BY	GDK
		DATE	May 1982

## RECRUITMENT

	PROMOTIONS	RECRUITS	RECRUIT FROM OUTSIDE ONLY	ADVERTISE INTERNALLY	EXAMINE INTERNALLY	INTERNAL PROMOTION ONLY	HIGHEST LEVEL OF RECRUIT	AUTHORITY FOR RECRUIT	USE OF SHORT TERM EMPS	LEVELS OF RECRUIT ESTABLISHED
Public Relations	6	13		✓			DIR	MGR	Y	Z
Software House	?	4		✓			DIR	MGR	Z	Y
Pharmaceuticals	50	110			✓		DEPT MGR	MGR	Y	Y
Chemicals	?	?		✓			LOW	PEPS MGR	Z	Y
Air Filtration	6	13		✓			MGR	DIR	Y	Y
Building Society	80%	20%			✓		ENGR	PEPS MGR	Y	Y
Dyestuffs	3	64	✓				CHP ACCT	PEPS MAN	Y	Y
Air Movement Systems	0	6		✓			DIR	DIR	Y	Z
Medical Equipment	15	38		✓			DIR	DIR	Z	Z
Stock Brokers	0	8	NOT APPLICABLE				DIR	DIR	Z	Z
Construction	10	150	✓				DIR	MGR	Y	Y
Auto Engineering	0	2	✓				MGR	PEPS MGR	-	-
Fashion Wear	0	*		✓			MGR	SPV	Z	Y
Publishers	?	?		✓			DIR	MGR	Y	Y
Construction	10	27		✓			ENG	MGR	Z	Y
Brewery	0	7		✓			MGR	MGR	Y	Y
Textiles	0	2			✓		DIR	DIR	Z	Y
Advertising	?	?		✓			DIR	DIR	Y	Z
Mining Equipment	?	?		✓			DIR	DIR	Z	Z
Shipping	?	?			✓		MGR	?	Z	Y
Aircraft chartering & eng.	?	?	✓				DIR	DIR	Z	Y
Air conditioning	0	2	✓				MGR	SUPR	Y	Y
Medical equipment	?	11	✓				DIR	MGR PEPS	Y	Y
Suppliers to shoe industry	?	12		✓			ACCT	DIR	Y	Z
Retailing	?	?		✓			DIR	DIR	Y	Z
Hotels and Construction	?	?	✓				MGR	MGR	Y	Z
Protective Equipment	0	1	✓				MGR	MGR	Z	Z

\* 1981 2 15 95

Development and Training

- 4.1 Eight companies did not see development paths through their organizations for the individual.
- 4.2 All of those that have development paths, and two of the eight that do not, make this clear to their employees.
- 4.3 Two thirds of the companies seen take on a regular intake of school leavers or in one case used to and are about to again. Four of these companies provide no development path and only one of these makes this clear to the school leaver.
- 4.4 Apart from day release, only five companies stated that an average individuals expectation for training would be five days or more per annum.
- 4.5 By far the majority of companies either have no training budget, one company actually stating that no training has been given in recent years, or accept the costs on departmental budgets. Only five companies could produce a figure relating to the cost of training; this in one instance was for external courses only, in another to a particular course set up for its professional staff, the others looked at all costs including lost productive time. The highest figure noted was approximately £1500 per employee per year.
- 4.6 Eight companies conduct no formal assessment, with one stating that it would be dangerous in their environment, especially if linked to prospects when opportunities for promotion are rare. Five companies use a job description as the basis for assessment; eleven use pre-determined objectives and three some combination of job description and objectives.
- 4.7 Strangely, only in two companies are personnel involved in an individual's assessment, which appears to be at some variance with the next point.
- 4.8 Including those companies who do not conduct a formal assessment but make some note of an individual's performance (four of the eight in 4.5), by far the most significant reason given for this exercise is to establish training needs.

training and development	82%
promotion prospects	45%
salary revision purposes	45%

One company, where the individual met was the general manager, stated they were uncertain why they did this at all.

