Bachelor thesis in Business Administration

A qualitative investigation of recruitment freezes; How can they be managed and what are the consequences when they are implemented?

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Valentina Ericson Björn Johnsson
Abstract

Title: A qualitative investigation of recruitment freezes; how can they be managed and what are the consequences when they are implemented?

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Purpose: The aim with this investigation is to find out how middle managers can manage a high work imposition during periods of recruitment freeze and what the consequences are when a recruitment freeze is implemented.

Method: We have chosen to perform a qualitative investigation based on interviews and related theory. We have conducted interviews with four different companies; Bombardier Transportation, Posten Logistik, Swedbank and ÅF Group where we have interviewed one middle manager at each company.

Results: A recruitment freeze can result in a need for managers to make the department more effective and to plan its operations more thoroughly. Human resources may become scarce during periods of higher work load when a recruitment freeze is implemented. The primary concern for middle managers is to make the business go on as usual despite the fact that there might fewer resources available. This can be solved by improving the performance of the employees through incentives, rewards, higher and wider competence and encouragements. Middle managers can also choose to hire external personnel when other methods are not enough to compensate for the shortage in employees. A recruitment freeze may fulfil its purpose if the company is well prepared for a change of circumstances, but it can also turn out worse and cause loss of quality, decreased productivity and overall worse performance.

Keywords: Resource Allocation, Scarce Resources, Recruitment Freeze, Hiring Freeze, Management Problem, Human Resource Management, Intellectual Capital, Efficiency, Motivation, Incentives.
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Introduction

The introduction part will invite the reader to the subject in this research. Initially there will be an overall introduction of recruitment freezes and after that a presentation of the four companies that we have conducted interviews with. Further on, the reader will get a description of the problems that can occur in times of recruitment freezes and at the end the research questions and purpose of this research paper will be stated.

1.1 Background

Many Swedish firms are from time to time facing the need of making cost cuttings and large money savings. Naturally, this can be achieved through numerous ways. However, if the savings are done in an unconsidered way, it may cause the performance of the business to suffer when the resources become scarce. Among one of several options to make cost cuttings, is the implementation of a recruitment freeze. This can be done as a cost saving alternative, or perhaps just to see how the organization will manage with its current resources.

Regardless if the recruitment freeze is implemented for saving reasons or other organizational motives, the fact that no further employment is allowed might cause problems for managers. It is not likely that the work imposition will stay the same throughout several months while the recruitment freeze is current, since it is possible that the organization will either loose resources or gain more work. Irrespective of what causes the increased work imposition, both will lead to a situation where managers are required to allocate the human resources in the most efficient way possible to maintain a good quality and performance.

Since decisions about recruitment freeze within a business often comes from the top level management, we have chosen to focus on middle managers who often have to deal with this type of problem and have more operating roles within the business. This investigation will be made from a management perspective and our intended readers are managers that are facing or might face this type of situation or managers in general who are interested in resource allocation, efficiency measures, and motivation of employees.
1.1.1 The Companies

As an input to this investigation, we intend to use four different companies to conduct interviews with.

**Bombardier Transportation**

Bombardier Transportation is a subsidiary company to the Canadian company Bombardier Inc. Besides Bombardier Transportation, there is also another branch, Bombardier Aerospace. These three companies make Bombardier present in more than 60 countries around the world. Meanwhile Bombardier Aerospace manufactures aircraft and related equipment and service, Bombardier Transportation is a rail vehicles manufacturer. BT also constructs propulsions, transportation systems and rail control solutions among other things. “With operations in more than 35 countries, Bombardier Transportation leads the world’s rail equipment manufacturing and servicing industry.” (Bombardier website, 2009)

**Posten Logistik**

Posten Logistik is a subsidiary company to Posten AB, the Swedish national postal service. Posten AB is owned by the state of Sweden and has several subsidiary companies such as Posten Meddelande and Strålfors AB. Posten Logistik distributes parcels and pallets within Sweden and in the Nordic Region, but also within Europe and around the rest of the world. Sweden and the Nordic region is however the main target market. Posten Logistik also offers express services and system transports. (Posten website, 2009)

**Swedbank**

“Swedbank is the leading bank in Sweden, Estonia, Latvia, and Lithuania, with 17 000 employees serving 9 million private and 475 000 corporate customers.” Swedbank serves private individuals, corporations as well as organizations with financial services. They operate in the following countries around the world; Denmark, Finland, Norway, Western Russia, Luxembourg, Ukraine, USA, China and Japan. In 2006 Swedbank changed its name from Föreningssparbanken to Swedbank and in the beginning of this year a new CEO was appointed named Michael Wolf. (Swedbank website, 2009)
ÅF Group
The ÅF Group is a technical consultancy firm and offer services and solutions for industrial processes, infrastructure projects and the development of products and IT systems. They also conduct certified third-party testing and inspection work. It was formed in 1895 and is one of the largest consulting companies in Sweden. The company has its base in Europe but operates all over the world. ÅF was previously known as Ångpanneföreningen and since 2008 ÅF Group is divided into four different divisions; engineering, infrastructure, inspection and energy. (ÅF Group website, 2009)

1.2 Problem discussion
Since an insertion of a recruitment freeze does not necessarily have to mean that the business is doing poorly, there may still be a high work load. Consequently, there is of course a possibility that the work pressure will increase during the same period. This might become a managerial problem since the same amount of work, or more, now has to be done with the same personnel resources. If the employees were under a lot of pressure earlier, the situation might aggravate when the work load increases and there is no possibility to employ more people.

The problem is not easy to solve since it will either require the managers to hire external personnel which might be costly, or force them to put more pressure on the employees to perform better and utilize the existing resources more efficient. Conversely, most companies do not likely hold extra unnecessary personnel since employees cost money. So there is a chance that there is not that much spare capacity in terms of human capital within the business. If the reason for a recruitment freeze is that the company has to save money, hiring extra external resources might not be an option. This forces the managers to use only the existing resources in the best possible way, which of course might not always be entirely easy.

Besides the earlier mentioned possibility that work load might increase, there is also a possibility that employees gets ill, quit when they find a new job, or get signed off due to health reasons. These people will therefore be absent from work for various length of time. Women staying home with newborn babies could also be counted in this category.
This can cause the labour force to become even smaller than required and obstruct the business to run the normal activities properly. Although recruitment freezes are commonly used among companies in Sweden, it has been very little written about it. This makes recruitment freezes a rather unexplored area but also an interesting topic for us to investigate further.

1.2.1 Research questions

Our primary intentions with this investigation are to find out;

✓ **How middle managers can manage a recruitment freeze during high work imposition?**

✓ **What are the consequences of an implementation of a recruitment freeze?**

1.3 Purpose

The aim with this investigation is to find out how middle managers can manage a high work imposition during periods of recruitment freeze and what the consequences are when a recruitment freeze is implemented.

