

INTRODUCTION

The Great Recession of 2008, which began in the US and quickly spread to Europe, was one of the most significant economic shocks since the Great Depression of the 1930s, and the effects quickly rippled around the world. Company level employment practices are heavily influenced by the macroeconomic environment (Boxall and Macky, 2009; Cook et.al, 2016; Mitchell and Zaidi, 1990; Zagelmeyer and Gollan, 2012), and economic crisis may force firms to re-evaluate their business operations to remain competitive or simply to ensure survival. While businesses may respond by reducing employment levels through downsizing (Cooper et.al, 2012; Datta and Basuil, 2015; Dencker, 2012; Goyer et.al, 2016; Johnstone, 2018), they may also make changes to employment practices. Examples include freezing wages and bonuses, reducing overtime, diminishing opportunities of promotion, reallocating jobs and responsibilities, reducing expenditure on training and development, revising pension provision and adjusting working time (Ahlstrand, 2015; Cascio, 2015; Gunnigle et.al, 2014; Lai et.al, 2016; Larsen and Navbjerg, 2015; Roche et.al, 2013; Strandholm et.al, 2013; Svalund et.al, 2013; Svalund, 2015; van Wanrooy et.al, 2013).

Firms encountering severely depressed market conditions might implement a combination of employment adjustments (van Wanrooy et.al, 2013), and different approaches can be envisaged (Teague and Roche, 2014). On the one hand, firms might focus primarily upon adjusting the size and composition of the workforce through headcount reductions. This is an approach commonly associated with lightly regulated liberal market economies (Cascio, 2010). On the other hand, firms might aim to mitigate job losses by utilising alternative measures to protect employment as part of a commitment to employment stabilisation or responsible restructuring (Cascio, 2005; 2010; 2015; Teague and Roche, 2014). These may include temporary lay-offs, short-time working arrangements or the redeployment of workers to different roles. Firms may also maintain a buffer of temporary workers to enable the company to reduce headcount while protecting ‘core’ workers when market conditions decline. Such approaches are normally associated with the coordinated market economies of continental Europe, where ‘beneficial constraints’ may promote stable employment where possible

(Cascio, 2010; 2015; Teague and Roche, 2014). Thus, while we might anticipate general pressures to cut costs and improve efficiency in crisis hit organisations, there are many ways this can be achieved, with quite different consequences for both businesses and employees. As Bacon (2008) notes, “the effects of market pressure on strategic choice are complex...cost pressures do force managers to act to reduce labour costs although such pressures are not direct measures in exactly how to act”.

As well as the immediate responses of firms to deteriorating market conditions are questions regarding the potential impact upon employment practices in the medium and long term. To what extent do recessions act as a ‘critical juncture’ leading to the transformation of employment practices, and if so what might this transformation look like? One view is that firms might make only shortterm adjustments while largely maintaining the status quo (van Wanrooy et.al, 2013), while others note the potential for recessions to modify existing arrangements (Roche and Teague, 2014). In their insightful review of the literature, Roche and Teague (2014) identify three main scenarios. The first suggests that recessions can lead to the diffusion of high commitment approaches and long-term oriented investments in HRD and employee engagement. This perspective seems to be implicit in some of the more popular and upbeat HR research (e.g. Ulrich et.al, 2010), and in the UK the recession certainly coincided with a decision by the government in 2008 to commission a report exploring employee engagement and its potential benefits for companies, employees and UK competitiveness (MacLeod and Clarke, 2009). In contrast, the second view suggests that recessions might lead to the diffusion of a ‘new employment deal’, characterised by the increased utilisation of contingent labour, a decline in job security and the expansion of precarious employment (Cappelli, 1999). Alternatively, any changes might not fit neatly into either of these two scenarios as in practice employers might enmesh hard and soft approaches to HRM, as part of a pragmatic approach to HR policy rather than one driven by a strong guiding HR philosophy or values (Teague and Roche, 2014). The drivers for change may also vary, and while in some cases decisions might be a direct response to organisational distress, in others they might be more opportunistic in nature (Geoski and Gregg, 1997), perhaps as part of an attempt to improve financial performance and deliver greater shareholder value (Appelbaum et.al, 2013; Thompson, 2011).

THE RESPONSES OF BRITISH EMPLOYERS TO THE 2008 RECESSION

In the context of the UK, a national severely affected by the economic crisis, the latest WERS11 survey of British workplaces provides valuable insights into the responses of employers to the 2008 recession (van Wanrooy et.al, 2013). The survey reveals that most employers (75%) made at least one employment related response to the challenging economic environment, and those more severely affected typically made several changes. The most common adjustments included freezing and cutting pay (41%), freezing recruitment (28%), reorganising work (25%), and postponing expansion plans (22%). Other measures included reducing overtime (19%), and adjustments to training (17%), use of agency staff (15%) and working hours (14%). In terms of cutting employment levels, 10% organisations made compulsory redundancies and 7% made voluntary redundancies. Though unemployment rose to 8%, overall employment and unemployment figures levels were remarkably resilient given the severity of the economic crisis, and when compared with previous recessions (Coulter, 2016; van Wanrooy et.al, 2013). Some 3.5 million workers were made redundant between 2008 and 2012, equivalent to 1 in 7 employees in work at the start of the recession. However, this is comparable with the five years to 2000, a period of more buoyant economic conditions (Philpott, 2013), and the overall redundancy rate was similar in 2004 and 2011 (ONS, 2013). Various explanations have been offered for the seemingly resilient employment levels (van Wanrooy et.al, 2013). Economic factors, including several years of strong economic conditions pre-recession, low interest rates and a squeeze on real pay might have provided some financial cushioning to firms. A further explanation is that employers might have been eschewing downsizing and hoarding labour (Coulter, 2016; van Wanrooy et.al, 2013). As Coulter (2016) states, “a possibility is that, with healthier balance sheets, firms responded to economic difficulty by maintaining their workforce as much as possible rather than engaging in short-term cost cutting”. Relatedly, it is possible employers mitigated employment losses by using alternative flexible working arrangements (van Wanrooy et.al, 2013), and there were certainly reports of major employers including Nissan and Honda implementing short time working and temporary layoffs (Kollwe, 2009).

