Elitsa Damyanova

The flexibility of the companies that use Outsourcing Services to adapt to the changing market

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The flexibility of the companies that use Outsourcing Services to adapt to the changing market

Elitsa Damyanova

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The author certifies that the contents of this thesis are her own work, apart from where specific reference is made to the work of others.
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Abstract

The project aims to develop a guide to help outsourcing services through the study of the flexibility of companies employing outsourcing services to adapt to constantly changing market.

The first part is a brief description of the objectives, methodologies used and their main applications, and project scope.

The second part focuses on the current state of companies in Spain that use outsourcing services, the main problems they face. Reference is also made of this phenomenon in the European context. It gives a detailed description of the legal procedures that apply to the recruitment of outsourcing services, referring to the two parties (contractor and supplier).

The third part refers to improvement tools applied. Business intelligence trying to get a new design, based on collaboration, ethics and corporate responsibility of all parts involved (supplier and costumer). The legal tool itself is a benchmarking to set general conditions and regulations regarding the hiring that is done in different European countries.

Finally, this study is to achieve an outsourcing model that combines different types of contracts, examines the possibility of sharing resources with other companies, etc. It will also analyze the use of outsourced services flexibly to meet the basic needs (core-semi core), how to keep independent organizations, with the physical transfer of the activity. Increase the flexibility of external services to satisfy the needs of production and market fluctuations.
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<td>NMISA Spain</td>
<td>Nissan Motor Iberica S.A.</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>EDS</td>
<td>Electronic Data Systems</td>
</tr>
<tr>
<td>WBS</td>
<td>Product Design Specification</td>
</tr>
<tr>
<td>PDS</td>
<td>Product Design Specification</td>
</tr>
<tr>
<td>ASL</td>
<td>Approved Supplier List</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Research &amp; Development</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
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<td>ISO</td>
<td>International Organization for Standardization</td>
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Chapter 1

Design in Context

1.0 - Introduction

Years of crisis. The best time to study the labour market. The last 3 years were among the hardest for the world economy. Many people were fired; many companies went bankrupt or merged. A clear example is the Spanish market.

Executives today face a host of unprecedented changes and trends. These changes include the need to be global, the need to grow without using more capital, the need to respond to threats and opportunities of the economy, an aging workforce, reducing costs and battle for the consumer thinking.

Some of these trends are the Outsourcing, which is when an organization transfers ownership of a business process to a supplier. It is based on the release of some activity, which is not part of the core skills of an organization, a third specialist.

In this chapter, the project is introduced by identifying the aim objectives and design brief, along with a historical background of the topic area.

1.1 - Project aim

The aim of the major design project was to produce a concise thesis containing, written so that the reader would be able to follow every step of the design process concisely. This was to be carried out in a professional and organised manner, considering the initial report, interim presentation, design development, reporting in the form of a thesis and finally public exposition.

Additionally, the project brief and objectives had to be fulfilled in the thirty-week project. The learning outcomes in the previous section acted as a guideline for the author to follow whilst completing the technical thesis.
1.2 - Project objectives

The project objectives are to study the flexibility of companies that use outsourcing services to adapt to constantly changing market. A brief description of the objectives, used methodologies and their main applications and the scope of the project. The second part focuses on the current state of the Spanish company (NMISA Spain), the main problems with outsourcing that faces. There will be a detailed description of the legal procedures that apply to the procurement of logistics services, referring to the two parties (contractor and supplier). It will present some of the rules related to prohibited practices and conditions. Frequently associated with the development conditions of subcontractors and not get into conflicts and illegal transfer of work. Will be referred to the improvement methods to be applied. By Business intelligence will try to get a new design and execution of supply chains, based on collaboration, ethics and corporate responsibility of all involved. The commercial-legal method will work to fix the general conditions and economic structures that will make the selection and recruitment of logistics services, on the other hand is designed to strengthen the competitiveness of the industry by ensuring close cooperation between supplier and buyer, and a loyal relationship. Finally there will be a benchmark for outsourcing activities in companies operating in the Spanish market and other international market leaders such as UK, France, etc. This study is based on achieving an outsourcing model that combines different types of temporary contracts, discusses the possibility of sharing resources with other companies and the use of temporary agencies. It will also analyze the use of outsourced services flexibly to meet the basic needs (core/semi-core), how to maintain separate organizations, with the physical transfer of the activity. Increase the flexibility of external services to meet the needs of production and market fluctuations.

1.3 - Product aim

The aim of this product is to find the right way to adapt the procurement of logistics services (by contract) in the constantly changing market. A script for strategies will be developed that will allow the company the possibility of having new mechanisms to adjust their production, employment and working conditions to the rapid and continuous fluctuations in the market, technological innovations and other factors that require speed adjustments. This model of strategies will
aim to improve the essential points of trust, integrity, honesty in a free market economy, since in this increasingly competitive environment, it is essential to have reliable, accessible and updated in order to conduct business and activities safely and efficiently.

For lack of legal rules relating to the term logistics, will try to make a standard contract to improve trouble spots and those that penalize contractors logistics service companies.

The correct choice of a management system for a company is a fundamental aspect of it, which should invest all resources (of the different areas involved: purchasing, logistics, human resources, legal, etc.). Necessary to ensure an appropriate choice since it may largely determine their evolution and their chances of success.

1.4 - Project background

Outsourcing is a practice dating from the beginning of the modern era. This concept is not new, as many companies as engaged in a competitive business strategy. At the beginning of the post-industrial era begins competition in global markets.

After the Second World War, the companies tried to concentrate on themselves as many activities as possible to avoid having to rely on suppliers. However, this strategy proved effective in principle, it became obsolete with the development of technology, because the departments of a company could not be kept as up to data and competitive as the independent agencies that specialize in one area, in addition, their ability service to accompany the growth strategy was insufficient.

The concept of outsourcing began to gain credibility at the beginning of the decade of the 70's focused mainly on the areas of information technology in enterprises. The first companies to implement models were outsourcing giants like EDS, Arthur Andersen and others.

Outsourcing is a term coined in 1980 to describe the growing trend of large companies that were transferring their information systems to suppliers.
In 1998, the Outsourcing business reached worldwide one hundred billion dollars. According to recent studies, this number will soar to 282 billion dollars.

Currently many companies in Spain (e.g. NMISA Spain) use outsourcing of logistics services. The main factor that leads the company to make the outsourcing decision is to produce a process of fragmentation and specialization of production activities, by which, the company focuses on what it considers the core (core business) of activity (in the case of NMISA Spain - car manufacturing), which serves to identify market and resort to outsourcing to carry out any tasks that still remain necessary, considered to be outside that core, or measured in terms of economic or political cost, decide which are so considered. The reasons that create the need to use the services of logistics operators are different: the physical limitation of the capacity for growth in the volume to be managed, the cost growth and opening new business markets, etc. Thanks to the outsourcing of logistic services to determine the solution to the problems of physical distribution, depending on the characteristics of the product in the industry (e.g. automotive) and partner companies.