1.4 Delimitations

We have solely chosen to use companies and departments within the service sector for our interviews. Companies that produce physical items will not be addressed in this investigation. This is because we want to exclude the possibility for middle managers to increase the machinery capacity as an option when the human resources become scarce. Another limitation we have made is to use large and medium-sized companies where there are more than 50 people employed. Our reason for this is that very small firms always have a quite small amount of employees accessible to allocate for the different tasks within the company.
We have also chosen to only focus on the part of the personnel that are employed in Sweden, even though some of the interviews companies have people employed abroad. The reason for this is that factors that might have an impact such as the legal framework, business culture, etc. might be different in other countries and we want to exclude these from this thesis. We also think that our knowledge and accessibility to departments and branches abroad would be too limited at this level of investigation.
2. Method

This chapter will describe the methods used and the proceedings of this research paper. The procedure of the data collection will be presented and how the selection of companies for interviews has been made. The structure of the interviews and the chosen delimitations will also be presented for the reader as well as the validity and reliability in the research.

2.1 Qualitative method

There are two types of methods; qualitative and quantitative method. Depending on the type of research one is intending to make, the method needs to be appropriate and it is therefore important to choose the method that fulfils the purpose of the research to the fullest. Our intention is to see how middle managers are managing high work load during recruitment freezes and the possible consequences of it. Therefore we felt that a qualitative method is most useful for our purpose than a quantitative. A qualitative research will give us a better understanding of the investigated area and it is often used in problem areas that are larger and wider. The purpose of the qualitative method is to go into the depth of a question and then try to analyze the results. And as with a qualitative research you cannot and should not translate the results into numbers. (Holme & Solvang, 1991 p. 84-88)

It is important in this method that it is based on the researcher’s observations and that there is closeness between the researcher and the researched. While on the other hand, the quantitative method is more used in to reach conclusions in specific questions, and with different tools try to come up with generalized results. (Andersen, 1994 p. 69-71) Another reason to choose the qualitative method is that we did not want our results to be able to be measured; instead we wanted to analyze and base our conclusions from interviews with managers who have great experience in the researched area.

2.2 Primary and secondary data

Our primary data will be gathered through interviews with middle managers and will be based on their experience regarding the subject. Since there is not much written about the subject of this thesis, the interviews will be of great importance for our theoretical framework. Secondary data such as possible strategies and theories will be taken from literature, the internet, databases and articles with relevance to the investigation.
When searching for articles we used a number of Mälardalen University’s article databases. The databases we have chosen in this case are to following; Jstor, ELIN@Mälardalen, Emerald, Wiley InterScience, ScienceDirect and Oxford University Press. We used combinations of search words when both searching for articles and when searching the internet. The search words we used were the following; “hiring freeze”, “recruitment freeze”, “human resource”, “management”, “scarce resources” and “allocating resources”. Emerald is especially suitable since it specifically concentrates on business, management, and economics. ELIN@Mälardalen is also a good resource because it holds information from several publishers and databases.

Further on, Wiley InterScience is a valuable resource and it contains a lot of journals and major reference works. There are lots of articles within this area but the ones that are the most interesting for this type of research are the ones that handle the subject of scarce human resources from a management perspective, specifically in the situation of a recruitment freeze. There are also books within these fields and we have found several useful books by searching in the Mälardalen University library at the campuses in Eskilstuna and Västerås. Some concepts and words used in the search have been “scarce resources”, “allocating resources”, “recruitment freeze”, “hiring freeze”, “high work-load” and “HRM” (human resource management). These words have also been used to search for second source material such as other theses to see how others have analyzed and treated this problem. However, there was not much to be found that was directly linked to our research questions. Therefore we have tried to find related areas to the topic.

### 2.3 Collection of data

The collection of data will be made from interviews with four middle managers from different companies presented in the introduction. These interviews will be made in an in-depth qualitative form rather than a quantitative statistical form. The reason for this is that our purpose with these interviews is to get a good insight of the problems that might occur during recruitment freezes, and how these middle managers have solved the situations rather than to find statistics or numbers of it.
2.4 Selection of interviews

Firstly, we have consciously selected middle managers that we know have worked during periods with recruitment freezes. Secondly, we have consciously chosen representatives from a middle manager level instead of managers from a top level management. The reason for this as earlier mentioned is that an implementation of a recruitment freeze often comes from the top level management meanwhile the middle managers often have to deal with it in practise. Another requirement for our selection has been that the company needs to have more than 50 employees, since they have more human capital to work with than a very small business for instance. In addition, a small company does likely not have as many new recruits per year and a high renewal of employees as a larger company may have and is therefore not as relevant for our research.

The companies we have selected are all in different business. All companies except Bombardier Transportations are non-manufacturing companies which has been a requirement for our choices. However, the interview we will make at Bombardier will be made with a manager from the finance department that provide financial services for the entire company, and has solely more than 50 people employed. Bombardier will therefore qualify as a non-manufacturing company in this case since no machines are used at this particular department and that they only produce services.

Another requirement for the interviews was that one of us had to have some sort of relation to the manager to be interviewed. The reason for this is that we believe that the quality of the interview will be better and have a more relaxed attitude if there are personal bonds between the interviewee and the interviewer. Our hope is also that the middle managers will be more open to provide us with information when they know us personally and feel secure that the information will not be mishandled. The interviewed managers have also been promised anonymity if desired in this investigation to protect their integrity. Since all managers are Swedish and therefore have Swedish as their native language, the interviews will be held in Swedish. The reason for this is that we want to give the managers the ability to answer our questions as closely as possible regardless of their proficiency in English.
2.5 Interview structure

The interview questions will be written with an open end. The reason for this is that we want to give the respondent the possibility to answer the question freely. We want to avoid leading questions and questions that can be answered with a yes or no since they will provide very little valuable information. We have also chosen to have some basic simple questions in the beginning of the interview to make the respondent feel relaxed and comfortable.

2.6 Validity and reliability

Our primary information will likely hold a high level of validity, since the answers collected from the interviewees will be based on experience from real life situations. In this investigation, we will regard the answers from the managers as equally reliable sources as written literature, since they have real life experience within the subject, and will likely provide the most relevant information for our research. Therefore, we will also build some of our theory on the stated answers.
3. Theoretical framework

This part holds the theory for this research. Here the reader will be introduced to the theories associated with recruitment freeze and that we have chosen to focus on. First of all there will be an overall description of what a recruitment freeze is, followed by theories from a management perspective that may be important during recruitment freezes.

3.1 Recruitment freeze

Recruitment freezes generally means that there will be no new employment nor will there be any replacement of existing staff. Large companies usually recruit people or bring in trainees on an annual basis and to avoid risking to oversupplying the company with labour a recruitment freeze is a common strategy. It can be an effective measure during changing economic conditions. (Heery, Noon & Noon, 2001 p. 299) Another common reason for recruitment freeze might be to save money and that often results in the middle managers authority to hire new personnel will be removed.