Yet while we have insights into the aggregate responses of British employers to the recession at a labour market level, we have less insight into exactly how and why particular employers responded as they did at the enterprise level, how different adjustments were combined, or the consequences of the approach taken. Were employers favouring alternative flexibility measures to mitigate redundancies and protect jobs and if so what form did they take? Such questions can be difficult to answer from large scale quantitative datasets like WERS (van Wanrooy et.al, 2013). Furthermore, to what extent did the recession act as a catalyst for the modification of existing labour flexibility practices, perhaps as part of an attempt to improve the future resilience of the workplace? Unfortunately, the timing of significant British and Irish studies in 2011/12 (Roche et.al, 2013; van Wanrooy et.al, 2013) mean they can offer only preliminary insights into the aftermath and legacy of the recession on work and employment practices. This may also partly explain why such studies tend to suggest continuity rather than change, while analysis of the limited case study evidence available suggests a harsher reality of restructuring, job cuts and the imposition of new harder HRM techniques (Cook et.al, 2016; Johnstone and Wilkinson, 2017). In short, our understanding of both the immediate and longer-term implications of the recession on employment practices remains limited. Addressing this gap is the motivation for this paper.

The empirical focus is on an automotive parts manufacturer deeply affected by the recession but which, like many British employers, did not make large scale redundancies. In contrast to existing case studies which have investigated the implications of recession upon HRM or employment relations strategies more broadly (Cook et.al, 2016; Johnstone and Wilkinson, 2017; Roche and Teague, 2014), the primary focus is upon exploring the ‘flexible labour model’ espoused by the employer, and believed to be central to the organisations ability to manage through turbulent times. Two main themes guided the empirical inquiry:

- (1) How and why did the organisation use labour flexibility strategies to navigate recession, and what were the consequences of the approach taken?
- (2) What was the legacy of the recession and were existing labour flexibility strategies modified or transformed post-recession?

The paper makes several contributions. Empirically, it provides rare insights at the enterprise level into how an organisation heavily affected by the economic downturn navigated the recession. Such issues have received limited attention in the existing literature (Teague and Roche, 2014). A qualitative case study approach allowed the study to probe *how* and *why* particular labour flexibility strategies were implemented, as well as how they were combined and perceived by actors. The timing of the fieldwork in the period 2014/15, though not longitudinal, allowed analysis of how the crisis unfolded over a period of years during both crisis and recovery. It therefore offers valuable insights into the legacy of the recession. A further strength is inclusion of worker perspectives which is much-needed in HRM research. Conceptually, the study contributes to ongoing debates in this journal and elsewhere regarding employment practices in turbulent times, (Ahlstrand, 2015; Larsen and Navjberg, 2015; Roche et.al, 2015; Svalund, 2015), as well as broader debates regarding labour flexibility and the impact of economic cycles on employment (Dekker and van der Veen, 2015; Preenen et.al, 2015; Roche and Teague, 2014; Teague and Roche, 2014). The remainder of the article is structured as followed. The next sections present the conceptual background and research methods. We then present a case study of automotive parts manufacturer – referred to by the pseudonym AutoParts – to the Great Recession of 2008. We then discuss the findings and implications before drawing some conclusions.

RECESSIONS AND LABOUR FLEXIBILITY

The ability of an organisation to respond a sudden shock, such as a recession, can be thought of as a test of flexibility, defined by Meulders and Wilkin (1987) as “the capacity to adjust to change”. In much mainstream management research flexibility is viewed as a virtue associated with successful organisations (Blyton, 1996; Legge, 1995). Our key concern is labour flexibility, and such concerns have a long history as the use of overtime and casual workers confirms (Blyton, 1996); arguably the notion of more stable employment arrangements with a single employer only emerged around the time of industrialisation (Cappelli, 1999). In recent decades, academic discussions of labour flexibility have been influenced by the ‘flexible firm’ model proposed by Atkinson and colleagues in the 1980s (Atkinson, 1984; Atkinson and Meager, 1986). In simple terms, the model suggested that labour flexibility can be achieved by segmenting a ‘core’ and ‘peripheral’ workforce. Core employees are

those with valuable firm-specific skills and are viewed as assets to be developed and retained. They will be offered good pay, training, career development opportunities and employment security. In return, these workers will be multi-skilled and must be flexible in the tasks they carry out (functional flexibility). The core is encircled by 'peripheral' workers with more generic skills and who have more limited employment security. These workers provide organisations with the opportunity to adjust the number of employees to match their requirements (numerical flexibility). In times of low demand then, we might expect the redeployment of core workers to other tasks and the disposal of peripheral workers. However, the Atkinson 'flexible firm model' has been widely criticised (Hyman, 1991; Pollert, 1991; Procter et.al, 1994). It was also unclear whether Atkinson was trying to describe, predict or prescribe a model of a 'flexible firm' (Marchington et.al, 2016). The generic nature of the model means it does not consider potentially important contextual factors such as management strategy, work organisation, production techniques or the drivers for labour flexibility. One motivation for flexibility is to allow firms to adapt to temporary changes in demand, also known as 'capacity flexibility' (Håkansson and Isidorsson, 2003). Håkansson and Isidorsson suggest that in manufacturing contexts, there have been important developments in production operations such as the shift towards lean production which aims to minimise inventory, buffers and stock. They argue that this approach leaves manufacturers highly exposed to fluctuations in demand, and that the ability to adjust production volume often requires flexible labour. Building upon Atkinson (1984), they propose three main forms of flexibility: numerical; working time and functional flexibility (See Table 1). In times of high demand, a firm may hire more workers on a temporary or permanent basis depending upon the anticipated duration of increased demand (numerical flexibility). They may also increase the hours for workers (working time flexibility) or reorganise roles to help meet production demand (functional flexibility). Conversely, in times of low demand, firms may reduce the size of their workforce temporarily or permanently (numerical flexibility), reduce working hours (working time flexibility), or reallocate staff to different roles (functional flexibility). The approach taken is likely to depend upon context.