On the one hand, the company values the cost of giving the organization the means necessary to meet the need to be raised both in facilities and personnel, equipment maintenance, equipment management, training, establishment of appropriate methods (if not previously existed) and the implementation time that all this requires.

Furthermore, the possibility of finding a partner is evaluated who can provide a practical solution as either taking the overall management or work in certain functions.

The possible combinations of internal and external resources used in an enterprise (for example NMISA) are manifold. To choose the appropriate variant in each case always valued the benefits each one brings and, of course, take into account the means already available. In some cases the company has the proper installation, and outsourcing could be done at the facility, and subcontractor is provided by the other resources. In the event that the company does not have the qualified staff for the activity under study, the subcontractor leaves the selection, training and recruitment of the same.
1.5 - Design brief

As stated earlier, the aim of this project is to design a product guide to improve outsourcing of logistics services, using two methods. Getting a correct model of procurement (outsourcing) in the constantly changing market. The product must meet the following objectives:

1. Greater flexibility facing market fluctuation.

2. Better understanding and clarity of logistics costs.

3. Reduced investor risk.

4. Increased productivity and service levels.

5. Access to high quality equipment and services.

6. Lower cost with the same service level.

7. Compete with the same conditions.

8. Modify the costs of activities low value added.

9. Improve operational efficiency and reduce partner costs.

10. Access to resources not available internally.

11. Focus the company towards its Core business.

12. Reduce management complexity.

13. Improve visibility and transparency in negotiations between the contractor and logistics provider, and reduce the risks associated with "Insource" (related to labour illegal assignments, etc.).
1.6 – Conclusion

In summary, the scope of this project is to develop a guide to improve the outsourcing of logistics services, through the above methods. Getting a correct model of recruitment (by outsourcing), in the constantly changing market. Modify the costs of low value added activities, improve operational efficiency and reduce associated costs, access to resources not available internally, focus the company towards its core business, reduce management complexity, improve visibility and transparency in negotiations between the contractor and logistics provider, and reduce the risks associated with "Insource" (related to labour, illegal transfers, etc.).
Chapter 2

Project Management

2.0 – Introduction

This chapter is devoted to plan, organize and manage resources to achieve successful conclusion of project goals and specific objectives.

To achieve the development of a successful project, it is necessary to implement efficient planning at every step. There are various methodologies available to help a designer achieve stability. This chapter is to conduct a successful conclusion a systematic project. This was done by constructing a time management system and also the choosing methodologies to aid in each moment while performing the research and design.

2.1 – Project management

To complete a project of this size, it is vital to follow a systematic process. It would not be easy to achieve good management and organization without having clearly defined the aims, objectives and essential ideas to start this project.

Projects are composed of processes. A process is a series of actions bringing about a result and generally falls into one of two major categories:

a) Project management processes - describe, organize, and complete the work of the project.

b) Product oriented processes - specify and create the project’s product. Product oriented processes are typically defined by the project life cycle.

Project management processes can be organized into five groups of one or more processes each:

c) Initiating processes—authorizing the project or phase.
d) Planning processes—defining and refining objectives and selecting the best of the alternative courses of action to attain the objectives that the project was undertaken to address.

e) Executing processes—coordinating people and other resources to carry out the plan.

f) Controlling processes—ensuring that project objectives are met by monitoring and measuring progress regularly to identify variances from plan so that corrective action can be taken when necessary.

Closing processes—formalizing acceptance of the project or phase and bringing it to an orderly end.

Figure 2.1 shows details of the flow of a simple process for planning and organizing a systematic project.
2.2 – Work Breakdown Structure

Work Breakdown Structure (WBS) is a tool used to expressing the scope or extent of a project in simple graphic terms. The WBS is a common and critical tool in managing projects.
The purpose of a WBS is to document the scope of the project. Its hierarchical allows easy identification of the final elements.

The role of the WBS is to:

a) Partition the major project deliverables into smaller components to improve the accuracy of cost estimates.

b) Provide a mechanism for collecting and organizing actual costs.

c) Provide a mechanism for performance measurement and control.

For this project was decided to implement the Work Breakdown Structure (Appendix 1) to divide the tasks, to be easier to calculate their time and supervise the project as a whole and to ensuring that all tasks are completed and deadlines are achieved. Figure 2.2 presents the WBS for a service.

**Figure 2.2** – The Work Breakdown Structure.
Figure 2.2 shows the main tasks to complete, consisting of sub-tasks to be undertaken before the main tasks. After all the main tasks have been completed, the project should be completed in theory.

The work breakdown structure does not give clear idea of the duration and the links between each task and sub-task, so the next step is to develop a critical path analysis.

2.3 – Critical Path Analysis

The critical path analysis (Appendix 2) is a tool widely used in the professional sector. In project management, a critical path is the sequence of the terminal elements of the network of projects with the longest among them, determining the shortest time in which it is possible to complete the project. The duration of the critical path determines the duration of the entire project. Any delay in a critical path item affects the planned completion date of the project.

Using the tasks and sub-tasks from the work breakdown structure, it is possible to devise a guideline "map" of the design project as a whole; this leads to successful time management of each task. Another advantage of the critical path analysis is that the inter-relationship between the different tasks is displayed clearly, allowing the author to identify which stages are the most time consuming and which stages have more leniency with regards to time.

In figure 2.3 can be seen the critical path analysis, where the author was able to highlight the path which was the most time constrained to allow relevant alterations of the time management scheme.
2.4 – Time Management scheme

The Gantt diagram (Appendix 3) is a graphic tool with the objective of showing the expected dedicated time of different tasks or activities for a determined time. The Gantt diagram shows the origin and the end of the different minimum work units and the task groups (called summary elements) or the dependencies between minimum work units. The chart consists of horizontal bars which represent the time frame in which each task has been allocated.

Since its introduction, it has become a key tool in all kinds of management projects, in order to represent the different phases, tasks and planned activities.
as part of a project or to display a timeline on the various activities making the method the most efficient.

2.5 – Conclusion

A project is characterized as an abstract and complex effort that involves a lot of work to be properly defined, planned and controlled in order to obtain the benefit for which it was designed.

In the past chapter has been described in details the management necessary to undergo the major design project. To ensure that the process was efficient, none of the steps leading to the Gantt chart were excluded.

Project of this size need an extensive planning procedure. The Gantt chart was so well organized thanks of the critical path analysis and the work breakdown structure.

The work breakdown structure separates the task from the sub-task, and the author manages to create a critical path analysis using sub-tasks from the WBS. Each sub-task was given a duration, from which the most time consuming path was picked out as the critical path of the design process. To allow more ease of use, the sub-task was divided into the three academic terms specific to Nottingham Trent University, like this is avoiding a cluttered chart.
Chapter 3

Research and Design Methodologies

3.0 – Introduction

Fundamental is the choice of methodology in research and design sectors due to the size of this project. Creating a research plan is only possible through an analysis of this particular design project.