- 4.9 In six companies, of the twenty seven, a movement of an individual, whether for a training course or promotion or transfer, would not necessarily be discussed with the person responsible for manpower.
- 4.10 Just over half the companies seen (14) are not experiencing a slowing down of opportunities for individual development.
- 4.11 Almost half the companies (13) see the needs of the company as the only reason for considering such an opportunity; three companies see the expectations of the individual as the only reason; the remainder see some combination of these with the exception of one company where time in the organization was the only reason given.
- 4.12 One third of the companies tell an individual when he has reached as high in the company structure as he will go.

# General Grid Chart

Analysis of Small & Medium Firms

UK

PREPARED BY

GDK

DATE

May 1982

## DEVELOPMENT AND TRAINING

	EXISTENCE OF DEVT. PATHS	EMPLOYEES INFORMED	SCHOOL LEAVER INTAKE	MAYS P.A. TRAINING EXPECTED	TRAINING BUDGET	PERFORMANCE ASSESSED VS OBJECTIVES OR DESCRIPTION	BY BOSS, PERSONNEL OR MGT	FOR SALARY, TRAINING, PROMOTION	MOVEMENTS BASED ON TIME EXPECTATION VS. COMP. NEEDS	CONSULTATION WITH PERS.	CHANGING LEVELS	INDIVIDUAL TOLD WHEN AT CEILING
Public Relations	Y	Y	Y	5-10	5000	D	M	T	M	Y	=	Y
Software House	Y	Y	Y	5-10	5000	O	BP	T	T	Y	=	Y
Pharmaceuticals	Y	Y	Y	10+	5000+	O	B	T	Z	Y	+	Z
Chemicals	Y	Y	Y	10+	5000+	O	M	T	Z	Y	=	Z
Air Filtration	Z	Y	Y	1+	1000	D	BM	T	M	Z	=	Y
Building Society	Y	Y	Z	2-5	?	?	B	ST	Z	Y	+	Y
Dyestuffs	Y	Y	Y	2+	1000	O	M	ST	Z	Y	+	Z
Air Movement Systems	Z	Y	*	LITTLE	1000	STOPPED BY RECONSIDERIN			Z	Z	=	Z
Medical Equipment	Y	Y	Y	DR	1000	O	D	TS	Z	Y	=	Z
Stock Brokers	Z	Z	Z	INTO BECOMING STOCK EXCHANGE	?	O	B	S	Z/A	Y	=	Z
Construction	Y	Y	Y	50	3000	O	B	TS	Z	Y	=	Z
Auto Engineering	Y	Y	Z	DR	?	?	B	T	Z	Y	=	Y
Fashion Wear	Y	Y	Y	50	PART OF OVERHEAD	O	B	T	Z	Y	+	Z
Publishers	Y	Y	Z	?	1% OF PAYROLL	O	BM	PT	Z	Y	=	Y
Construction	Y	Y	Y	30	2% OF DEVT. BUDGET	STOPPED 4 YEARS AGO			M	Y	=	Z
Brewery	Z	Z	Y	MIN.	0	DANGEROUS IN SMALL FIRMS			Z	Y	?	Y
Textiles	Z	Z	Z	0	0	O	M	PT	Z	Y	=	Z
Advertising	Y	Y	Z	3-4	0	O	M	T	Z	Z	=	Y
Mining Equipment	Z	Z	Y	2-3	NOT SORTED	D	B	T	Z	Y	=	Z
Shipping	Y	Y	Y		PART OF LAB	?	BP	P	Z	Y	=	Z
Aircraft chartering & eng.	Y	Y	Y	3	LOST IN COMMERCIAL TRAINING	O	B	ST	?	Y	+	Z
Air conditioning	Y	Y	Y	3	0	D	B	ST	Z	Y	=	Z
Medical equipment	Y	Y	Z	4	1% OF DEVT. BUDGET	O	B	T	Z	Z	=	Y
Suppliers to shoe industry	Z	Z	Z	3	?	O	B	?	Z	Y	=	Z
Retailing	Y	Y	Z	1	MINIMAL	?	B	S	Z	Z	=	Z
Hotels and Construction	Z	Z	Y	MIN	0	?	M	S	Z	Y	=	Z
Protective Equipment	Z	Z	Z	MIN	0	?	?	?	Z	Z	=	Z