Numerical flexibility is perhaps more appropriate where jobs require only a short job introduction, while the feasibility of working time variations may depend upon job design. Functional flexibility might

require different demand patterns to be feasible. In terms of consequences, flexibility strategies allow firms to rationalise production, reduce slack, and manage peaks and troughs in demand. For workers, however, the removal of slack might mean work intensification, and potentially also the segmentation of the workforce into different groups with different employment arrangements. We use this framework to guide our assessment of labour flexibility strategies at the enterprise level in the context of AutoParts, a manufacturing organisation which espoused a flexible labour model, and suggest that this was central to its ability to managing during economic turbulence.

[INSERT TABLE 1 ABOUT HERE]

RESEARCH METHODS

Existing quantitative studies of recessionary adjustments provide valuable cross-sectional insights into measures at a labour market level (van Wanrooy et.al, 2013). However, this study is concerned with exploring *how* and *why* organisations responded to recession as they did, and how practices evolved as economic conditions improved. A qualitative case study design was thus deemed most appropriate in helping understand the dynamics of flexibility strategies at the enterprise level and in a particular organisational context (Bryman and Bell 2007; Yin, 2013). As Sengupta and Edwards (2010) note, “a particular strength of such approaches is that they facilitate a more rounded consideration of espoused policies and practices than can be achieved by relying upon one-off employer statements. It also provides an opportunity to explore the specific ‘meaning’ of employment practices, given the reporting of practices might reveal very little about how they are enacted or perceived (Cook et.al, 2016).

In selecting a suitable case a degree of ‘purposeful sampling’ was employed, and the empirical focus is AutoParts, a manufacturer of components for the commercial vehicle industry. The British manufacturing sector was heavily affected by the 2008 recession, with around half of manufacturing organisations reporting a ‘significant’ impact on business while a quarter described a ‘moderate’ impact (van Wanrooy et.al, 2013). At AutoParts the effect of the recession was described by senior managers as “sudden and deep”. However, it was also suggested that as a private sector employer operating in

volatile automotive markets established flexibility strategies were already in place, and the challenging economic conditions can be viewed as an important test of these measures. The study draws upon numerous site visits, meetings and formal interviews conducted during the period 2014-2016, with a focus upon shopfloor production arrangements. The timing of the research meant that as well as insights on the specific adjustment measures adopted in late 2008, we obtained views on how developments had unfolded over time, and as the organisation recovered and subsequently grown.

The study draws primarily upon insights from eighteen in-depth interviews. The aim was to obtain the perspectives of different actors, and interviewees included senior managers, line managers, employee representatives and front-line production employees. Management respondents included the Group HR Director, former Group HR Director, HR Manager, Site Manager, former Site Manager, Operations Manager and Production Manager. Given that some people in key management positions in 2014 were not in the same position in 2008, access to their predecessor was also generally possible and allowed comparisons in perspectives to be drawn. Other interviewees comprised supervisors, production operatives and members of the in-house Staff Council (AutoParts is a nonunion organisation). The duration of interviews ranged from one to two hours, and several respondents offered to answer any further questions after the interview by email or telephone. Questions concerned changing business conditions, and the nature of employment practices and approaches to labour flexibility. Interviews also aimed to obtain insights regarding employment arrangements prior to the recession, the use of labour flexibility strategies during the downturn, as well as how these have evolved since the recession. All interviews were recorded and transcribed to facilitate thematic analysis, and subsequently coded using categories which guided the design of the interview template as well as emergent and recurring themes raised by interviewees themselves (Lofland and Lofland, 1995). Insights obtained during formal interviews were supplemented by informal interactions over lunch and coffee, and enabled the researcher to obtain clarification on issues. There was also an opportunity to have a tour of the production facility and meet operatives and this was valuable in understanding production operations. Access has also been provided to relevant internal documentation including policy documents, presentation slides and HR data during the period under study. These allowed contextualisation and

triangulation of interview findings and to mitigate the risks of poor recall. In contrast to snapshot studies, contact with the organisational gatekeeper and management team has been ongoing for several years as part of a broader research engagement. This has provided various informal and formal opportunities to check issues of interpretation. As with much case study research, the findings may be deemed context specific, though creating statistically generalisable findings was not the motivation for the study. Rather, the aim was to obtain go beyond reports of labour flexibility practices and to obtain richer insights into how practices are implemented as well as how they evolve. Nevertheless, a degree of ‘analytical generalisation’ may be possible (Yin, 2013).

FINDINGS

Context

AutoParts designs and manufactures automotive components for heavy duty commercial vehicles, and their main customers are the manufacturers and users of trucks, buses and agricultural equipment. The focus of this study is the main European production site located in Northern England. Since production began at the site in the mid-1990s, the overall trajectory has been one of significant growth across various metrics including production, sales and employment levels. Around 250 people work at the facility in both production and office based roles, and as a non-union organisation employee representation is provided through an internal Staff Council. Production activity involves the assembly of patented automotive components and comprises two business streams. First are ‘New Build’ components, supplied to original equipment manufacturers to be installed in new commercial vehicles. These components are assembled in production cells comprising small teams of operatives. Each cell can accommodate between one and five operatives depending on demand. Demand for new components is highly cyclical with low demand over summer during the European holiday season, and very sensitive to conditions in automotive markets. Second are ‘Aftermarket’ components which produce replacement components throughout the life of vehicles, and which need to be replaced at regular intervals. Aftermarket parts are assembled on a production line and the number of operatives required to operate the line at any one time is fixed. Demand for aftermarket parts is generally more stable and less sensitive to the vagaries of market conditions. Production roles in both business streams

can be learnt relatively quickly though it can take several months to become as efficient as an experienced operator. Traditionally, the production workforce has comprised permanent AutoParts employees on open-ended contracts, and a ‘buffer’ of staff provided by an employment agency, a model believed to be typical in the automotive industry given variable market conditions.