The research is the basis or starting point for each design work. This project must strictly follow the design methodology to be developed. This relation acts as a guideline only.

This chapter provides guidance how to do the research and use the design methodology, leaving it to the individual to find an efficient, effective and rigorous approach. The need of developing a commonly accepted research and design methodology, as one of the main characteristics of an established area of scientific research, is an important topic.

3.1 – Design methodology

In this chapter the author has to decide and choose the most appropriate methodology for the project. It was decided to use the combination of two methodologies, the first developed by Stuart Pugh in "Total Design" (Pugh, 1991) and the second the author considered included Nigel Cross', and French & Archer’s development of Cross' - all described in "Engineering Design Methods" (Cross, 1994).

Comparing the two methodologies, of Pugh and Cross, the author has concluded that the second one is not as detailed and does not include processes such as cost, manufacturing (in this case it is not valid concept, because this project is an instruction manual), etc. Cross' study is a simple method based on a cycle that, if the final design is not strong enough, returns to the beginning of the process. Figure 3.1 shows the process, that comprises four stages:

a) Focus on exploration in the area of products.
b) Generate concepts.

c) Evaluation of the concept.

d) Communication of the final design.

Cross concentrates on the quality of the concept rather than research.

Figure 3.1 – Snap shot of Cross’ interpretation of design process (Cross, 1994, p20).

Figure 3.2 shows the design model by French, consisting of four stages which allow the designer to focus on the detail of the concept after concept analysis has been successful. The diagram is composed of rectangles that represent the activities and circles - reached stages, or outputs. This model is based on the following design activities:

a) Analysis of problem – the stage involving to the identification of the need to be satisfied as accurately as possible or desirable.

b) Conceptual design – the stage involving the generation of wide solutions in the form of schemes.
c) Embodiment of schemes - related to the development of the scheme in greater details.

d) Detailing – the selected scheme is worked in finer details.

Figure 3.2 – Snap shot of the design model by French (Cross, 1994, p21).

Archer also develops Cross’ design, taking into consideration external sources of information on top of the original design process which seen as internal, as shown in figure 3.3.
Archer's model consists of six stages:

a) Programming - the phase which establishes the key issues and proposal of course of action.

b) Data collection – collection, classification and storing of data.

c) Analysis – in this stage are identified the sub-problems, preparing of design specifications, etc.

d) Synthesis – preparation of outline design proposals.

e) Development – this stage covers the development of prototypes, the preparation and the execution of validation studies.

Archer’s model consists of 6 activities, grouped into three phases, called analytical, creative and executive. Archer describes his model as follow: “... the special features of the process of designing is that the analytic phase with which it begins requires objective observation and inductive reasoning, while the creative phase at the heart of it requires involvement, subjective judgement, and deductive reasoning. Once the crucial decisions are made, the design process continues with the execution of working drawings, schedules, etc., again in an objective and descriptive mood. The design process is thus a creative sandwich. The bread of objective and systematic analysis may be thick or thin, but the creative act is always there in the middle.” (Archer, L. B. Systematic method for design). In Developments in design methodology ((Ed. N. Cross), 1984, pp. 57-82 (John Wiley, London)).

Summarizing, about the Archer model can be said: the analytical phase consists of research, develop, organize and structure information to create a design; the creative phase is the physical design; the executive phase is the stage where the main works of the project are performed, for example, design development, testing, and others and is directly related to the business side of design.

Everything said up to now can conclude that the Archer’s model not was the ideal design process, because it involved a large amount of external feedback and cooperation.

The total design is a systematic activity used to identify market needs, to sell successful products and to meet customer requirements. This activity ranges from how to properly obtain raw materials, people, process and organization to result in a product that meets customer expectations. The integration of a product in the market is more effective and efficient when it is within the overall design throughout its development as it starts from the market research and ends with the definition of the product and its sale (Pugh, 1991).

Pugh provides a detailed design methodology, incorporating the Product Design Specification (PDS), after the design brief has been given. The same model is a design process flow from market sales, as an iteration of the resource that can be done at any previous stage as new ideas and information for improvement. This causes interaction between the different phases of the design core. This model allows efficient and effective design to be able to perform, it is necessary
to use several design techniques, with which the designer has to operate the core activity.

The PDS operates as a guide for the concept ideas considering that the preparation of this manual examines in depth the whole product from design, raw material, and supply chain and manufacturing to sales, it was decided that the best option would be to use the methodology of Stuart Pugh. The most important thing is that this model requires the best results for the project and at the same time the designer is the one that performs all the work without any external sources that disrupt the process.

Figure 3.4 describes the model which presents the main activities that form the basis of a total design.

![Figure 3.4 - The total design activity model by Pugh, with the detailed Product Design Specification (1991, p11).](image)
3.2 – Research methodology

The methodology of this research is based on studies of Stuart Pugh. The following figure 3. shows the diagram necessary to produce the PDS.

Figure 3.5 – The research diagram developed by Pugh (1991, p32).

To carry out an investigation is necessary to plan, when talking of a large project. This is to avoid losing at any time of investigation basics and to ensure that the concepts originally proposed are appropriate. It is very important to have a balance between the different types of research, primary and secondary research to get a better idea of the product area.

Secondary research focuses on obtaining a global idea of the project and the product area. The sources used in the study include: books, internet, magazine articles, work experience, laws and regulations, both Spanish and foreign. The idea of this project came from the world market crisis and the hiring problems in Spain. After two years working in the purchasing department of a multinational
company (Nissan) operating in the Spanish market, lengthy negotiations with subcontracting firms, many strikes and layoffs, came the idea to conduct this research.

Table 3.1 presents a list of research necessary for the realization of this project.

<table>
<thead>
<tr>
<th>Action</th>
<th>Type of research</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explore the market and the problems with outsourcing service</td>
<td>Primary, secondary; formative</td>
<td>Outsourcing websites, field research</td>
</tr>
<tr>
<td>Work in automotive factory</td>
<td>Primary; secondary formative</td>
<td>NISSAN factory, Barcelona, Spain</td>
</tr>
<tr>
<td>Gather outsourcing data for international benchmarking</td>
<td>Secondary; formative</td>
<td>Benchmarking between different countries (Spain, UK, France, USA)</td>
</tr>
<tr>
<td>Find relevant information to the product</td>
<td>Secondary; formative</td>
<td>Outsourcing websites</td>
</tr>
<tr>
<td>Current situation of the Spanish company that uses outsourcing services</td>
<td>Primary; formative</td>
<td>NISSAN factory information</td>
</tr>
<tr>
<td>Find suitable recruitment of outsourcing service – international market</td>
<td>Secondary; formative</td>
<td>Different regulations of the international market, literature, internet research, etc.</td>
</tr>
<tr>
<td>Legal constraints</td>
<td>Primary; secondary formative</td>
<td>Different regulations of the international market, literature, internet research, etc.</td>
</tr>
</tbody>
</table>

Table 3.1 – Research areas

3.3 – Conclusion

To summarise, the chosen technique for this project is the right decision. Regardless of the alternative and available options, the development of this project required a great amount of detail. The Cross design process, including the upgraded version of French, was discarded due to lack of detail included.
Archer’s model, which included many elements, was neither chosen, because the external aspects failed to convince the author.

