

Toyota cuts UK worker hours

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Toyota is cutting working hours and pay by 10 per cent for its UK workers as they join millions of employees across Europe on short-time working.

The Japanese carmaker negotiated with trade unions to achieve the deal, under which its 4,300 workers in the UK will work one day a fortnight fewer and not be paid for it, as demand plummets in the industry.

Short-time working measures, also known as temporary layoffs, are increasing across Europe as companies seek to avoid firing employees. That is leading to lower rises in unemployment in many countries than had been expected.

The UK is unusual as it has no government-backed layoff scheme. But nearly all other European countries do and companies are making growing use of the measures, with 700,000 workers in Germany currently on short-time. France expects 330,000 workers this year to be working reduced hours.

The government-backed European schemes vary but all allow companies to reduce or even eliminate workers' hours for a temporary period. The government then pays a percentage of the workers' wages and in some cases the company also tops that up.

Several governments have sweetened the terms on short-time working recently as part of their stimulus programmes.

Germany has increased the time that a company can place a worker in such a scheme from six to 18 months, while France recently lifted the amount of money it pays employees from 50 to up to 75 per cent.

Companies from Richemont, the luxury goods group, to carmaker Daimler have used the schemes to lay off workers temporarily.

"Keeping people – it's better for you than firing them, and it's not so expensive," said Carlos Ghosn, chief executive of French carmaker Renault and Japan's Nissan. He said short-time working for thousands of Renault staff over several months had enabled the company to save 50 per cent of its wage bill for the affected workers.

Unions have cautiously embraced short-time working too. Unite, the UK manufacturing union that negotiated with Toyota, said: "Any decision to cut wages and working time is never taken lightly, but the agreement we have reached with Toyota will ensure none of our members' benefits are eroded and that these skilled workers will remain in place and at work ready for when the upturn comes."

In spite of the UK having no government-sanctioned scheme, several companies are introducing short-time working on their own. Royal Crown Derby, a manufacturer of porcelain giftware, cut working hours and pay for its 150 factory workers by a fifth and asked white-collar workers to take a similar salary reduction.

Concern remains about such a widespread use of temporary lay-offs in this crisis, particularly as any drop in demand might last several years.

Wolfgang Clement, a former German labour and economics minister who is now head of the Adecco Institute, told the Financial Times last month that he was worried workers would not be

retrained while they were temporarily laid off. "There can be a problem of re-employing them, particularly if companies wait a long time," he added.

Financial Times, USA, 11 mar. 2009, Companies, online. Disponível em <www.ft.com>. Acesso em: 12 mar. 2009.

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