The impact of the recession in 2008

Prior to the recession, the financial performance of the business had been strong for several years, and the site had repeatedly expanded in terms of production output and staffing numbers. Additional production cells and lines had been introduced coupled with investment in new technology. By 2007 production output had reached record levels, and forecasts suggested that this upward trajectory would continue in 2008. A senior manager recalled how the challenges experienced by some European and US financial organisations in the second half of 2007 had created a stir in the media and in business circles, but that the order book was strong and sales remained steady. Some “softening of demand” was reported during summer 2008, but as most European automotive manufacturers have a summer shutdown, it was believed to reflect the usual summer lull rather than a more fundamental change in market conditions. By autumn, increased uncertainty and talk of the ‘credit crunch’ in financial markets raised the spectre of a downturn, though the mood was still confident. As a Senior Manager recalled: “I was in a meeting in mid-September 2008, and while we had seen demand fall over the summer we were still okay, doing reasonably well, people were still pretty confident. And I remember it was during that meeting that someone announced that Lehman Brothers had just gone bust. And then I was concerned. Really concerned. Were we about to fall off a cliff? And I think it was within 30 days or so after that happening that it was quite literally a crash” (Senior Manager).

The Operations Manager noted how in October 2008:

“I was in my office and someone came in and asked if our systems were down as orders had disappeared. And when we investigated several orders had been cancelled and many others postponed until the following year. And by December we didn’t know where the next order was coming from. You’d have someone like TruckCo normally making 20,000 engines a month. Well in November 2008 they sold

72 trucks, and we're their main supplier. They didn't want anything at all from us. They had some inventory. People simply stopped buying new trucks and we basically lost our New Build business. All businesses go into survival mode, no one is buying anything from anyone. I thought how are we going to manage through this, a crash unlike anything we've seen before?" (Operations Manager).

While demand for New Build components suddenly vanished, demand for Aftermarket parts is generally more resilient and could provide some level of cushioning during a downturn. As the HR Manager explained:

"Thankfully a chunk of our profit comes from the Aftermarket and they're patented products. When you get a service one of our parts will be put in. And regardless of a recession you're not going to ruin a fleet of £120,000 trucks by not get them serviced. So, our Aftermarket businesses does fare a bit better in recessions" (HR Manager).

By the end of 2008, and following many years of consistent growth and expansion, production output had fallen by 50%. While demand for New Build products had disappeared, orders for Aftermarket parts meant production did not come to a complete halt.

Company labour flexibility strategies in recession

A Shift Manager explained that a workforce meeting was convened in early October 2008 to communicate the changing context with employees:

"They called a big meeting and everyone was there. They said, right, orders have nosedived and we need to make savings, and unfortunately the savings will mean resources. When they say 'resources', you know they usually mean people. I really don't like that. I'm a not a resource, I'm a person and my team are not resources, they're people and any decisions affect their livelihood" (Shift Manager).

The first measure announced was that all agency staff would be “released” from the business. This was to have a significant impact on the size of the workforce as around one third of the production workforce were employed by an external employment agency. As the business had grown rapidly in the years preceding the recession, many new workers were supplied by a local employment agency and agency workers had become common in the areas of production most sensitive to changes in production demand (notably Goods In, New Build, Dispatch). This was believed to be essential because of the “feast and famine” nature of the New Build business which has short and unpredictable order books. Indeed, even in a year of record output in New Build, it was said that this would typically comprise a mix of quiet months, such as summer, as well as more unpredictable periods where the business struggled to meet a surge in demand. Developing a buffer of “structural temps” was believed to be a way of managing these “spiky demand patterns” in the areas most sensitive to changing production levels, allowing the business to temporarily increase and decrease the production workforce when necessary. At peak times overtime would also be plentiful. Some agency workers managed to secure permanent AutoParts contracts, while others had become many “long-term agency”, working on and off with AutoParts for some time.

However, when the crisis hit in late 2008:

“The tough reality was that we needed to shed all the temps. Its’ like an insurance policy I guess.

Yes, we pay an upfront premium for temps, and many work here a while when things are steady.

Some might say why not just take them on then, give them a permanent contract? But we can let agency workers go in an inexpensive and swift manner if and when a downturn comes. And in this case that was absolutely the first thing we had to do” (Senior Manager).

As the HR Manager explained:

“To be honest we had way too many temps [when demand fell]. They were sweeping the floor. Cleaning. I sat down with every single temp and explained what was happening, that we were sorry to let them go, and that we’d love to have them back. Some had been here a long time. But I shared the

analytics with them, we weren't trying dupe anyone, told them where we were coming from. We explained we'd bring them back as soon as we could" (HR Manager).

Having quickly reduced the size of the production workforce by removing all agency workers, the business also reduced the number of shifts from three to one meaning that all workers would now work a standard working week. A consequence of the reduction in shifts was that all production employees would no longer be entitled to the shift premia associated with alternating shift patterns. Coupled with the elimination of overtime opportunities it was suggested by an Employee Representative that some workers viewed the changes as "a pay cut but most folk took solace in the fact they were still here, they had seen folk go, they were watching the news and knew that these were really bad times".

Most New Build workers were redeployed to help with Aftermarket production. Though some employees were officially 'multi-skilled', moving between these two areas was not normal practice and it was suggested that redeployed workers had to learn the skills required to work on the Aftermarket production line. Managers explained that while these steps allowed the business to reduce costs, as the recession continued to bite further cost saving measures were deemed necessary. Various options were mooted including pay cuts and short-time working. Interestingly, a decision was made to implement short-time working/pay cut for the senior leadership team only. As a senior manager explained:

"It was called officially called short-time working, a four-day week for the leadership team. In reality it was actually a form of salary sacrifice, a pay cut, because most of the senior leaders still worked 5 and 6 days a week to try and keep the place afloat. Of course, a 20% cut of leadership pay is going to do very little to the bottom line. But it was more than that. It was symbolic. It allowed us to say, you know, we're all in this together. We might be management but we're suffering too and will share the pain" (Senior Manager).