Pugh's methodology is the right choice, because it meets the details of the PDS. The advantage of using the PDS ensures that every moment and every aspect of the design shall take into account stability while providing the overall project. This is also the easiest option that allowed the author to look back in the design process to collect all information that could be overlooked.

The author's background has been helpful in the investigation. It helped to be able to summarize all the information in developing an outsourcing guide.
Chapter 4

Product Design Specification (PDS)

4.0 – Introduction

The concept Product Design Specification (PDS) has been developed by Stuart Pugh (1991, p41).

The product design specification (PDS) is a statement of what one thinks a non-yet-designed to do. Its aim is to ensure that the design and subsequent development of a product meets user needs. The PDS acts as initial limit in product development. However, it will develop naturally as it progresses through the various stages of the design process. Figure 4.1 is included the information in a PDS.

Figure 4.1 – The elements of PDS by Stuart Pugh. Discarded items are crossed out with red. (Pugh, 1991, p46)
4.1 - Product Design Specification (PDS)

1. Performance

The main function of the final product will be to develop a guide to improve the outsourcing of logistics services in Spanish companies.

In any case, it is important to consider Outsourcing logistics operations or activities as a tool for management. This means that, as such a tool:

a) Can be used to achieve specific objectives within a company.

b) The maximum utility is manifested in a particular internal environment (business) and external (market, logistics operator).

Its objectives, if the environment is favourable, are achieved through proper implementation and development, that is, with his special instructions to ensure success the principal is that each company gets through outsourcing logistics as follows:

c) Greater flexibility to market fluctuations and demand. The operator logistics (according to a logistics operator) fits both fluctuations business and operational.

d) Better knowledge and clarity in logistics costs. Cost reduction. The total cost of logistics activity represents almost 10% of sales the operator is able to reduce.

e) Focus on the business, leaving the activities that are not core business of company in the hands of a specialist, the Logistics Operator. This implies better knowledge (know-how) and optimization of logistics costs or access to equipment and high quality services at a lower price and that the contracting company can focus on the processes that are part of the real "core business".

f) Decrease in investor risk. Investment in plant and equipment are carried out directly by the operator.
g) Increased productivity and service levels. The logistics operator increases levels of efficiency and quality because of their experience.

h) Compete with the same conditions. Need for transparency in a sector in progress, seeking to establish a common policy framework for the sector with guarantees for all stakeholders, and provide some rules for all operators to have the same opportunities to compete.

i) Improve the flow. The logistics are the link between manufacturers and their customers. The idea is that the flows of materials or information not fail and is working at maximum level for the chains of production don’t stop and the final products reach their final destination: the market.

2. Environment

The logistics operator and its customers should be aware of their commitments to the environment and society, so they have to consider both inside and outside their fields of activity, taking into account the impact that those can produce.

Adopt all necessary means to ensure environmental, through the achievement a lower emission of pollutant elements resulting from the activities of the logistics operator, minimizing this way the environmental impact that they represent, through own or subcontracted resources.

Make waste management and adequate practice to ensure people's health and environmental quality, in collaboration with customers and suppliers. Establish mechanisms for controlling emissions and waste, training employees, and other elements that contribute to the definition of a genuine environmental policy in the field of logistics operators.

3. Politics

The proper recruitment of outsourcing services means that must be followed guidelines and rules. Without proper recruitment is impossible to have a successful service.
4. Manufacturing facility

Be assessed the cost which is giving the organization the means necessary to meet the need to be raised both in facilities and personnel, equipment maintenance, equipment management, training, establishment of appropriate methods (if not previously exist) and implementation time that all this requires.

Also assess the possibility of finding a partner who can provide a practical solution as either taking the overall management or working in certain functions.

5. Disposal

According to the legal conditions and the type of contract.

6. Company constraints

Company constraints are the legal limits of outsourcing service. What are the obligations of the contractor and supplier.

7. Customer

Adaptation to customer needs. The supplier must offer a service that the contractor company needs.

8. Documentation, Specifications, Legal

The documentation for an outsourcing service is the most important, these are contracts, operations specifications, invoices, etc.

9. Safety

The logistics provider will take action in order to deal with third parties for any anomaly in the service, either by actions or negligence attributable to the activity of the same supplier.
10. Market constraints

Depending on market conditions the company (e.g. a car manufacturer) may increase (if there is demand, the volume increases) or decrease its production.

4.2 - Conclusion

The PDS helps the author to find the adequate parameters for the product specification and and works as a guide for the design of the project. Due to the iterative process the author will revisit this information several times relying on the importance of the contents of this chapter. The author defines its product as a guide of outsourcing services. During the project these specifications will be expanded and developed applying all the information of market research, a legal comparative in several European countries, etc. on the contents of the final product. In the following chapter the author will work with concepts based on the selected PDS and criteria, and then will expose a paired comparison of criteria and a weighted matrix.
Chapter V

Concept Selection

5.0 - Introduction

In order to select and develop concept which fitted best with the key criteria, an unbiased decision making process was required. This can prove to be a difficult task due to a designer’s individual ideas clouding judgement on a more neutral perception. This chapter will detail the method the author undertook to reach an impartial decision on which concept to take forward through to the final design.

The chapter also aims to demonstrate the author’s ability to critically evaluate designs and design work, as stated in the learning outcomes of the module.

5.1 – Selection process

![Diagram of concept selection process]

**Figure 5.1** - Concept selection process by Pugh. (1991, p75)
Pugh (1991, p75) provides concept selection method which can be seen in figure 5.1. As the diagram shows, there is the opportunity for the designer to return to the concept stage after irrelevant ones have been discarded. This ensures that all concepts which go through the evaluation stage are of the same quality with regards to effectiveness and constraints relating to the PDS.

5.2 – Design criteria

Using information from the research and PDS, a number of criteria were selected which the author felt were most fundamental and relevant to this design project.

The following three considerations had to be made when selecting the key criteria (Alan Crisp, 2010-2011):

a) Criteria must be defined and defended by the designer.

b) Criteria must be measurable, ideally parameters.

c) Criteria identified must be independent and mutually expensive

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Reference letter</th>
<th>Importance rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on core business</td>
<td>A</td>
<td>2</td>
</tr>
<tr>
<td>Acquire more flexibility in logistics operations</td>
<td>B</td>
<td>3</td>
</tr>
<tr>
<td>Reduce costs</td>
<td>C</td>
<td>1</td>
</tr>
<tr>
<td>Reduce investment in assets</td>
<td>D</td>
<td>4</td>
</tr>
<tr>
<td>Evaluation of supplier performance</td>
<td>E</td>
<td>6</td>
</tr>
<tr>
<td>Long term contract</td>
<td>F</td>
<td>7</td>
</tr>
<tr>
<td>Commitment or trust</td>
<td>G</td>
<td>8</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>H</td>
<td>5</td>
</tr>
</tbody>
</table>

Table 5.1 – Key design criteria.