\* STOPPED BY RECONSIDERIN

† HAS NOT HAPPENED

† MOVING TO SELF ASSESSMENT

† INTERFERENCE WITH COMPANY YEARS ONLY

Wastage

- 5.1 Only one company says that it does not maintain records of people who leave them, although three others do not record the reason for leaving.
- 5.2 Ten companies do not conduct formal exit interviews.
- 5.3 Only two of the companies were in a position to give a precise breakdown of why staff left in 1981: in both cases almost two thirds the losses were at the company's instigation. Nine made no statement as to the reasons for people leaving. Of the remainder four companies recognize a particular factor other than the "acceptable" reasons such as more money, pregnancy, domestic.
- 5.4 Fourteen companies do not plan ahead for retirements in three years time, ten of these not even anticipating retirements in one years time. However to be fair, in four of these the age structure is so young that this is not necessary. In one other of these ten companies normal retirement age is ignored with some people working in their seventies.
- 5.5 Twelve companies make an estimate of the total number of losses per quarter and monitor the actual losses against this. Five companies do neither and the other ten do either anticipate a certain number of losses or keep monitoring them.
- 5.6 Ten companies have not noted any difference in an individuals likelihood of leaving depending on either their sex or their occupation group. Two of these are very professional organizations and a further five employ a large proportion of their workforce from a single sex and into one occupation group.
- 5.7 Two companies recognize that length of service influences an individuals likelihood of leaving: one deliberately makes use of high turnover foreign employees: a further two state that their markets business cycle influences this. Otherwise no company states that any other factors influence turnover.
- 5.8 Almost every company states that turnover has declined over the last twelve months, with five companies qualifying this with statements like "dramatic" and "ridiculously low". However it was noticeable that two

of the last companies visited, one in Scotland and one in the North East, have noticed a picking up of turnover in the last few months.



# General Grid Chart

Analysis of Small & Medium Firms UK PREPARED BY GDK  
DATE May 1982

## WASTAGE

	RECORD OF LEAVERS	EXIT INTERVIEW HELD	REASON FOR LEAVING HELD	PLAN FOR RETIRTS	ANTICIPATE LOSSES	MONITOR THEM	SEX & OCC FACTORS	OTHER FACTORS	RECENT CHANGES
Public Relations	Y	Y	Z	CONFLICT OF CAPABILITY	Y	Z	Y	SEX -	Z/A
Software House	Y	Y	Y	PROP 2 BANKS DES FOR MONEY	N/A	Y	Y	6	DECLINED FINANCIALLY
Pharmaceuticals	Y	Y	Y	LOST INT. 1977 JAN. 24/82	N/A	Y	Y	SEX OCC LENGTH OF SERVE	↓
Chemicals	Y	Y	Y	PROB-CONDITIONS STAFF-TIES	Y	Y	Y	SEX R/R -	↑ PAY GOOD ↑ NEWER HIGH
Air Filtration	Y	Y	Y	M-PROGRES F-DOMESTIC	Y	Z	Y	SEX -	↑ PICKING UP
Building Society	Y	Y	Y	PREGNANT	Y	Y	Y	SEX LENGTH OF SERVE	↓
Dyestuffs	Y	Y	Y	PROB-PROG 22 BNGL 48	Z	Y	Y	SEX OCC -	↓ BUT 22 = 10% LEFT LAST VOLUNTARILY
Air Movement Systems	Y	Z	Y	-	Y	Y	Y	OCC -	↓ SPECIAL LOCAL LAB MARKET
Medical Equipment	Y	Z	Y	MOST INVOLUNTARY	Y	Y	Z	SEX OCC -	↓
Stock Brokers	Y	Z	Z	-	N/A	Z	Z	No -	↓ 2 PEOPLE PA FOR LAST 10 YEARS
Construction	Y	Y	Y	NET STYLE	Y	Y	Y	OCC -	↑
Auto Engineering	Y	Y	Y	-	Y	Z	Z	- -	↓
Fashion Wear	Y	Y	Y	INSUFFICIENT NUMBERS	N/A	Y	Y	N/A -	N/A
Publishers	Y	Y	Y	MOVING DISTRICT	Y	Z	Y	SEX OCC	=
Construction	Y	Z	Y	16 CONTRACTS 2 INVOL. 22 VOL.	Y	Z	Y	- -	↓
Brewery	Y	Y	Y	-	Y	Y	Y	- -	=
Textiles	Z				Z	Y	Z	- -	↓ ABSOLUTELY LOW
Advertising	Y	Y	Y	DOMESTIC	Y	Z	Z	SEX OCC -	↓
Mining Equipment	Y	Y	Y	-	Y	Z	Y	- -	↓
Shipping	Y	Z	Y	MONEY	Z	Z	Z	N/A -	↓
Aircraft chartering & eng.	Y	Y	Y	MONEY	-	Y	Y	SEX OCC AIRLINE BUSINESS	↑
Air conditioning	Y	Z	Y	BETTER JOBS	Z	Y	Y	SEX OCC YEAR	↓
Medical equipment	Y	Y	Y	-	-	Y	Y	SEX OCC -	↓
Suppliers to shoe industry	Y	Z	Z	DOMESTIC	-	Z	Z	- -	↓
Retailing	Y	Z	Y	MONEY	Z	Z	Z	SEX OCC -	↓
Hotels and Construction	Y	Z	Y	-	-	Y	Z	- HIGH % OF FOREIGN WORKERS	ALWAYS = VOLATILE
Protective Equipment	Y	Y	Y	MONEY	Z	Z	Z	-	↓