However short time working and pay cuts were rejected for the production operators, and instead some voluntary redundancies were offered. As the HR Manager explained:

“We crunched the numbers again and worked out that we still needed to lose people. Now you can’t always avoid compulsory redundancies but there was a deliberate move to avoid compulsory redundancies by any means necessary. People were able to enquire about what their package might be, no questions asked. Our view was that we should try and let the people who want to leave go, rather than focusing on the role they were doing. And to be honest if that meant long nights brainstorming how to sort things out then so be it” (HR Manager).

Following extremely tough trading conditions during autumn and winter 2008/9, by Spring 2009, some early signs of recovery were reported in New Build. This was followed by a sudden surge for parts in the Aftermarket business, which was believed to reflect that as vehicle users had delayed or postponed upgrading their fleets, there were now many more older vehicles in use. As the Operations Manager explained:

“The orders suddenly flooded in and we quickly had a massive backlog of orders in Aftermarket. It annoyed the hell out of our customers and we had to do something. We put overtime on but it wasn’t enough. We desperately needed extra shifts and extra shifts need more people. So we had no choice. We rang the agency and put extra shifts back on. But it was a really strange position as at that point the leadership team were still taking their pay cut, and the corporate line was still about short-time working, not using agencies, no overtime. We’d literally gone from dire straits to being short staffed!” (Operations Manager).

The impact of the recession at AutoParts was described as “deep and quick” with a significant fall in demand during 2008 and 2009. Aftermarket proved more resilient and cushioned the blow at the height of the downturn, while recovery in New Build was more gradual. By 2011 conditions in both business streams had improved, and the company organised an end of year celebration to mark the recovery. Since this period the business has continued to grow. For the company, the flexibility strategy was generally viewed as successful as it allowed the business to expand and contract relatively easily in line with changing market conditions, and to protect the employment of a ‘core’ workforce.

Company labour flexibility strategies during recovery

Yet despite broadly sanguine assessments of the way the business navigated the recession, and the ability adjust staffing to match production levels, it was nevertheless suggested by a senior business leader that:

“Following the recession, we realised we’d really felt our way through and we really need to look at things differently going forward. I think it was a wakeup call for a number of people. There’s a lot of volatility out there. This was not a one off. We had also suffered back in 2001. As a listed company on the stock exchange we report quarterly and we need to be able to manage the expectations of the investment community. We must be very results focused. We need to make sure we have the right processes in place” (Senior Manager).

Since the crisis several changes in labour flexibility strategies were described in relation to staffing policies, workforce composition and labour utilisation.

First, it was suggested that prior to the recession staffing levels were primarily a matter for line managers to decide locally, based upon production forecasts, past experience and their own judgement. Since the recession it was suggested that obtaining additional staff is a more onerous process requiring new paperwork and various management approvals. Besides, a new IT system means the number of operatives required on a day to day basis is automatically determined by a computer program. As a Shift Manager explained:

“In the past you could just ring up the agency, I want ten more people. Now you have to plan all your work, you feed into an Excel spreadsheet, and it tells you straightaway how many people you need.

Before it was much more rough cut. Based on historical data or just how you’d always done it. But maybe not the best in terms of managing costs. We didn’t really have a handle in that in 2008. It’s much more data driven now. Some says it’s dumbing down, but it’s all about controlling our costs” (Shift Manager).

Second, there have been noticeable changes in the composition of the production workforce. Prior to the recession, the production workforce was segmented between permanent staff and a buffer of ‘stable temps’ employed by an agency who worked in the areas mostly closely affected by variable demand such as New Build. They would typically account for up to one third of the production workforce at any one time. However, since the recession there has been an increase in the utilisation of agency workers across the production floor. As the HR Manager explained:

“As people have left the business, we’ve generally replaced them with an agency temp, not a permanent person. We still do periodic temp to perm conversions but it’s not a high number. We need the right degree of flex and I’d say that’s pretty much been the last seven or so years since the recession. From a business perspective it’s absolutely the thing to do” (HR Manager).

While prior to the recession most agency staff were located in parts of the business which experienced peaks and troughs in demand, concerns were expressed by line managers and operatives regarding the new “agency culture” on the factory floor. Respondents suggested that the use of agency workers may be deemed sensible in areas with volatile demand patterns, and where the work is generally team based and the size of the team can be adjusted to match production. However, questions were raised regarding the utilisation of agency workers in parts of production with steady and predictable staffing requirements. As a production operative explained:

“I think we do need to use temporary staff, but I think if it’s on the production line in Aftermarket, to operate a shift at all you know you need X number of people to run. It’s a fixed number. Quite predictable. Shouldn’t these then be permanent positions? You can’t run the lines if these people aren’t here. If a minimum number of people are needed for the line to run I think they should be permanent” (Production Operative).

As well as the increase in the proportion of agency workers and their diffusion across the shopfloor, there was also a notable change in how some new agency workers are now utilised. As a production operative explained:

“We used to have two groups of worker but now we have three. There are those with permanent contracts. Then you’ve got your ‘permanent agency’ if you like, everyone knows them, they’ve been here for years, very skilled. Then you’ve got your ‘temporary agency’ who just come in and out. Now none of this officially exists by the way, but it’s how we see it on the shopfloor. So if they want to make cuts, all those that’ve been here a month, bye! And they will try and keep the ‘permanent agency’ who’ve maybe been here three or four years and are really experienced with the machines. To be honest they can now cherry pick who goes and when and the last to go would be the most valued” (Production Operative).