Table 5.1 identifies the key criteria which each concept was rated against. The importance rating exists to ensure that the criteria are not all judged as equal
values. This also supports the view that the design selection process should remain unbiased throughout. With regards to this particular design project, the most fundamental aspect was to produce a concise thesis containing, written so that the reader would be able to follow every step of the design process concisely. This was to be carried out in a professional and organised manner, considering the initial report, interim presentation, design development, reporting in the form of a thesis and finally public exposition.

1. **Focus on core business**

Focus on business, leaving the activities that are not core business of the company in the hands of a specialist, the Logistics Operator. This implies a better knowledge (know-how) and optimization of logistics costs or access to equipment and high quality services at a lower price and that the contracting company can focus on the processes that are part of the real "core business ".

2. **Acquire more flexibility in logistics operations**

Increase the flexibility of external services to adapt to the needs of production and market fluctuations. Flexibility is an elastic concept, ambiguous, a generic term multiform, which use tends to confuse in several different aspects. This is because the term often used more as a slogan than as an analytical tool. It is clear then that should be abandoned as part of the investigation and replaced by a more complex view that allows us to see the complex and contradictory dynamics of the real world. And in any case, the question is not rigidity or flexibility, but to analyze what devices and institutional standards to be maintained, modified or abandoned, what new rigidities need to be created and more importantly, see who wins or loses with certain institutional arrangements, what interests will be advantaged or disadvantaged by their modification and how risks are allocated and the costs that these changes imply.

3. **Reduce costs**

Better understanding and clarity of logistics costs. Cost reduction. The total cost of logistics activity represents almost 10% on sales which the operator is able to reduce.
4. **Reduce investment in assets**

With respect to assets and other investments made by the operator with the consent and approval of the user and for providing logistical services to that user in particular. This assumption is common in contracts for a period of time and requires the operator to suit the particular requirements of the user, which means to undertake certain investments of assets, etc. specifically designed to meet customer needs. Usually, the operator is interested in, dispose of these assets, for whom the termination of the contract does not mean the end of their logistics activities, but to acquire the same to their current net price, i.e. discounting the amortizations (book value), each time that seems certain to have to need those assets to continue the operational logistics. Therefore, usually stipulate an obligation to purchase by the user and bilaterally a forced sale by the operator.

5. **Evaluation of supplier performance**

Supplier evaluation is a continual process within purchasing departments and forms part of the pre-qualification step within the purchasing process; although in many organizations it includes the participation and input of other departments and stakeholders. It often takes the form of either a questionnaire or interview, sometimes even a site visit, and includes appraisals of various aspects of the supplier's business including capacity, financials, quality assurance, organizational structure and processes and performance. Based on the information obtained via the evaluation, a supplier is scored and either approved or not approved as one from whom to procure materials or services. In many organizations, there is an approved supplier list (ASL) to which a qualified supplier is then added. If rejected the supplier is generally not made available to the assessing company's procurement team. Once approved, a supplier may be reevaluated on a periodic, often annual, base. The ongoing process is defined as supplier performance management.

6. **Long term contract**

Planning, implementation, and control of a logistics system provided through a third party under a long term contract. These partnership contracts should be a fair balance of interests.
7. Commitment - trust

The essence of cooperation between a supplier and a buyer is mutual benefit. It tries to substantiate the most competitive aspects of each partner and is characterized by factors such as a commitment to a very high level, good communication, good cultural fit, trust, flexibility and teamwork. This cooperation is designed to strengthen the competitiveness of industry through cooperative relationships between suppliers and buyers and fair competition, so that the advantages and disadvantages can be shared equitably.

8. Customer satisfaction

The logistics operator must identify, accept and meet the expectations and needs of stakeholders associated with it - clients, suppliers, employees, shareholders and community - have on the services offered.

5.3 – Paired comparison table

The next step was to produce a paired comparison table, a system which involves the comparison of the key criteria against each other. By comparing each criterion, this allows the designer to go about decision making using a more straightforward method.

The disadvantage of considering all criteria at once is a result of impaired judgement and biased opinions from the designer. However, by choosing the paired comparison method, the does not mean the problem is totally eliminated; it can still occur due to lack of supportive data to base the designer’s decision on. Regardless of this, the method is still superior to a method with all criteria having equal importance.

Table 5.2 - Paired comparison table.
<table>
<thead>
<tr>
<th>New</th>
<th>Criterion</th>
<th>Raw score (R)</th>
<th>Weighting value (R/13*10)</th>
<th>Importance rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>Customer satisfaction</td>
<td>13</td>
<td>10.00</td>
<td>1</td>
</tr>
<tr>
<td>G</td>
<td>Reduce costs</td>
<td>13</td>
<td>10.00</td>
<td>2</td>
</tr>
<tr>
<td>F</td>
<td>Long term contract</td>
<td>13</td>
<td>10.00</td>
<td>3</td>
</tr>
<tr>
<td>E</td>
<td>Focus on core business</td>
<td>11</td>
<td>8.46</td>
<td>4</td>
</tr>
<tr>
<td>D</td>
<td>Commitment or trust</td>
<td>29</td>
<td>7.69</td>
<td>5</td>
</tr>
<tr>
<td>C</td>
<td>Acquire more flexibility in logistics operations</td>
<td>9</td>
<td>6.92</td>
<td>6</td>
</tr>
<tr>
<td>B</td>
<td>Evaluation of supplier performance</td>
<td>4</td>
<td>3.08</td>
<td>7</td>
</tr>
<tr>
<td>A</td>
<td>Reduce investment in assets</td>
<td>2</td>
<td>1.54</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 5.2 – Criteria weighting
The new score as seen in table 5.2 was obtained by adding up all the scores with the relevant letter next them; for example, as there were no instances where criterion B (Acquire more flexibility in logistics operations) was thought to be the superior criterion when compared to another, the score was zero. This raw score rating was then converted into a percentage (10% for each criterion) to produce a weighting value, in which the author used to rate the importance. This weighting value was required in order to complete the design weight matrices, which can be found later in the chapter.

As the maintenance criterion did not manage to score, the author regarded it as unnecessary in this particular decision making process. Therefore it was decided to discard the principle from this point forward.

Figure 5.2 shows the most important criteria, Value of Customer satisfaction, Reduce costs, and Long term contract. Based on the graph it was notice Concept 2 (Customer satisfaction, Reduce costs, and Long term contract) has the highest rating than the others two concepts.