+ GOOD PEOPLE ONLY

Manpower Management

6.1 Seven companies state that they do not currently prepare manpower plans, although in one of these, this process is merely dormant over the last two years. The period of time the remaining companies have prepared plans is as follows:

less than 3 years	5
3 to 10 years	5
More than 10 years	9

In one remaining company plans are prepared by the board but not passed to senior personnel management!

6.2 Looking at those companies which say they do not prepare manpower plans; one has an excellent training and development planning process and is aware of national shortages of certain elements of their workforce; a second is a highly professional organization which uses a co-operative style of management and its development is largely dependent on the development of each individual; the others generally operate in a volatile market where planning is not seen to be applicable.

6.3 Looking at those companies which prepare manpower plans, twelve either see it as part of a financial process with control seen as the most significant advantage or see no advantage at all. The remaining seven companies used phrases such as "essential matching", "influencing overall plans", "efficient use of resources", "recognition of investment in manpower" and "taking a broader view linking into the business".

6.4 The major difficulties encountered have been, almost without exception, a much reduced level of certainty in the future. Only two companies regard the exercise as a chore or too lengthy.

6.5 Of all nineteen companies practising forward looking employment management, only six have noticed a variation between this planned and actual supply of manpower, usually increased retention. Four regard this element of their planning as very accurate.

6.6 When looking at the variation between planned and actual demand, one company revises its plans too frequently for this to be significant. Only four claim this element to be accurate, and three have been affected by reduced sales.

- 6.7 The remaining companies have not compared their past plans with the subsequent events.
- 6.8 Half the companies have gone through at least one redundancy exercise in the last ten years. There appears to be little overall relationship between this and whether or not a company anticipates its manpower needs. One company, which does not claim to plan its manpower, recognizes that it reduced its manpower numbers in 1974 and 1975 in something approaching a panic but now realises it was mistaken then and knows how to avoid the situation again.
- 6.9 However, looking at the seven companies planning their future employment most thoroughly only one has had to declare people redundant.
- 6.10 There appears to be little significance in the contact with competitors or government agencies.



7.1 There appears to be a relationship between those companies where their major resource is their manpower and their successful use of forward looking employment management.

	Very Well	Good	Trying	Not Trying
Professional Service or Technical Production	5	3	1	1
Other Services or other Production	1	3	6	3
Marketing & Construction	1	1	1	1

7.2 Two factors are not as significant as we might have expected.

- i) the part manpower is seen to play in the company's competitive advantage
- ii) the size of the company

7.3 Those companies that focus on internal replacement to fill vacancies often with high levels of training and specific financial allocation for this, they tend to make effective use of forward looking employment management.