Recruitment freeze is a highly up-to-date subject at the moment due to the recent financial crisis. PeopleManagement.co.uk conducted a survey in the beginning of 2009 whether firms will be implementing a recruitment freeze or not during the year. The result was: Yes 60% and No 40%. (PeopleManagement.co.uk, 2009) Also, recently four major banks in Sweden are considering recruitment freeze in order to handle the current economical instability. (Hedelius, 2008)

3.2 Strategies

A recruitment freeze might be implemented temporarily as an urgent measure, or be used for a longer period. This is why the difference between tactics and strategies has to be clarified for the use of this investigation. Tactics are used for short time implementations meanwhile strategies are created for a longer period of time. A common denominator for both tactics and strategies is to have a clear stated goal of what the business wants to achieve that is what the desired result is. The selection of strategy is directly dependent of the goal that the business is aiming to reach. (Jacobsen & Thorsvik, 2008 p. 39)
A strategy could by other means be described as a “road to the goal”. In general, there are two different perspectives when it comes to strategies. The first one is usually called “generical strategies” and is foremost connected to how an organization is positioning on the market in relation to its surroundings. The other one is the resource based perspective and is aiming more focus on the internal relationships within the organisation. In other terms, what resources and opportunities the organization has to gain advantages over its competitors. (Jacobsen & Thorsvik, 2008 p. 39)

Many strategies are aiming to achieve improvements within the organization and to help the business to become more competitive. However, there are those who argue that the source to a sustainable efficiency lies in the resources that are controlled and monitored by the organization, not just necessarily the selected strategies. According to this perspective, the most important factor is to develop exceptional resources that are unique on the market. These resources are usually of three different types; (Jacobsen & Thorsvik, 2008 p. 40-42)

◆ **Physical resources** such as buildings, machinery and assets such as raw material.

◆ **Human resources** such as knowledge, competence, intelligence, skills and experience.

◆ **Organizational resources** connected to formal elements such as structure and systems, and other more informal elements such as relationships between the members of the organization.
3.3 Human resource management

Within the service sector the human resources are one of the most valuable assets for a company. Human resource management specifically emphasises on that the employees in a company are critical resources in order to achieve substantial competitive advantage. (Bratton & Gold, 2001 p. 11) “HRM (human resource management) is the means through which an organization can gain a competitive advantage. The employees are one of the key resources in an organization, and through carefully developing and managing them; they will ultimately be the critical factors that distinguish successful organizations from unsuccessful ones.” (Heery et al. 2001 p. 163-164)

The human resources are a value asset, not a variable cost. The performance of the department that is managed by the middle manager can be improved by the leader style. (Bratton & Gold, 2001 p. 17) Empirical evidence says that the vast majority of work organizations have not adopted human resource management models. Some have adopted portions of models and other has selected features of models that will result in a high performance workplace. Some have for example invested in learning systems to get commitment and further performance and others have implemented reward systems. (Bratton & Gold, 2001 p. 33-34)

A model that emphasises on the interrelatedness and the coherence of human resource management activities is the Fombrun, Tichy and Devanna model. It consists of four components which are selection, appraisal, development and rewards. This model primarily constructed to increase the performance of the organization and it describes the interactions between the different factors that make up human resource management. Its weaknesses are its prescriptive nature with its focus on four key HRM practices. It also does not highlight the management’s strategic choice which is an important factor and the interest of the stakeholders and the situational factors are not described either.
Figure 1. The Fombrun, Tichy and Devanna model of HRM (Bratton & Gold, 2001 p. 18)

This model is from 1984 but is a core model for Human resource management. This cycle consists of four components; selection, appraisal, development and rewards and this model with its activities are primarily constructed to increase the performance of the organization. The weakness of this model is that it ignores the interest of the stakeholders.

Every company has its internal resources in the form of the employees and different forms of capital. The concept of resource management is mainly about utilizing costs and capital resources as efficient as possible to the best benefit of the company. Resource management often involves two types of problem. Partly how costs from investments should be accounted and also how human intelligence and intellectual capital should be accounted for in the planning process. These types of resources are hard to measure and predict. (Karlöf & Helin Lövingsson, 2003 p. 262) Except to use the existing resources, there is also a possibility to use external resources such as personnel. However, this does not necessarily have to mean that the company chooses to bring to external resources into the company. This investigation will bring up at least one alternative to this.
3.3.1 Hired personnel

To hire personnel from one or several staffing companies is a market phenomenon that has increased enormously during the last years, although it has decreased some in 2009 due to the financial crisis. To hire external personnel can be a good option for several different reasons. Potential motives could be to get a more flexible organization and avoid laws such as LAS*, manage periods of high workload, get key competences for special tasks or to have a standby pool when the employees get ill or need to be absent for other reasons. (Bemanningsföretagen website, 2009)

Hired personnel might be expensive since the staffing companies often charge a rather expensive wage for their personnel. Depending on what level of proficiency is needed, the prices might of course vary. But in general the prices are higher and the reason for this is that the inflow of money from the employee has to provide income for both the employee and the staffing company. The wage is also often based on the number of hours worked. This might make this an expensive option, especially in the long run and when rented personnel are used for many hours. (Effso website, 2009)

3.3.2 Outsourcing

Another option is to outsource job assignments to external companies. Possible reasons to use outsourcing might be to downsize the capacity and personnel, or to get an opportunity to focus more on the core operations and outsource the more trivial job assignments. The definition of outsourcing is that internal transactions in a planned economy are changed to external transactions in a market economy. Another term commonly used in the Swedish language is contracting. A benefit from an outsourcing might be that the responsible firm may improve the efficiency of the job assignment in their ambition to gain more contracts and work in the future, or perhaps just by having more skilled personnel and specialized competence. (Karlöf & Helin Lövingsson, 2003 p. 204-206)

*LAS = Lagen om anställningsskydd (Employment protection law) A Swedish labour law that holds a strong protection for employees towards the employer regarding termination and demission of employment.
Organizations are disintegrated rather than integrated when outsourcing is used, and although the actual production or service is located on another company, the control still remains in the core company. It is not unusual that companies choose to outsource job assignments to their subcontractors. This particular situation is similar to a common market relationship between sellers and buyers but is closer and more loyal. These relations between organisations are also often longer and more stable than the regular business to customer relation. (Jacobsen & Thorsvik 2008 p. 245)

**Figure. 2 Possible external resources**

<table>
<thead>
<tr>
<th>EXTERNAL COMPANY</th>
<th>THE COMPANY</th>
<th>EXTERNAL RESOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing of tasks</td>
<td>Internal resources</td>
<td>Hired personnel</td>
</tr>
</tbody>
</table>

**Option 1.**

**Option 2.**

*In Option 2, the job assignments are moved to an external firm to decrease the work load at the company. In Option 2, external personnel are instead moved into the company as a reinforcement of the company’s human resources.*

### 3.4 Efficiency

High competition is a fact in today’s world. This results in a demand for managers who can make the most of the available resources and deliver excellent results. The managers need to find a way to allocate the resources in the most optimal way, and with as high efficiency as possible. What is meant with efficiency needs to be addressed, and in this context that is to maximize the output or the amount of work completed with the provided resources. Michael Porter is famous for his books about organizations and efficiency. He describes it as “Operational effectiveness includes but is not limited to efficiency. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster”. (Porter, 1996 p. 61-62)
3.5 Employee motivation

One example of effectiveness can also be employee motivation, (Rothwell, Prescott & Taylor, 1998 p. 242) and in this research, which is limited to service companies, this is a very important asset since the resources of companies of this type to a large extent consists of human capital. During recruitments freezes, the resources are assumed to be fixed. Regrettably during these circumstances the work load will likely fluctuate, and when the work load increases the managers need to deal with the problem of reallocating its resources in order to be as effective as possible.