![Graph](image)

**Figure 5.2** – The sensitivity graph for criteria H: Value of Customer satisfaction, Reduce costs, Long term contract.

Once finished figure 5.2 will be designed the matrix shown in table 5.3. Rating acquired from the graph will be multiplied by the importance of the specific
criteria. By adding all the multiplied numbers, the ranking for the entire concept could then be calculated. Based on the table, concept 2 was ranked as the better of the 3.

<table>
<thead>
<tr>
<th>CONCEPT</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>WEIGHT RATE (rank 1-100)</th>
<th>RANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>88</td>
<td>75</td>
<td>83</td>
<td>90</td>
<td>91</td>
<td>82</td>
<td>85</td>
<td>85</td>
<td>5442.05 (100)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>135.52</td>
<td>231</td>
<td>574.36</td>
<td>602.1</td>
<td>769.86</td>
<td>820</td>
<td>850</td>
<td>820</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>90</td>
<td>76</td>
<td>85</td>
<td>93</td>
<td>100</td>
<td>94</td>
<td>97</td>
<td>90</td>
<td>5442.05 (100)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>138.6</td>
<td>234.08</td>
<td>500.2</td>
<td>715.17</td>
<td>846</td>
<td>940</td>
<td>970</td>
<td>900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>100</td>
<td>98</td>
<td>94</td>
<td>78</td>
<td>83</td>
<td>100</td>
<td>94</td>
<td>76</td>
<td>5108.32 (96)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>154</td>
<td>301.84</td>
<td>566.48</td>
<td>595.42</td>
<td>702.18</td>
<td>1000</td>
<td>940</td>
<td>760</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 5.3 – Design matrix for the 3 concepts.

Finally, concept 2 was ranked first in both results and therefore, it was taken to the detailing stage for improvement.

5.4 - Conclusion

In this chapter were discussed 8 concepts to perform the product design and its application in the industrial world. These concepts were designed in the previous chapter and their selection has been based on a specific set of criteria and values. This was possible thanks to the extensive author’s knowledge in industry, analysis of markets for outsourcing and a lot of literature related to the topic. Also was taken as reference the current labour market in Spain and the last two years that the author spent in the purchasing department of NMISA, as controller of Outsourcing services. The application of the method was useful at the moment to make decisions using the weighting matrix. Furthermore the qualitative method of management was necessary to focus better the design and the product application. The next step is to deepen the investigation of the European labour market and find the roots of the problems to be solved.
Chapter 6

Industrial outsourcing in the European context

6.0 - Origin of outsourcing

The outsourcing is linked to the automotive sector industry and in particular the 70's. Until then, the benefits of this industry had originated primarily by economies of scale and permanent increase in vehicle production. That is, responding to a system of organisation of mass production, being the scale of production of the industry nationwide. The economic crisis of the mid-70's, in which there was a saturation of markets, caused a profound change in business strategies, which mainly consisted in assuming that the automobile activity had occurred: the globalization of industry and introduction of new competitive factors such as quality and product diversification.

The new competitive environment has been demanding greater flexibility in the production process, because it broadens the product range, from manufacturing of a single product to producing a product diversity based on customer demand, changing therefore the business strategy, prioritising the service component and customer satisfaction based on purely manufacturer. Clearly can be seen that over time, companies in the automotive sector have focused on its core business of designing, assembling and marketing, and in some cases, of manufacturing components considered strategic - such as the engines.

In this scenario, the outsourcing has become a central element of the new competitive strategies in the large companies. The strategy has been developed for dividing the "value chain" of the product in so many phases and components as needed, giving to an external provider the responsibility for each phase or part.

The starting point of industrial subcontracting in a particular sector has been normalised to other activities and in fact, as stated in the New Industrial Subcontracting Study in Europe prepared by the European Commission in 1997, generally is often mentioned the following broad areas of industrial subcontracting:
6.1 - Brief reference of outsourcing

Outsourcing is a relatively widespread business practice and responds to internal reflection of "drawing out" those activities that are not directly related to the central core business of the company example: services related to certain maintenance that may or may not require specialisation, the highly skilled and timely presence in the daily management etc. The relatively widespread inter-recruitment has not been specifically studied as an economic phenomenon. This leads to the first challenge that arises:
a) There is no statistic body to "follow" the activity of outsourcing, because there is no an official statistics.

b) In any action by the sector is added to the idiosyncrasies of each country in the collection of information, which adds a new caution about the possible comparisons that are made.

The lack of official documents and court macroeconomic (number of enterprises, employment generated) outsourcing is analysed from various aspects. However, not always focused on the outsourcing industry, which is included as a part of the general outsourcing.

Focusing on the identification process of the inter-business relationship by Eurostat in the New Industrial Subcontracting study determined that:

c) Outsourcing, or correctly stated, the purchase/sale of intermediate goods and services among industrial companies was collected in the operation aimed at surveying statistics/surveys of the industry addressed by the various statistical offices and contributing to the report - Structure of Industry.

d) Normally, this type of information is required and provided by companies with more than 20 employees.

Outsourcing is not just an exchange "commercial" goods and services, but it is linked to the companies, which make technical decisions, materials, etc. This study seeks to advance the definition of what exactly is outsourcing from the information on a number of areas and activities with a certain path.

It is estimated that industrial subcontracting in Europe in 1998 represented about 18% of the total value of industrial production and more than 13% of the volume of employment and number of industrial enterprises.

**6.2 - The industrial subcontracting in the EU, in the 90's**

The lack of statistical information on industrial subcontracting in Europe makes it difficult to analyse the temporal evolution. Further details will be presented for the industrial subcontracting in Europe for the period between 1995 and 1998.
There are two estimates; among them have a considerable difference:

a) The low estimate refers only to the subcontracting to extent, where the contractor provides to the subcontractor to use materials.

b) The high estimate includes those relationships in which the subcontractor is responsible for purchasing materials, participates in product development, conducts investment and R & D, etc.

It can be seen that the low estimate, except Ireland (it is considered that their data is not comparable due to the use of accounting system), the total weight of the outsourcing of industrial production stood at around 3% - 4% in all countries. Rates are directly related to the sector structure of industry in each country, so that the UK registered a slightly higher rate than the rest due to high sales of industrial services in the manufacturing sector of other materials of transport equipment dominated by the aircraft industry. For example Italy and Portugal stood at the head of the EU-12; probably due to the considerable weight of the small business in these countries (about 70% of industrial employment in these countries is located in companies which have less than 200 employees). Spain and Greece have high presence of small companies and the contribution of outsourcing in a broader sense was not as important as in Italy and Portugal, so that the small business size could not be the only reason.

The following table shows the number of employees in the industry of outsourcing by country.
Estimated number of outsourcing employees 1995.