7.4 Also those companies which have a personnel presence and undertake union consultation, even though union involvement is negligible in the sample, they do tend to make best use of manpower planning. The process becomes intertwined with overall business planning, rather than as a means of financial control.

Company Profiles

- A) Public relations - private - 50 employees
- B) Auto engineering - quoted - 60 employees
- C) Software house - private - 90 employees
- D) Air conditioning - private - 90 employees
- E) Textiles - autonomous subsidiary of British company - 100 employees
- F) Stock brokers - private - 110 employees
- G) Suppliers to shoe industry - quoted - 130 employees
- H) Medical equipment autonomous subs of Foreign Companies - 140 employees
- I) Protective equipment - autonomous subsidiary of British Companies -  
150 employees
- J) Fashion wear - autonomous subsidiary of Foreign Companies - 175 employees
- K) Building Society - British Charity - 190 employees
- L) Dyestuffs - private - 220 employees
- M) Brewery - private - 250 employees
- N) Hotels & Construction - private - 300 employees
- O) Medical equipment - autonomous subsidiary of British Companies -  
340 employees
- P) Aircraft chartering & engineering - private - 390 employees
- Q) Chemicals - autonomous subsidiary of foreign companies - 450 employees
- R) Air filtration - autonomous subsidiary of foreign companies - 480 employees
- S) Publishers - autonomous subsidiary of foreign companies - 490 employees
- T) Ship owners & charters - quoted - 490 employees
- U) Air movement systems autonomous subsidiary of British companies - 600 employees
- V) Advertising - autonomous subsidiary of British companies - 600 employees
- W) Construction - autonomous subsidiary of British companies - 600 employees
- X) Pharmaceuticals - autonomous subsidiary of British companies - 630 employees
- Y) Construction - autonomous subsidiary of British companies 1000 employees
- Z) Retailing - quoted - 1000 employees
- ZZ) Mining equipment - British Company - 1030 employees

## UK CASE STUDY

Two companies are described in detail below:

### Case 1:

A public relations consultancy operating from one site in central London. The person interviewed was one of two joint managing directors.

### BUSINESS ENVIRONMENT

The interviewee sees the market as one which is steadily growing with her company providing consultancy to a number of client companies operating in different sectors. The company has a core of some 30 client companies, additionally handling 10 or so ad-hoc assignments per annum. It is one of the top ten companies in this field and certainly not in a monopolistic position.

She sees her company's future growth in the need for providing audits and advice on internal company communications; this will be heavily dependent on the skills of her staff - indeed she finds it difficult to separate their skills and the service they provide.

### MANPOWER ENVIRONMENT

The company employs 51 people plus the occasional consultant who is paid by the hour. Breaking this down, 15 are described as management including an inner circle of 5 board members, 14 are professional staff and 22 are administrative support. All the non administrative people provide the consultancy service and it is clearly seen as these people, the accounts directors and senior account executives, who produce the company's competitive advantage. No unions are involved.

Of the total running costs manpower accounts for almost two thirds. As a rough rule she looks for an individual to bring in three times his salary which would produce a profit in the region 12-15%. Future growth in numbers, which is expected to be 10% per annum, would cover all staff except account handling.

### FUTURE REQUIREMENTS

Manpower is a fixed item on the agenda of the monthly board meeting. In general the horizon of such discussion is 3 to 6 months, but it is not uncommon for topics such as the age structure of the company and impact of reduction of retirement age for both sexes to 60 to be discussed. Also the introduction of the "electronic office" and its impact on manning needs has recently been on issue.

### RECRUITMENT

During 1981 9 people were recruited to executive positions and 4 to secretarial positions; 6 received promotions of some substance. It was stated as the managing director's policy internal staff would be thoroughly examined for potential before external recruitment was considered and that several administrative staff had made the transition to the executive side. Further, the interviewee would also "first filter" any candidate, although the final decision would rest with the account director. Only the decision to replace or not fill a vacancy on the administrative side would rest with the office

manager. Any other decision would be taken at the monthly board meeting.

Of interest, in this particularly specialist skilled area, is that the ten largest companies decided to get together to develop a number of young graduates from various backgrounds to become public relations consultants.