The HR Manager acknowledged that since the recession, in addition to a group of “stable temps” are a pool of ad hoc agency workers. As she explained:

“This new flexible model means I can switch labour on and off with minimal notice. If we need a temp I can get one the next day because the agency have the type of people we need on their books. Some have already done our basic induction, done some shifts before, and can slot right in whenever we want. We have flexibility on a daily, even hourly basis now; we can even send these people home if there is no work” (HR Manager).

This can be contrasted with the dominant model prior to the recession when agency workers generally had stable and regular employment, except during occasional quieter months when they might have been laid off for several weeks. However, as a Senior Manager explained:

“It’s no longer just about the ability to lay them off for a month in the summer if you like, it’s actually flexing during the months and weeks as we operate, and looking more and more about how we can get much leaner business processes, much more robust in how we work. We really need that extra flexibility within the business” (Senior Manager).

However, the new approach was widely questioned by line managers and employees as the following remark illustrates:

“One week they’re in and the next week they’re not. It’s really difficult as a temp. You’re wondering when your next work is coming. It must be difficult to run your life like that. Folk get upset if they’re

not on the rota, so I try and rotate them so they all get some work and keep their skills up. But to be told you are not needed today or sent home after two hours because there are no parts. It may be a sound business strategy but it's definitely not nice to people. You could even say it's selfish of the business. To be honest I've never thought of it like that before" (Shift Manager).

However, as the HR Manager concluded:

"It's simply something we need to do in this kind of business and at the end of the day it means we can protect our business and the permanent workforce going forward. The stuff we have to do from a business perspective can be hard" (HR Manager).

DISCUSSION

How and why did the organisation use labour flexibility strategies to navigate recession and what were the consequences of the approach taken?

Håkansson and Isidorsson (2003) suggest that while there are various potential drivers for labour flexibility, in manufacturing a major motivation is adjusting production levels to meet variable demand, especially as modern manufacturing techniques emphasise lean approaches which minimise inventory and stock. Labour flexibility is therefore important, and they suggest this can take three main forms (numerical, functional and working time), and that the preferred approach is likely to depend upon context and can have very different consequences. Our first objective was therefore to explore how employers responded to recession at the enterprise level. We use this typology to assess how AutoParts, a firm severely affected by recession, utilised labour flexibility strategies to navigate the crisis.

The study reveals how prior to the recession the business had emphasised the development of numerical flexibility by utilising agency workers in some of the most cyclical areas of production. However, many years of strong trading conditions resulted in the development of a relatively stable agency workforce with regular employment, but also enabling the business to occasionally reduce the number of staff in quieter months. Even when market conditions were strong and the business was expanding, there was an emphasis upon maintaining a level of potential numerical flexibility in case of a downturn, helping to reduce slack and protect the 'core' workforce. This reflects the notion of 'stable flexibility'

(Håkansson et.al, 2013), whereby ‘temporary’ agency staff are increasingly used as part of a long-term labour management strategy rather than simply a reaction to an immediate need resulting in a cadre of long-term agency workers (Holst et.al, 2010; Voss et.al, 2013). The workforce was therefore segmented between a ‘core’ on permanent contracts and a ‘periphery’ of (relatively stable) agency workers, some with quasi-permanent status. The benefit for the business compared to a hire and fire model was that it allowed temporary adjustments to be made without the permanence and distress of downsizing, and this was deemed preferable in managing volatile automotive markets. While in some ways this may reflect the segmentation approach proposed by Atkinson (1984), in stable conditions the core/periphery distinction was blurred, and both groups worked together and carried out the same tasks. There was also little evidence of functional flexibility, while working time flexibility measures were only used in times of very high demand (by regularly offering overtime) rather than when demand fell.

This emphasis on numerical flexibility meant that when the business experienced a sudden fall in demand in late 2008, it could quickly and easily reduce the size of the workforce by removing all agency staff. However, because the impact on the two main business streams differed, there was an opportunity to redistribute remaining production workers who were therefore required to be functionally flexible. Working time adjustments were also made, including an overtime ban and the temporary implementation of a single shift standard working week. Compulsory short-time working was avoided, presumably because the standard working week already meant a loss of shift pay for production workers despite working the same number of hours. Instead, when further cost savings were sought the business offered a small number of voluntary redundancies (numerical flexibility) rather than imposing a reduction in working time (working time flexibility). The case thus reveals how the business navigated the recession by deploying a combination of numerical, functional and working time flexibility measures to achieve cost savings. For the employer, this was viewed as a successful illustration the flexible labour model, and the approach taken was believed to have protected the business and ‘core’ employees, and allowed the business to quickly and easily make cost savings and mitigated the need for large scale redundancies. It also allowed AutoParts to quickly increase production when conditions improved by sourcing more staff from the agency (numerical flexibility) and offering overtime (working

time flexibility). For workers, the implications are less clear cut. Most permanent staff remained in employment in exchange for a willingness to carry out other roles (functional flexibility) and accept changes to schedules which also meant a temporary reduction in pay (working time flexibility). Agency workers carried most of the risk, and were laid off. In times of crisis then, in some ways this reflects a core/periphery approach with agency staff providing numerical flexibility and permanent staff accepting functional and working time flexibility in exchange for greater job security (Atkinson, 1984). Yet while agency staff had less security, most of the time the core/periphery border was blurred (Hakansson et.al, 2013), and as the case reveals, permanent workers did not have complete immunity from redundancies when further cost savings were sought. A summary of the developments is provided in Table 2.

[Table 2 about here]

Were existing labour flexibility strategies modified or transformed post-recession?