<table>
<thead>
<tr>
<th>Member State</th>
<th>Low Estimate</th>
<th>High Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium &amp; Luxembourg</td>
<td>2.9</td>
<td>17.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.4</td>
<td>16.5</td>
</tr>
<tr>
<td>Germany</td>
<td>3.4</td>
<td>15.2</td>
</tr>
<tr>
<td>Greece</td>
<td>3.7</td>
<td>16.5</td>
</tr>
<tr>
<td>Spain</td>
<td>3.0</td>
<td>15.6</td>
</tr>
<tr>
<td>France</td>
<td>3.5</td>
<td>17.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.1</td>
<td>8.0</td>
</tr>
<tr>
<td>Italy</td>
<td>2.8</td>
<td>28.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.8</td>
<td>14.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>3.2</td>
<td>22.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.3</td>
<td>13.0</td>
</tr>
<tr>
<td>U.S.</td>
<td><strong>3.3</strong></td>
<td><strong>18.2</strong></td>
</tr>
</tbody>
</table>


The following table shows the number of employees in industry subcontractor by country.

<table>
<thead>
<tr>
<th>Member State</th>
<th>Low Estimate</th>
<th>High Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium &amp; Luxembourg</td>
<td>74.700</td>
<td>176.600</td>
</tr>
<tr>
<td>Denmark</td>
<td>33.500</td>
<td>99.700</td>
</tr>
<tr>
<td>Germany</td>
<td>600.500</td>
<td>1,512.899</td>
</tr>
<tr>
<td>Greece</td>
<td>49.000</td>
<td>81.200</td>
</tr>
<tr>
<td>Spain</td>
<td>369.800</td>
<td>840.900</td>
</tr>
<tr>
<td>France</td>
<td>404.500</td>
<td>952.000</td>
</tr>
<tr>
<td>Ireland</td>
<td>10.900</td>
<td>30.000</td>
</tr>
<tr>
<td>Italy</td>
<td>550.800</td>
<td>1,852.800</td>
</tr>
<tr>
<td>Netherlands</td>
<td>76.600</td>
<td>187.200</td>
</tr>
<tr>
<td>Portugal</td>
<td>139.400</td>
<td>386.300</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>415.900</td>
<td>816.000</td>
</tr>
<tr>
<td>U.S.</td>
<td><strong>2,725,600</strong></td>
<td><strong>6,935,900</strong></td>
</tr>
</tbody>
</table>

Most remarkable is the difference between the estimates which is significantly lower than the case of the contribution of outsourcing production. The high estimate of production was between five and six times lower, considering the number of employees - this factor is reduced to two times and half. This fact can be deduced for the same production, the outsourcing is proportionally less rich in the employment than it is done to extent.

In this case Italy and Portugal one more time shows a high volume of employees in outsourcing for both definitions, followed by Spain, Germany, The Netherlands and United Kingdom.

6.3 - The industrial subcontracting in EU, 1998 and 2000-2008

80% of subcontracting outside Europe are focused in areas as metalworking, rubber/plastic, electrical and electronic equipment. In Europe this phenomenon can be found in large companies. In 1990 the first data on the European market for outsourcing began to be collected. It is estimated that the volume growth reached around 75%. The main reason for this evolution is the strong and increasingly important outsourcing culture seen in the linkages between industrial companies and in particular within large groups, which, as noted before, have experienced significant reductions in contribution to value added. In this sense, in the industrial sectors in Europe, creating added value activities of 50% -70% and the outsourcing is an essential phase of industrial process involving all parties at all levels and takes place practically in all industrial activities.
### Table 6.3 - Main figures of outsourcing in the EU-15 and contribution to the industrial, 1998 & 2000.*

<table>
<thead>
<tr>
<th></th>
<th>Production (billion €)</th>
<th>Number of Enterprises</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1998 (1)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>351.2</td>
<td>277.350</td>
<td>4 028.760</td>
</tr>
<tr>
<td>Total Industry</td>
<td>1432.8</td>
<td>2 033.243</td>
<td>29 447.011</td>
</tr>
<tr>
<td>% Outsourcing/Total Industry</td>
<td>24.5%</td>
<td>13.6%</td>
<td>13.7%</td>
</tr>
<tr>
<td><strong>2000 (2)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing</td>
<td>620.5</td>
<td>753.068</td>
<td>5 444.752</td>
</tr>
</tbody>
</table>

(2): Riost-CENAST (Centre National de la Sous-Traitance).

It is necessary to note that the information is from homogeneous extracts but different, so it is impossible to simply assign statistical value and it can be only guidance to represent the importance of industrial subcontracting in Europe. In fact, it uses the information of the First European Forum on Subcontracting (Madrid, 1992), which has been reprocessed and updated statistically. This first set of values has been compared, by analysts from EUROSTAT, with interindustry trade matrices for each country. Finally, the intersection of these data with defined ratios for most of the sectors related to the supply of outsourcing (casting, plastic industry, textile, electronics, etc.) has enabled the final adjustment of the information.

As shown, the market for industrial outsourcing in the EU-15 reached a volume of 351.2 billion Euros in 1998, which represented 24.5% of industrial production in the EU. The number of subcontractors was more than 277,000, employing more than 4 million workers.

These numbers shows significant differences compared to the values from 2000. Almost is doubling the value of production and is tripling the number of enterprises and, however, the associated employment grows much less.
6.4 - Conclusion

1. Characteristics and prospects of industrial subcontracting in Europe

The future of industrial subcontracting in Europe is linked to its own historical origin, highlighting the following aspects:

a) A concept of demand-based economy and characterised by the pursuit of specialised systems with sufficient economies of scale that allow it to deliver advanced products at prices adjusted to market needs.

b) The phenomenon of robotization and new techniques created from the same and integrated production.

c) Increasing sophistication of products and the consequent complication of their concepts and development.

These factors are seen in all sensitive sectors to outsourcing in which, progressively, companies capable of responding to that specialised demand of outsourcing have appeared. Unlike the rest of the world where outsourcing has emerged in the areas of labour-intensive (requiring a large expenditure of labour but not much capital; "cottage industries are labour intensive"), in Europe, its development has been motivated by the pursuit of an important specialisation in part of the companies.

There are two main reasons that led to intensive outsourcing in last years: globalisation of the economy and the overall pressure on the price level that created a growth of subcontracting both within and outside the EU.

2. Globalization of markets

The liberalisation of the global trade has a clear negative connotation to the activity of outsourcing, because it involves the introduction of new variables in the European industry, including the ability for negotiation and the continued pressure to the parties to find systematic reduction of prices. This downward pressure will tend to be stronger as subcontractors observe a progressive transfer of activities to countries with lower wages, where the impact of the technologies is less. In fact, companies that can afford it and can carry out
production activities relocation. In the automotive sector, the companies outsource more and more the activities related to peripherals, cables, accessories, etc., to countries with cheap labour and facilities related to simple logistics that can be developed.

Even the most technological influenced sectors are also being affected due to the development of new technologies and the ability to transmit complex data. Therefore, the phenomenon of migration can be extended to any area of outsourcing activity, including high technology, such as textile, assembling of printed circuit boards, precision engineering, the tooling and injection moulds.

At the same time, the importance of critical aspects of outsourcing, such as knowledge and experience of professionals, could be in some production processes slightly lower, and that will be gradually replaced by robotic systems and programmable software. Business relationships will be driven by criteria as technical, commercial and financial efficiency, demanding an ever greater and more specialised training of human factor.