If you see the work place as a set of different stations were different knowledge is needed it is not always obvious that a higher work load will affect all the stations equally. (Lewis, Ashok Srinivasan & Eswaran Subrahmanian, 1998 p. 549) In theory this problem might seem easy to solve by reallocating the resources to the stations were it is needed. Although in practise problems arise due to for example specialized knowledge. This makes it impossible to rearrange the resources on a short term basis, because the knowledge needed in different stations might not be available to that extent. Productivity must be higher to cope with higher work load and the effectiveness will be particularly important in order to manage the situation. (Lewis et al. 1998 p. 548-550)

The tendency in the western world has been that the industrial occupation has declined and that the number employed within the service industry has increased. In Sweden, the percent of industry employed are about 17 %. The human capital has over the last past years been valuated higher than the physical capital such as machinery, buildings and inventory. In a modern organization, up to 70-80 % of the employee performance consists of intellectual work, and there are even those who claim that the intellectual performance of the employee is strongly connected to the performance of the organization itself. (Jacobsen & Thorsvik, 2008 p. 254)

Naturally, despite the fact that today’s technology and machinery is rather advanced, they are still easier to monitor and control than any human being. Human behaviour and temper varies a lot and with that, likely the performance. This makes human capital hard
for any manager to control since people are complex and all humans have individual needs that varies over time. (Jacobsen & Thorsvik, 2008 p. 255-256)

However, there are measures that an organization can implement to increase efficiency. Jakobsen and Thorsvik (2008) talks about three challenges for separate organizations. The first one is to recruit the right people, but since this is not an option in this case we will not look further into it. The second one is to motivate the employees of the organisation to a high performance and to interact socially in a positive way. High performance in this case is connected to job assignments of the employees and managers within the organization. A high performance might be that employees work hard to complete a task without necessarily has been given an order to do it. It could also be that the employee take own initiatives outside the formal work descriptions, contracts or position descriptions.

A positive social interaction is anticipated when employees in a manner that is positive to colleagues and the organization itself. It could for instance be to help newly employed people to get feel comfortable or to help colleagues with job assignments when they are under pressure. The third challenge is to get skilled employees to stay within the organization. The reason for this is that the recruitment process might be costly and that new employees often have some sort of learning curve before they are independent and efficient in their work. (Jakobsen and Thorsvik, 2008 p. 257)

Two expressions to achieve this are central; Social belonging and comfort at work. Comfort tells how the employee feels about his or her work. In other words, what he or she likes or dislikes about it. This matter has been central in research about employee motivation and what affects the employee to stay at a company. However, from an organizational perspective, work comfort is not a goal, but more a tool to receive the best possible performance from the employees and to make the most skilled workers to stay. (Jakobsen and Thorsvik, 2008 p. 257-258)

Social belonging is defined as to what extent an employee feels that the company is a good place to be and feels comfortable being there. It could also be expressed that social
belonging tells us how close the employee feels to the organization, e.g. if he or she shares values and identify with the organization. (Jakobsen and Thorsvik, 2008 p. 257-258)

**Figure 3 How personal features in the organization affects its results and efforts.**

**External conditions of relevance for the organization**

*Figure 3 shows how the inputs from the employee and the organization co-operate and affect the attitude and performance of the employee.*

### 3.5.1 Reward system

Reward systems or incentive systems is another way to increase motivation among employees. These types of systems are a way for the organisation to make the employees to act and behave in accordance with the organisations wishes. The systems work so that the employee gets some kind of reward when he or she reaches the organisational goals; make an outstanding performance or similar things. On the other hand, when incentive systems are widely used, and an employee does not receive a reward for various reasons, he or she could feel punished. In other words, it can work the opposite way if it is done in
a faulty way. However, incentive systems consist of several different elements and can therefore look different. (Jakobsen and Thorsvik, 2008 p. 270)

Figure 4 The incentive system

<table>
<thead>
<tr>
<th>Who is rewarded?</th>
<th>What kind of rewards?</th>
<th>What is rewarded?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individuals</td>
<td>• Substantial</td>
<td>• Behaviour criterias</td>
</tr>
<tr>
<td>• Groups</td>
<td>• Symbolic</td>
<td>• Results criterias</td>
</tr>
<tr>
<td>• Systems</td>
<td></td>
<td>• Mix systems</td>
</tr>
</tbody>
</table>

As shown in figure 4, rewards can be given to individuals, groups or systems. In general, the purpose of giving individuals rewards is to make them perform better. However, a system of individual rewards might lead to competition within the company and make cooperation harder. Competition can of course be a good thing if it makes the individual perform better without causing any disagreement with his colleagues. Group rewards are on the other hand a more collective approach, but loose the individual incentive. Cooperation within the group might increase but these types of rewards might cause competition between groups or departments. (Jakobsen and Thorsvik, 2008 p. 270-271)

To avoid these situations, one can choose to reward systems. In other terms, to use incentives that rewards the whole organization instead of just an individual or group. However, these types of rewards do generally work best on smaller companies or in selected departments. Naturally, there are different types of rewards. Substantial incentives include material things such as wages of different kinds, newspapers, free car or other things that might have a monetary value; meanwhile other incentives are more symbolic. This does not make the symbolic incentives less important. Examples of symbolic rewards can be credit from the managers for a well performed work assignment officially or unofficially. It could also be a promotion to a higher organisational level. (Jakobsen and Thorsvik, 2008 p. 271-272)
4. Empirical results and findings

In this part the results and findings collected from the conducted interviews will be presented. This section is divided into two parts of which the first one, Consequences of a recruitment freeze, presents the findings of the consequences that the managers experienced during recruitment freeze. The second part, used strategies during recruitment freeze, describes the different strategies and actions that the managers applied.

4.1 Consequences of a recruitment freeze

The interviews have shown that recruitment freezes may cause difficulties for managers in several different ways. We have chosen to present them one by one below.

4.1.1 Loss of personnel

One of problems that occurred at some of the interviewed companies was that they lost personnel for various reasons. Some employees found new jobs or opportunities and therefore left the company. Other reasons were medically related such as employees that became ill for a short time or longer periods. The illness could be caused by physical reasons or by mental ones such as stress or depression. Parents staying home with ill children or for maternity care were also a cause of absence at the companies. Most of these reasons are very difficult to foresee which makes it hard to predict a suitable level of employees for the future workload.

4.1.2 Decreased productivity

Another problem for the interviewed companies was that some of them experience a decreased productivity due to reasons such as loss of personnel, or that the employees got tired by the increased pressure. In businesses that provide service, the work is directly linked to each employee since every person is a part of the service production. Since an employee only can be replaced by another employee to maintain the same level of creation, production will likely suffer if that person cannot be replaced or is replaced by someone that already has other job assignments as well. In contrast, in a production company, a loss of personnel can in some cases be replaced by increasing machinery capacity.
Some of the managers we have interviewed have tried to compensate this with a higher and wider competence for the employees and also by filling empty seats with hired personnel. However, creating competence through education takes time and to educate new hired personnel also takes time. In addition, the competence of most hired personnel is not on the same level as the experienced full time employees. The reason for this is that even though they have the basic knowledge, they might not be as familiar with the systems and routines as the permanent employees and are therefore not as fast and productive in their work in the beginning. This has led to a decrease in the productivity for some of the interviewed companies.