#### DEVELOPMENT

The only people not completely informed of possible openings are secretaries, who as already noted, may move to executive positions. Training is an integral part of an individual's development, often resulting from examining his performance, and much is dependent on his own aspirations. Opportunities have not been slowing down in the last year. If an individual has reached his "ceiling" then he will be informed of this.

#### WASTAGE

Indeed the main reason given for executives leaving was said to be a "conflict of capability match." This is understood to mean the potential the individual believes he has, exceeds that the board believes he has, with the result that he moves to, in general, a smaller company. This potential is certainly seen in terms of 10 years hence and both retirements and wastage are anticipated.

#### INTERACTION MANAGEMENT

This whole process has been developing since 1970 and is regarded as an essential part of management. Although, considering its size, the development and wastage elements suggest succession planning is a major consideration, the understanding of the labour market, sources of recruitment, and changing requirements all indicate a thorough competence in the forward looking employment management.



recruits from outside is the penultimate position for engineers: certainly managerial positions are filled internally.

Responsibility for decisions concerning whether or not to recruit has remained at unit engineer or unit manager levels, but it has been established at higher levels that only leavers will be replaced for the present. Nothing is fore-seen that will change this policy. No recruitment plans have been made beyond 1982 (the interview was on 4 May.)

#### DEVELOPMENT

No development path exists for those coming into the administrative side but it does exist for technical staff. Twenty school leavers will be taken on this year for apprenticeships. Whilst this is an improvement on 1981, it compares poorly with 60-70 per annum some six years ago. Last year the company's training school was closed so the new entrants will receive the less expensive but probably less effective combination of site training and day-release. A training budget of approximately 1½% of total budget is set aside for each unit.

Performance assessment has fallen by the wayside for over four years now. Any development of an individual is dependent on his own motivation and opportunities have certainly slowed down considerably.

#### WASTAGE

Comprehensive information was maintained on losses from staff members but the interviewer was informed that he was the first person in five years to request an analysis of why people had left. Of the total of 81, 43 had been made redundant. Retirements alone are considered in advance. Any other losses are dealt with as they arise.

#### INTERACTION MANAGEMENT

A process of manpower accounting has been running for six years, and the actual manpower numbers have adhered closely to the establishments throughout until a new general manager initiated a slimming down operation last year reacting to the lack of new orders. Although many elements of the FLEM process are known by personnel they are not put together in a constructive plan for management.

Case 2:

An engineering contractors operating from five main sites throughout Scotland. The person interviewed was a personnel officer.

BUSINESS ENVIRONMENT

After a sharp decline last year the interviewee believes the market has stabilized at the current low level. The company provides services primarily in the heating, ventilation and air conditioning sectors and is looking for some growth from mechanical services and instrumentation. It does not believe it has any advantage over its competitors.

MANPOWER ENVIRONMENT

The company manpower strength was at the opposite end of the range being studied. It employed 998 people at January 1982. This was broken down as follows.

	Main Service	Technical Support	Admin Support	Professional Support	Control
Management and professional	13	150		12	11
Technical	185				
Operatives	466		4	3	
Clerical		82	9	19	
Unskilled	44				

There are a number of unions, with EETPU as the major one, involved with the workforce and relations are very amicable. However, they do not become involved in manpower policy matters in any way.

No change is anticipated in manning levels, everything being heavily dependent on local authority expenditure which remains depressed. If there were to be any change then growth would only be amongst the operatives.

The interviewee had no idea of the percentage of total costs taken by manpower.

FUTURE REQUIREMENTS

Whilst the interviewee stated that manpower requirements are assessed annually for the following five years with each department contributing its part, the impression was that this was largely a paper exercise. In practice a step change such as a new computer installation or an expected tender not materialising seems to set off a reassessment of manpower needs.

RECRUITMENT

During 1981, ten people were moved internally and 27 recruited from outside the company. There had been a long standing agreement with the unions that all internal staff are considered for their potential to fill a vacancy before external recruitment is initiated. Of the 27 new entrants, fourteen were administrative and thirteen were technical. The highest level for