As well as how firms use labour flexibility strategies to navigate changing conditions are further important questions regarding the medium and long-term implications for employment practices. To what extent do recessions act as a ‘critical juncture’ leading to the transformation of employment practices, and what might such transformation look like (Roche and Teague, 2014). Some of the popular and upbeat HR research suggests that recessions might lead to the diffusion of high commitment management and long-term investments in HRD and employee engagement (e.g. Ulrich et.al, 2009), and in the UK the economic crisis coincided with a surge of interest in raising levels of employee engagement and a government commissioned report on the topic (MacLeod and Clarke, 2009). In direct contrast, others see the potential for recessions to act as a catalyst for a ‘new employment deal’ involving the increased utilisation of more contingent labour, a decline in job security and the spread of more precarious forms of employment (Cappelli, 1999). Somewhere in between these two extremes is the suggestion that any changes might not fit neatly into either of these pure scenarios, as employers adopt a more ‘pick and mix’ approach enmeshing elements of soft and hard HRM practice, or that firms might make only short-term adjustments while largely maintaining the status quo (Roche and Teague, 2014). Recent labour market evidence in both the UK and Ireland certainly lends some empirical support to this more variegated picture (Roche et.al, 2013; Roche and

Teague, 2014; van Wanrooy et.al, 2013). However, there are at least two limitations of such studies. First, the timing of these national level labour studies and their cross-sectional nature means they can only provide partial insight into the legacy of the recession on employment practices. A further possibility, informed by the flexibility literature (Atkinson, 1984; Håkansson and Isidorsson, 2003), is that employers might be adopting more segmented approaches with the impact depending which group of employees are being considered. Our second objective was therefore to assess the legacy of the recession at AutoParts, and to explore whether labour flexibility practices were transformed postrecession.

The case reveals how the recession acted as a significant test of the labour flexibility at AutoParts, and as a catalyst to review labour flexibility strategies for the future. The outcome of this management review was the view that while the existing strategy was appropriate, more must be done to manage during future periods of volatility more effectively. As a result, at least three important changes could be observed post-recession. First, there has been an emphasis upon increasing the level of numerical flexibility, and in practice this has involved increasing the use of agency staff in production roles. Prior to the recession agency staff were used in areas most sensitive to variable demand, while most workers in more predictable areas were permanent employees. Since the recession, agency workers are now used across production and there are far fewer 'core' workers. Second, staffing levels are now more strictly controlled and monitored. Before the recession, line managers had discretion over staffing levels; now a computer system automatically determines 'optimum' staffing levels based which meet key cost/sales metrics. Thirdly, there has also been a change in the way agency staff are used. Prior to the recession, there was an identifiable 'core' on permanent contracts, and a periphery of agency workers offered relatively stable work, and the prospect of converting from 'stable temp' to permanent employee. Since the recession, however, a new group of workers have emerged and are used to offer numerical and working time flexibility on a weekly, daily and even hourly basis. While this model might help the employer further minimise slack and reduce costs the implications for workers are less positive. Rather, the post-recession employment model comprises a shrinking core of permanent employees, a group of 'stable temps' with few prospects of obtaining a permanent contract, and a new

group of ‘temporary temps’ with high levels of uncertainty regarding when they will work or whether will work at all. A summary of developments is provided in Table 2.

CONCLUSION

A key finding of the research examining the impact of the 2008 recession on employment in Britain is that the impact on employment levels was less severe than we might have expected given the severity of the crisis and compared with previous recessions. One explanation is that employers used alternative flexibility measures to mitigate redundancies (van Wanrooy et.al, 2013). However, there are few studies which investigate how employers navigated the recession at the enterprise level, or the consequences of the approach taken. Our first objective was therefore to shed much needed empirical light on this issue through an in-depth study of labour flexibility strategies at AutoParts, a manufacturing organisations heavily affected by recession, but which did not make large scale redundancies. It reveals how in this case, redundancies were mitigated primarily because the organisation had a numerically flexible workforce predicated upon the use of agency workers. Production staff were segmented between core workers on open ended permanent contracts, and a sizeable contingent of agency workers with stable employment in buoyant conditions, but who could be released easily in a downturn. When the crisis hit, the firm could quickly reduce the size of the workforce without the need to make mass redundancies (numerical flexibility). Changes were then made to the job roles and working schedules of remaining permanent staff (functional and working time flexibility). Thus, while the organisation avoided making large scale redundancies, this was not because of a commitment to an ‘employment stabilisation’ or ‘responsible restructuring’ HR philosophy (Cascio, 2005; 2010; Teague and Roche, 2014); neither was it because the business hoarded labour or utilised working time flexibility measures to protect employment (Coulter, 2016; Teague and Roche, 2014; van Wanrooy et.al, 2013). Rather, it reflected a pre-existing flexibility model which prioritised numerical flexibility through agency workers to enable the firm to adapt to temporary changes in demand, and enabled the business to adjust the size of the workforce at will.

However, as well as how and why organisations respond as they do during challenging times, are further important questions regarding the impact on employment practices in the medium and long term (Roche

and Teague, 2014). Our second objective was therefore to assess whether the recession acted as a 'critical juncture' leading to the transformation of employment practices after the challenges of the economic crisis receded, and specifically whether the recession acted as a catalyst for the modification of existing labour flexibility arrangements. We reveal how following the recession, and as the organisation recovered and subsequently expanded, the emphasis has been upon further increasing numerical flexibility. In addition to 'stable agency' workers with ongoing regular employment are a new group of ad hoc agency workers who provide both numerical and working time flexibility. In other words, there has been both a diffusion and more intense utilisation of more market-led employment contracts, and a shrinking core of workers on standard employment contracts since the recession (Cappelli, 1999). In practice, the production workforce has been segmented into three groups with different levels of certainty regarding when they will work, how long they will work for, or whether will work at all.