4.1.3 Psychological effects
The lack of enough personnel and the increased workload cause both managers and employees to feel stressed about their work at some of the interviewed companies. The employees had to work a lot harder for some periods and felt mentally exhausted. They also began to feel that their work was not as fun as before and therefore felt unwilling to go to work. The managers felt insufficient to achieve the targeted goals from the top level management with the current deficit of resources. From time to time, they also felt frustrated that they had to push the employees harder to maintain the work level, even though they were already stressed and tired. Some employees even called in sick at one company because they could not handle the stress.

4.1.4 Quality loss
Even though most companies manage fairly to maintain the work level, the managers experienced that they had to sacrifice some quality. The reason for this was for instance that the external personnel that were hired did not get much education before they had to start working, and therefore could not perform as well as the permanent employees. Another reason for the quality loss was that the employee could not put as much time and effort into every job assignment as before since they had more to do but less time. This made it impossible to maintain the same level of quality, but was necessary to manage the tasks in time. Inevitable of course, this caused customer dissatisfaction since a customer expect the same level of service regardless if the company has ill or absent personnel.
4.1.5 Customer dissatisfaction

Customer dissatisfaction is another problem that has occurred at some of the interviewed companies. Because of a higher work load for the existing employees there will be more customers per employee which increases queuing times, which in turn resulted in unsatisfied customers. Another issue is the time for quality management when the work load is high. The focus had to be on serving customers and therefore the quality could decrease at times because there was not enough time to always have the high quality that the customer expects. There was also not enough time to educate hired personnel as much as needed for the hired consultants to give the customers as good service as the permanent employees. This is linked to quality loss since low quality might result in customer dissatisfaction.

4.2 Used strategies during recruitment freeze

The different ways the interviewed companies have chosen to adapt to the situation will be presented below one by one;

4.2.1 External personnel

Some of the companies chose to hire external personnel as a measure to manage the high work load. The reason for this was that they simply realized that they could not manage with the resources they had. One of the interviewed companies for instance hired from a student staffing company which offered rather cheap work force. This was a good solution since the company wanted to keep the costs low. The hired personnel were after a short education quickly put into work, which gave a fast response to the problem. Even if they were not as skilled as the company’s own employees, they managed to reduce the pressure on the other employees which was an important factor. Hired personnel were also used as prevention for future work load at one company. This company has chosen to always have a group of hired employees to use when so is needed. This made them less vulnerable when the recruitment freeze was implemented since they already had people with knowledge of the company, their systems and routines that could be hired if necessary.
4.2.2 Incentives and rewards

Some of the managers also tried to increase the motivation among their employees during recruitment freeze because all of a sudden they had to do a lot more work and this was not always popular. Some employees even stayed home because the work load was too high. In an attempt to improve the situation, the managers gave their employees rewards and incentives for good performances so that they would stay motivated to work hard. However, since recruitment freezes are often implemented to save money, they had to reward them with small means such as movie tickets and small gifts. One of the companies used a monetary bonus system to motivate their employees to work more and to feel rewarded for working extra.

4.2.3 Mixed knowledge

The problem with fewer employees was the capacity in some of the interviewed companies. But the problem could be solved by increasing the knowledge and the competence so that the employees could handle a larger range of tasks. By doing this they could be more effective and also serve the customers in a better and more competent way which satisfied the customers whom received a better service. They could even improve the performance of the office with higher competence compared to when everybody only knew their part. Consequently, with an extended knowledge they could do more business.

4.2.4 Change of management style

Some of the managers experienced that they changed their attitude during the period of recruitment freeze. The pressure on the employees forced them to have a more humble and supportive approach towards their employees. Some managers even started to do the same work as the employees to show solidarity and understanding for the hard work. This was very appreciated by the employees and the managers received lot of respect for this act. At one company, the manager tried to help out where he could but a lot of his employees have a very high technical speciality and he did not have the knowledge to help out on all projects but his efforts showed the employees that he was there for them and tried to help out with the work load.
Some managers also expressed that they took more of their time to talk to the employees on a personal level to let them be seen and heard when they were feeling stressed and tired. Many of the managers also said that they in general were more positive towards the employees and gave them more credit than usual to show appreciation for their performance.
5. Analysis and interpretation

In this part we present our analysis and interpretations of the problems that result from the results and findings. First, a discussion of the problems with recruitments freezes is presented, and after that methods to solve the problems are suggested. In the last part we will discuss possible consequences of a recruitment freeze.

5.1 Problems with recruitment freezes

There are various types of problems that arise when a recruitment freeze is implemented. The first problem is likely that by implementing a recruitment freeze, the most apparent possibility to solve a situation with high work load is taken away, namely to employ more people to do the job. This requires managers to be creative to find other ways to solve the problem. In addition, depending on what the reason is for implementing a recruitment freeze, the possible solutions might vary. If the reason is cost savings, then hiring external personnel might not be an option for instance. In that case, the manager simply has to manage with existing resources.

Another problem is that recruitment freezes are usually implemented for several months in advance on the basis of the resources available there and then. The possibilities of increased amount or work or the possible loss of personnel for various reasons are not accounted for in that moment. On the other hand, even if they were accounted for, to predict increased work load, illness or that an employee chooses to quit would be very difficult for any manager. We have also gotten the impression that decisions about recruitment freezes are made rather instantly, which indicates that it is an immediate measure to avoid expenses and extra costs within an organisation. This leaves very little time for analysis of the current resources and perhaps especially for the future situation.

Recruitment freezes are also a measure that does not contribute with anything to the organisation besides preventing new recruits and perhaps making the organisation more static, in terms of that it has to manage with the existing resources. The recruitment freeze in itself does not decrease the existing costs within an organisation; it does merely prevent impending costs from actually occurring. Examples of such cost could be the costs that occur during the recruitment process such as advertising or having employees
holding interviews with candidates. It can also be the entire cost of employing one or more new people in terms of buying extra equipment like computers, paying social fees and wages. Consequently, a recruitment freeze will not cut your present costs; it will only prevent future employment costs. To actually decrease costs, a recruitment freeze needs to be used together with other measures.

5.2 Methods to solve the management problem

There are several different methods for managers to try to solve the problem with scarce human resources during a recruitment freeze. One way to avoid future expenses might be to implement a recruitment freeze on a short time basis to see if it is possible to handle the work load without new recruitment. If not possible, the companies can chose not to prolong the recruitment freeze. This could be a better option since implementing a recruitment freeze for several months ahead, regardless of how many of the resources are lost, it might cause troubles that can be avoided if the company uses recruitment freezes for short periods instead. If a long term freeze is implemented and the work load is hard to handle it might affect the employees which can result in worn-out personnel and for example long time illness. If the situation is manageable the recruitment freeze can stay implemented but the situation often requires the manager to reorganize and or create a more effective organization.

One way to decrease the work load on the existing employees can be to hire external personnel temporarily during peak periods. The advantages of this is that the needs of human resources can be covered during these periods and without the costs involved in recruiting new qualified personnel. Hired personnel can also be relatively cheap and the laws and regulations in Sweden also make it easy to solve the needs of personnel on a short time basis. However, in the longer run it might be better to only have employed personnel and try to even out the work load so that there never is any need of hired personnel.

Another method can be to have a group of external personnel that are hired to adjust to the work load and also cover for employees who are away because of sickness or other reasons. They can join the work force whenever needed and provide with extra human
resources. And if the company has the advantage of being able to use the same external personnel every time they will have knowledge of the work that is going to be performed and there will not have to be such a large quality loss during those periods. Otherwise the problem with external personnel can be that they often do not have the same competence as permanent employees. Some employees are of course easier to replace than others depending on the skills of the employee and the difficulties that comes with the job position.

A different way of approaching the problem with having too much to do and to few employees could be to outsource some of the job assignment. This enables the company to choose what they want to focus on and gives the managers to possibility outsource trivial or time consuming assignments. Outsourcing can of course be costly in some cases, but it can be a quick way of solving the problem and when the company has gained control over the situation, they can easily stop outsourcing the tasks. Yet another way for managers to make employees perform better can be to adopt incentive programs and rewards. They have the effect of creating one or several reasons for the employees to perform better. The incentives can be money as well as other things. Incentives or rewards does not necessarily have to represent a large percentage of the original salary, it might be enough to show the employees that the managers appreciate the efforts performed. During recruitment freezes the budget can be tight as it is and resources needed for big incentives or rewards might not be accessible.

On the other hand, incentives and rewards do not always have to be solely positive. Sometimes it can create faulty objectives among the employees. They might for example try to fool the system to receive as much incentives as possible which does not benefit the company. It can also create an environment where the employees only perform what they have to and minimize the extra effort that does not show on the productivity reports. In addition, it can also create dissatisfaction among other employees who makes an equally god job as the others but that does not create as much incentives. This topic is highly up-to-date in media and a lot of large companies have gotten rid of their incentive programs because they created the wrong objectives. Eventually, these programs must be managed in a very careful way so that they do not create an opposite effect in the
Another way to handle the problem with limited amount of personnel is to educate the employees so that they can perform several different tasks within the organization. This makes it possible to reorganize when sickness or maternity leave occurs. This also creates the benefit of giving the employees a wider knowledge base which often is appreciated and also makes a more changing work environment and different job tasks. In general, during time when resources are scarce and the situation is tough, we believe that managers can benefit a lot from being humble towards their employees since people under pressure needs support.

Management styles such as management by fear is perhaps not very applicable on employees that already feel stressed, tired and negative towards their work situation. On the contrary, to encourage and support the employees or even to help the employees in their daily work could improve ambience as shown at some of the interviewed companies. Naturally, showing solidarity towards the employees may always be a good tactic, but it might be even more important in situations like these. Keeping skilled employees is as earlier mentioned essential when new recruits are not possible. This makes it very important for managers to make the employees appreciate their work even though the current situation might be difficult and stressful.

Since the manager has a large effect on the employee's situation, it is vital that the employee have faith in the manager that he or she is also working hard to improve the situation. Additionally, a manager that is prepared to temporarily step down (metaphorically speaking) to help out wherever it is needed will surely be very appreciated among the hard working employees. This could also be a good strategy in the long run because it could help building strong bonds of communion between employees and managers and create team spirit within the company or department.
5.3 Consequences of a recruitment freeze

One consequence that might occur during a recruitment freeze can be the need to cover for lost personnel. This problem can be solved by using external personnel which also can be a cheaper alternative in some cases than employing new personnel. On the other hand, consultants with very advanced skills might be very expensive and hiring might therefore not be a suitable option. Besides, this can in some cases lead to lower productivity or quality loss for the company since consultants might not have an equally good comprehension of the routines and systems.

Another consequence is the increased work load that can occur. This will affect the permanent employees. The work load might have been manageable when the recruitment freeze was implemented but in the long run, the work load might increase or personnel can be lost which in turn will result in a higher work load for existing employees. This can create stressed and worn out employees that will not be able to work as much as earlier or in worst case, not at all. On a short time basis it might function to work more, but in the longer run it might affect the results and also result in unhappy employees. Higher work load per employee can also affect the customers in the way that it can lead to longer queuing times as in the case at one of the interviewed companies. I can also cause a loss of quality during the implementation of external personnel because they cannot serve the customers as well or perhaps not as fast. In the service sector the company consists of employees and the way the customers experience the company will be through the employees to a great extent. This makes the treatment of the customer very important. A dissatisfied customer can easily choose a competitor instead, therefore, minimizing dissatisfaction among customers is very important.

Another possible consequence is the increasing need for the manager to make the department more effective, and to reorganize so that they can meet the work load with the existing human resources. This can lead to new ideas and ways to make the organization more effective. It can even be one of the reasons for upper management to implement a recruitment freeze; to see if the middle manager can manage its existing resources to meet the demand and do so by making its department more effective.
6. Conclusions

In this part we will summarize and present our conclusions for the reader. The conclusions will be based on everything previously presented in the paper. After the conclusion we will also give the reader recommendations on further studies for the future.

6.1 Conclusions

Consequently, it can be said that recruitment freezes actually might cause problems for middle managers. To implement recruitment freeze does not automatically mean that the company will face difficulties. If the work flow goes on as usual with the same amount of work and the company gets to keep their employees at work, they will likely manage the recruitment freeze without any greater problems. However, for many companies this is not the case. Work imposition varies greatly in many businesses and some have an unequal demand from customers that goes along with e.g. seasonal trends or other factors.

However, if a company plans to implement a recruitment freeze there are ways to be more or less prepared for the possible effects. Besides to predict future work load, it can be wise to look at the current resources and to analyse these to see how the situation is. Are there people suffering from injuries or sickness that might be absent from work in the future? Are there any pregnant women that will leave for maternity care in the near future? Does the company have the possibility to hire external personnel if needed in terms of costs and required competence? How does the market look for the business, will there likely be more work or less?

Managing difficulties is always easier when one is prepared for the different outcomes. All organization is naturally striving for efficiency, but this is perhaps even more important when resources become scarce. If this is the case during a period of recruitment freeze, it will be necessary to have the most skilled persons at the right place and to allocate the resources according to where they are most needed. Prioritising is another important aspect since there will not be as much time for every job assignment as before. There will also be very little time for education of employees and deputies, which puts more pressure on the skilled employees with knowledge. The pressure is
probably the core in the problems surrounding recruitment freezes since the top management has presumed that everyone in the organization will be managing their job assignments in an appropriate way. In a perfect world, this could be the case, but in reality we know that not all employees are as efficient as desired. There will always be some taking more responsibility when it comes to getting the work completed and some that are less willing to work and give a little extra effort.