Importantly, this has been a proactive business decision, viewed by the employer as an opportunity to further enhance efficiency and financial performance rather than as a response to challenging economic conditions (Appelbaum et.al, 2013; Geoski and Gregg, 1997; Thompson, 2011; Thompson, 2013). Thus, while large scale quantitative studies at a labour market level in the UK and Ireland suggested continuity rather than change in employment practices (Roche et.al, 2013; van Wanrooy et.al, 2013), in our case organisation there was clear evidence post-recession of a shift towards a more market-led employment model driven by short financial imperatives (Cappelli, 1999; Thompson, 2011). Perhaps the timing of the fieldwork of quantitative labour market studies in 2011/12 meant they offered only offer partial and preliminary insights into the full aftermath of the recession. Indeed, recent case study evidence suggests the impact on work has been more profound, and that in many cases the reality has been restructuring, work intensification, job enlargement and the imposition of harder HRM techniques. Interestingly, the evidence suggests that this is not just the case in sectors hardest hit by the crisis such as financial services (Gall, 2017), but also true in organisations more mildly affected by recession even in firms hitherto known from commitment-oriented HRM (Cook et.al, 2016; Johnstone and Wilkinson, 2017). It is therefore possible that the uncertain economic and labour market conditions since the

recession have given employers the opportunity to capitalise upon diminished labour market power to implement more hard-line HRM practices to improve firm level and financial performance metrics (Cook et.al, 2016; Thompson, 2011). In line with the disconnect capitalism thesis (Thompson, 2003), it might be the case that even generally well-intentioned managers and employers find themselves under intense pressure to improve financial metrics. The shift towards a more market-led employment model, viewed in our case a way to boost productivity, is one example of this. Nevertheless, it is difficult to generalise from the experience of a single case and further studies are required to ascertain the extent to which the developments in our organisations might reflect a broader pattern. There is thus significant scope for further studies at the labour market and enterprise level to further our understanding of the impact and legacy of the recession on work and employment practices in post-financial crisis Britain.

TABLE 1: Pre-requisites and consequences of different strategies

Adapted from Håkansson and Isidorsson (2003)

	Numerical (flexibility in the number of employees)	Working time (flexibility in working hours)	Functional (flexibility in work organisation)
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Requires	Short job introduction	Variety or enriched work tasks means extending working hours is easier	Different patterns of demand for products and services
For individuals	Increased work intensity Uncertainty for temps re work Risk of long term insecurity	Increased work intensity Uncertainty as to when and how long employees will work	Increased work intensity Uncertainty as to where employee will work or what they will work with
For workplace	Rationalisation of production Segmentation into core/periphery OR stagnation in work development	Rationalisation of production Less turnover Stable workforce	Rationalisation of production Less turnover Stable workforce Emphasis on competence development.

TABLE 2: Company labour flexibility strategies at AutoParts (2008-2014)

	Numerical (Flexibility in the Number of Employees)	Working time (Flexibility in working hours)	Functional (Flexibility in work organisation)	Consequences for business	Consequences for workers

<p>Pre-recession (-2008)</p>	<p>Agency staff in most cyclical areas but with regular and generally stable work. Most highly experienced.</p> <p>Allow organisation to flex down during quiet months by temporarily laying off agency staff (e.g. summer) and to flex up in times of high demand.</p> <p>‘Stable flexibility’</p>	<p>Overtime (extended hours or extra shifts) regularly offered to all staff during busy periods.</p>	<p>Limited functional flexibility. Staff generally work in a particular production area.</p>	<p>Buffer of experienced agency workers.</p> <p>Ability to better align production demand/hours with staffing levels.</p> <p>Reduce slack.</p> <p>Control costs.</p> <p>Protect ‘core’.</p>	<p>Segmentation of workforce into core/periphery with different levels of employment security.</p> <p>Some evidence of ‘temp to perm’.</p> <p>Some long-serving ‘stable agency’ workers unable to obtain permanent contracts.</p>
<p>During recession (2008/9)</p>	<p>All agency staff removed from the business.</p> <p>Protection of the ‘core’ workforce but nevertheless a small number of voluntary redundancies.</p>	<p>Reduce number of shifts and implementation of standard working week.</p> <p>Loss of shift pay.</p> <p>No reduction in working hours.</p> <p>Elimination of overtime working.</p> <p>Short-time for working for leadership team only.</p>	<p>Some permanent staff redeployed from New Build to Aftermarket following downturn in New Build demand</p>	<p>Ability to reduce costs by rapidly and easily reducing workforce size.</p> <p>Ability to reduce costs by eliminating overtime and shift allowance.</p> <p>Minimise redundancies.</p> <p>Protect ‘core’.</p>	<p>All agency staff leave the business.</p> <p>Some remaining permanent workers expected to carry out different roles.</p> <p>Remaining permanent staff adopt different working patterns and lose shift allowance.</p> <p>Some voluntary redundancies for permanent staff.</p>
<p>Recovery (2009-2011)</p>	<p>Agency staff return to business.</p>	<p>Overtime offered to all staff during busy periods.</p> <p>Increase number of shifts.</p> <p>Return of shift pay.</p>	<p>Limited functionality flexibility. Staff generally work in same role.</p> <p>Agency staff sourced to fill vacancies.</p>	<p>Ability to scale up workforce to meet rising production demand</p>	<p>Some former agency staff re-join the business.</p> <p>Permanent workers continue in their new roles.</p>

<p>Post-recession (2011-)</p>	<p>Increased use of agency staff across production.</p> <p>Re-development of a buffer of 'stable temps'.</p> <p>Develop of a new layer of 'ad hoc temps' use to fine tune staffing levels.</p>	<p>Overtime in times of peak demand.</p> <p>New group of ad hoc agency workers with no guaranteed hours provide daily/hourly flexibility.</p>	<p>Limited functional flexibility. Staff generally work in same role.</p>	<p>Ability to scale workforce up and down on a monthly, weekly, daily and hourly basis.</p> <p>Further reduce slack.</p> <p>Further reduce costs.</p>	<p>Further segmentation of workforce into core, 'stable temps' and 'ad hoc temps' with varying degrees of uncertainty.</p> <p>Limited evidence of 'temp to perm'.</p> <p>Some long-serving 'stable agency' workers unable to obtain permanent contracts.</p> <p>Adhoc' agency workers unable to obtain regular work.</p>
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