A situation when resources are scares will require all employees to make an extra or outstanding effort to make the business go on as usual. This is where the management comes in to motivate and encourage employees. Besides just allocating job assignments, leaving instructions and make decisions, managers now have to take a step closer to their employees in terms of coaching. Since people are by nature different, they need various things to increase their motivation. Some are more motivated by monetary incentives meanwhile some employees will perform better by just encouraging words from their superiors.

An environment to work in can be still good even though the work in itself might be stressful. This can be maintained by keeping a positive atmosphere within the organization and a high team spirit. People under pressure are often more short-tempered and gets tired more easily. Therefore, it is important that they feel respected and that their hard work is being seen by colleagues and managers. Contented employees are more likely to stay within a company then dissatisfied ones. This is important since a company during a recruitment freeze cannot afford to lose too many employees and by that, their knowledge.

Ultimately, the most important aspect to focus on during a recruitment freeze would be to maintain the quality and productivity by all means necessary. This is of great importance since many of today’s businesses faces a fierce competition both on a domestic and international level. The thought behind a recruitment freeze should be to save money or improve the efficiency within the organisation. If this is achieved, it is naturally very positive. On the other hand, it would not be helpful for the company if the recruitment freeze causes the business to lose quality, productivity or performance as a
cost of it. Especially since this would likely lead to customer dissatisfaction, and even worse; loss of customers. Eventually, a recruitment freeze should be treated as any other function within a business. It has to be carefully monitored, accounted for and managed to work out well. Since many companies have had it implemented several times during the operating years, it is also important to learn and draw conclusions from earlier experience to ensure that the experiences are passed on.

*This has been our foremost purpose with this thesis; to shed some light on this common but rather unexplored area for managers in today’s businesses and for future managers.*

### 6.2 Recommendations on further study

Recruitment freezes are at this point a rather unexplored area which surely can be investigated further. We have had some difficulties finding theories and information about it even though recruitment freezes are rather common among larger Swedish companies. Further research within this field of investigation could be from a more financial point of view. For instance, to see how much money a company actually saves by implementing a recruitment freeze, or if it even can be costly if the company is forced to hire a lot of external personnel to manage to current situation. One could also perhaps compare the cost of a directly employed person and a hired person on a short term and long term perspective.

It would also be interesting to get a wider look at the situation in Sweden regarding recruitment freezes. How much are they actually used and how many of the companies are experiencing problems? Another aspect that could be interesting to look at is the more intangible assets and values within a company such as quality or human capital to see how they are affected by a recruitment freeze. Also since the length of recruitment freezes seem to vary, it could be interesting to see if the company is affected differently in the long run than in the short.
7. Bibliography

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7.2 Articles


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8. Attachments

8.1 Questions for interviews

These are the questions that the middle managers were asked:

- What are the main activities at your company/department?
- Have you and your division experienced a recruitment freeze?
- Was the decision to implement a recruitment freeze made by you or made from a higher instance?
- If there was a recruitment freeze, what was the purpose of it?
- During how long did the company have the recruitment freeze?
- Was the recruitment freeze implemented for the whole company or just selected departments?
- How has the company/department been affected by the implementation of a recruitment freeze?
- What difficulties did you experience during this period?
- What difficulties did you experience during this time as a manager?
- What changes did you make to adapt to the situation?
- How did the employees respond to the situation?
- Did the recruitment freeze save money for your company/department or did it become costly?
8.2 Answers from interviews

Here is a shortened version of our interviews with the companies in the investigation.

8.2.1 Bombardier

Interview with a middle manager from Bombardier Transportation
Date: 2009-05-18 Location: Västerås

➢ What are the main activities at your company/department?
  Our department is responsible for all financial activities for Bombardier Transportation Sweden. It consists of daily routines such as financial reporting, treasury, ordering and invoice to preparing and producing the annual report.

➢ Have you and your division experienced a recruitment freeze?
  Yes, we currently have one and have had several before during the years. Usually, it is related to the financial situation in the world.

➢ Was the decision to implement a recruitment freeze made by you or made from a higher instance?
  It came from higher instance within Bombardier.

➢ If there was a recruitment freeze, what was the purpose of it?
  The purpose was to save money for the company and to get an overview of the department and its functions.

➢ During how long did the company have the recruitment freeze?
  It was implemented several months ago.

➢ Was the recruitment freeze implemented for the whole company or just selected departments?
  This time, it’s only for this department. They are still recruiting to other divisions.

➢ How has the company/department been affected by the implementation of a recruitment freeze?
  Not that much to this point. We have been lucky to keep our employees during this period. This has been very important for us. We also have a group of consultants hired that we can use when we have an urgent need for it. This solution makes us more flexible and it is easier to adapt to the financial situation at the company and its surroundings.

➢ What difficulties did you experience during this period?
  None really since we have managed to keep a good level of employees in relation to the amount of work. However, when we have a skilled consultant working for us through a staffing company, we might want to hire that person directly. But
since we have a recruitment freeze at the moment, this is unfortunately not possible.

➢ **What changes did you make to adapt to the situation?**
We have the possibility to adapt to an increased work load by using consultants if needed. And since we always have a number of consultants employed, they are already familiar with the work, at least to some extent. This makes it easier for us and save time than if we would hire someone completely new. We also try to encourage our employees and show our gratitude when they are working extra hard by small gestures such as buying fruits, soda, candy or cakes.

➢ **How did the employees respond to the situation?**
They have had a good attitude and managed their work as usual. During periods of high work load, they sometimes work extra hours.

➢ **Did the recruitment freeze save money for your company/department or did it become costly?**
I guess that might vary in the long run and in the short run. This far I think it has saved us money, but to have many consultants working lots of hours might be expensive in the long run. Fortunately, we have not been forced to use them to that extent yet.
8.2.2 Posten Logistik

Interview with a middle manager from Posten Logistik
Date: 2009-04-29 Location: Västerås

➢ What are the main activities at your company/department?
   We are a customer service department of Posten Logistik. We handle incoming calls, faxes and emails from our business customers regarding questions, parcel tracking, invoices, complaints etc. We are also performing investigations to find missing parcels and pallets within Sweden and internationally.

➢ Have you and your division experienced a recruitment freeze?
   Yes, in 2007 at the department I am currently working at, but I also experienced it in 2003 when I worked as a manager at Posten Meddelande.

➢ Was the decision to implement a recruitment freeze made by you or made from a higher instance?
   It came from highest instance within Posten Logistik.

➢ If there was a recruitment freeze, what was the purpose of it?
   The purpose was to get an exceptionally good overview of all costs that had to do with all employments within the company. This was also a way for the top management to see if there were potential unnecessary costs, and in that case where. They wanted to make sure that the right persons were at the right place. We also had a reconstruction of the company at this point which made it difficult to see immediately how things actually were.

➢ During how long did the company have the recruitment freeze?
   At Posten Meddelande in 2003, it was about half a year and in 2007 at Posten Logistik it was from January to June the same year.

➢ Was the recruitment freeze implemented for the whole company or just selected departments?
   It was implemented to the whole corporate group both in 2003 and in 2007.

➢ How has the company/department been affected by the implementation of a recruitment freeze?
   When the reorganization was implemented, we had to plan the organization on the basis of the current resources we had at the time. However, problems occurred when employees quit for various reasons, were at home ill for longer periods or when parents stayed at home with ill children or newborn babies. As a result of this, we soon realized that we needed more personnel. We faced two aspects of the situation; first that we needed more people than what we had planned for, and secondly that we needed even more after we lost personnel. Finally, when we realized that we had to enter a recruitment phase, it took a long time to convince the top management to revoke the recruitment freeze so we could start recruiting new people which in itself is a long process. This forced us to hire external personnel to manage the work load.
Besides all this, we also faced a work load that increased rapidly at the same time due to changes in other areas of Posten Logistik. I think we had about 1000 extra calls per day than usual during this period. The customers were also dissatisfied since they had to wait longer before they got to speak to one of our advisors which made it harder for our employees to please our customers.

- What difficulties did you experience during this period as a manager?
  We could not give anyone a permanent employment to any of the employees that already worked for us since the recruitment freeze did not allow it. We also found it difficult to keep up the motivation for the employees since they had to put up with a lot of criticism from some our customers when the reorganisation did not work properly and were under such pressure. Many of them were feeling really bad and the mood at the department was not good. At the same time we had to try to pursue them to answer more calls for the sake of our customers. This was not very popular. And when we finally got some external personnel, we didn’t have barely any time to educate them. We just had to basically throw them into the work.

- What changes did you made to adapt to the situation?
  We helped in the daily work our self and we hired the about 15 consultants from a staffing company to manage the high pressure on our employees. This made a great difference. We bought cakes, soda and small gifts as an attempt to motivate the employees. We also tried to be available for the employees as much as possible to help them and assist them in all ways possible. We also gave them small rewards such as cinema tickets when they made extraordinary performance. We also tried to talk a lot to the employees one to one to make them feel seen.

- How did the employees respond to the situation?
  Our employees felt stressed and that they couldn’t manage the pressure from customers during this time. They were mentally very tired and some of them called in sick for periods.

- Did the recruitment freeze save money for your company/department or did it become costly?
  I think we saved money if you see it in a monetary value. Even though we had a lot of external personnel hired, they were actually cheaper than our own employees are. But, I think we did loose confidence from our customers and we lost a lot of quality during this time since we didn't have enough time to focus on quality management.
8.2.3 Swedbank

Interview with a middle manager from Swedbank
Date: 2009-04-29 Location: Stockholm

➢ What are the main activities at your company/department?
   At my office we handle both private and business customers. We offer a full range of financial services for private individuals, corporates and organisations.

➢ Have you and your division experienced a recruitment freeze?
   We do not formally have a recruitment freeze because it means that no recruitment is allowed at all. In this case we are allowed to replace employees that left, but each replacing recruitment had to be controlled by upper management. The upper management also looks into the case and tries to avoid a new recruitment and instead try to find the needed human resources within the organization. This is a type of cost cutting to try to find a way to handle the work load on a smaller number of employees.

➢ Was the decision to implement a recruitment freeze made by you or made from a higher instance?
   The regional manager decides whether the office is allowed to replace an employee or not and that if he has demands from an even higher instance to cut costs there will be no new recruitment.

➢ If there was a recruitment freeze, what was the purpose of it?
   The biggest reason is to save money. During tougher times the company looks at every spending and investigates within the organization if there are possibilities to slim the amount of employees. For example if the prognosis is that the amount of loans will decrease, the amount of employees will be questioned because it will result in less work load in the office.

➢ During how long did the company have the recruitment freeze?
   The company always looks over their costs. But since last summer there has been an implementation of a sort of recruitment freeze. The reason was that the prognosis for the credit market was that it would decrease during the winter. And therefore we started to try to cut cost right away to stay ahead. A reason for the lower work load during the fall was the increasing interests. But in present times the interests are low again and the banks have a very high work load. But we still implement a precautious style because we still think that the credit market will decrease.

➢ How has the company/department been affected by the implementation of a recruitment freeze?
   The work load for the employees can be very high during periods like this.

➢ What difficulties did you experience during this period as a manager?
   In any organization it is always easier to go on as usual. The problem is to decrease in manpower and handle that situation in the best possible way. We have had a
problem with competence and with a lower amount of employees and the production have suffered a bit.

➤ **What changes did you made to adapt to the situation?**
We had to go down last November from six to five trust managers. But it is possible to handle the work load if the current employees can achieve a higher competence. And that if everybody is capable to handle the different tasks in the office we can even achieve a higher performance than before when everybody only knew their part. The customers will also be more satisfied because the employees they meet at the bank will have a higher competence. Higher knowledge means more business.

➤ **How did the employees respond to the situation?**
The employees had to adapt to be able to handle this new situation were everybody was supposed to manage a lot of different work stations. I thinks that that can be mentally tough for the employees but also a motivator to learn more and get more responsibility.

➤ **Did the recruitment freeze save money for your company/department or did it become costly?**
I think that the bank as a whole lower its costs but that it has an effect on the employees to work harder. And that can in turn result in more sick days etc. which in the long run can be costly.
8.2.4 ÅF Group

Interview with a middle manager from ÅF Group
Date: 2009-05-15 Location: Stockholm

- What are the main activities at your company/department?
The main activities within our working area are consult renting and consult sales with technical consultants.

- Have you and your division experienced a recruitment freeze?
Yes.

- Was the decision to implement a recruitment freeze made by you or made from a higher instance?
It was made by my division head in accordance with the business area manager.

- If there was a recruitment freeze, what was the purpose of it?
The market for consult services decreased in a fast pace.

- During how long did the company have the recruitment freeze?
It is now occurring, and has been in action since April 2009.

- Was the recruitment freeze implemented for the whole company or just selected departments?
It has also been implemented in different working area were the market for consultants also has deceased rapidly.

- How has the company/department been affected by the implementation of a recruitment freeze?
Instead of recruiting new consultants we have had to puzzle with the existing employees try to make them fit to the work that needs to be done. It is easy to hire new consultants that fit the current projects but it can be harder to find the needed human resources within the company during a recruitment freeze.

- What difficulties did you experience during this period as a manager?
One difficulty is to choose which projects to take on, because new recruitment is not possible.

- What changes did you made to adapt to the situation?
When there is a lot do, I as manager have the possibility to help out for example if someone is sick but of course it depends on the type of work performed because I don’t have the expertise needed in every area of work. Our consultants have a very highly specialized which makes it hard to replace people within the department during recruitment freeze. On the other hand we can take advantage of the fact that we are a very large organization. We can bring in consultants from other parts of Sweden from other departments. As a last resort we can hire in external consultants to solve the need for consultants if no other options are available. In order to get
more competence we can educate our consultants so that they can perform a wider range of tasks which is good during times like these. But the down side of that is that they might loose their excellence in their field.

➢ **How did the employees respond to the situation?**
   Generally they have had good understanding about the situation. And when the amount of work load might be deceasing the consultants rather have too much to do rather than the opposite. When the work load is reasonably high the consultants feel useful and needed. They also get bonus on amount of work performed to get them motivated to work more.

➢ **Did the recruitment freeze save money for your company/department or did it become costly?**
   With the recruitment freeze the profitability has been kept on a reasonable level.