3. General pressure on the price level: the system of target prices

The need to improve competitiveness on global markets, forcing outsourcing companies to develop new purchasing strategies, more rigorous and objective, for example, the constant search for new suppliers. The technique of price targets assigns the initiative in price to the seller or subcontractor, depends on the different offers, selects and sets the final price. This system, which is set for a market economy started in Japan, spreading rapidly in the automotive, optics and electronics industry, to end up being progressively adopted by all multinationals. Therefore, expectations point to an increase in competitive pressure that will move to the prices paid to subcontractors. This will hold or even will reduce the prices. In this sense, there is a clear tendency to monopolise the price of annual negotiations between contractors and outsourcing companies, producing at the end a favourable situation. This may represent a serious threat to the continuity of the activities of subcontractors and, therefore, for the millions of jobs directly related to the outsourcing industry in the EU.

This is the reason why consideration the size of the subcontractors business becomes relevant as more and new safeguards are needed, better quality and
higher service level, which implies the need of reaching a minimum size, below which survival of subcontractors is expected to be in a danger.

* All data and tables in this chapter are based on studies of EUROSTAT

Eurostat’s mission is to provide the European Union with a high-quality statistical information service.

Eurostat is the statistical office of the European Union situated in Luxembourg. Its task is to provide the European Union with statistics at European level that enable comparisons between countries and regions.
Chapter 7

The current situation in Spain

7.0 - Introduction

The procurement of outsourcing services is increasing every day in popularity both in Europe and in Spain. According DBK*, a subsidiary of Report D&B (Cesce Group)*, the volume of business derived from outsourcing services in business processes with intensive use of technology, in areas such as administration and finance, human resources, marketing or sales, amounted at 775 million Euros in 2010, after growing by 10.8% in 2009 and by 7.9% in 2010.

Thus, the business maintains a great dynamism sustained in the benefits of the service in terms of reducing costs and increasing efficiency. However, there is a significant decline from the double digit change rate in previous years of the decade, resulting from the unfavourable economic situation.

Consulting firms/IT firms generated 74% of total revenues in 2010, after recording a similar growth as the overall market. The other businesses segment grew by 14%, absorbing a 13% of the total turnover, while audit/fiscal-legal counsel firms formed the 12%.

45% of sector turnover was derived from finance and administration outsourcing, after increasing significantly in recent years. Also, the areas of marketing and sales and human resources showed an expansive behaviour, representing around 13% and 10% of the market respectively.

In the short term, companies will continue being negatively affected by the weakness of the economic activity, the sharp competition in price, more demanding customers, the reduction of public budgets and the internalization of the services by some companies.

However, the business volume of the sector will maintain a high growth rate for the 2011-2012 biennium, identifying opportunities for expansion in the outsourcing of various processes. Previsions indicate an increase in the market value of about a 7% in 2011 and about 9-10% in the year 2012, which would allow exceeding 900 million Euros in the last year.
In Spain, outsourcing services are used. The main factor that leads the company to make the outsourcing decision is to produce a process of fragmentation and specialization of production activities, by which, the company focuses on what it considers the core (core business) of its activity (e.g. Nissan - automobile manufacturing), which serves to identify the company in the market and appeal to outsourcing to carry out any tasks that still remain necessary, but are considered to be outside that core, or measured in terms of economic or political cost, it is decided that are considered as not core.

The reasons that led to the need of outsourcing services are diverse: the physical limitation of the capacity because of the growth of the volume to be managed, the cost increase and the opening of new business markets, etc. For example, in the case of the Nissan Company, outsourcing the storage and picking allowed to determine the solution to the problems of physical distribution, depending on the characteristics of automotive product and partner companies.

The cost of giving the organization the necessary means to meet the needs in both facilities and personnel, equipment maintenance, equipment management, training, establishment of appropriate methods (if previously do not exist) and the implementation time that all this requires is evaluated.

Furthermore, it is also evaluated the possibility of finding a partner who can provide a practical solution as either taking the overall management or working in certain functions.

The possible combinations of internal and external resources used in a company are numerous. To choose the appropriate variant in each case the benefits each one brings are always evaluated and, of course, the means already available are taken into account. In some cases the company has the proper installation, and outsourcing could be done at the facility, and the outsourced company provides the other needed resources.

7.1 - Selection of a provider

The way of selection of an outsourced operator is like any other purchase process, the steps used before hiring the services of a third party must be
included in a systematic form of action that leads to having a group of potential suppliers, so that they can be evaluated and then selected. There are four phases that are listed below:

a) Phase 1: This phase determines the scope of the tasks to be performed by the operator.

b) Phase 2: determining the characteristics of orders to be made by the contracting company to a logistics operator.

c) Phase 3: determining the tasks to be undertaken in delivery or service provision.

d) Phase 4: analyzing of the peculiarities of the project, if it was necessary to make some exclusive dedication to the process.

7.2 - Assessment criteria

Besides the phases mentioned above, some other criteria that the company will use when selecting an operator should be taken into account:

a) Organization of the facilities, taking into account their location and number.

b) Management and control of inventories.

c) Processing and accepting orders.

d) Traceability of picking.

e) Value-added activities such as small assembly, packaging, etc.

f) Tasks of administrative nature: risk management, preparation of notes, invoices, etc.

g) Transportation management: expeditions, reissues and returns.

h) General management: financial stability, strategic direction, etc.
7.3 - Recruitment typology

The biggest problem is the lack of labour regulations or legislation requiring counter-parties that violate the feasibility of outsourcing. For this reason, many times the lack of knowledge from the parties involved in the drafting of contracts leads to unintended consequences: not always the transparency and confidence is 100%, due to this, failures are caused in the correct preparation of a contract.

Based on what is written in the previous paragraph, it is important to find countermeasures, by which the desired improvements will be achieved.

7.4 – Conflict situations (significant complications)

The conflict situation is often one in which a risk can be seen in the sensitivity of any party, or those which are hard to face. To cope with these situations, the first things to consider are three aspects that make these situations especially difficult.

a) How can get a lower complication.

b) How can achieve the goal.

c) How to achieve a relationship that does not deteriorate.

Any practical experience of outsourcing involves a number of significant complications (whose origin may be legal, economic, etc.). It requires the intervention of experienced professionals.

The key points of the services outsourcing will be cited and conflict situations that companies are currently facing will be detected to find countermeasures thanks to the outsourcing electronic guide.

7.5 - Transparent negotiation. Cooperation internally and externally

The success of each negotiation depends on the transparency between the parties involved. It must be recognized that sometimes one of the main problems is the lack of transparency and trust. It is very important that both sides trust the other one, they should begin to share all the risks and rewards
inherent to the adventure that they are taking together so they will be closer to their goals and could respect their individual skills, so that each party can concentrate on what they do best to achieve synergistic results.

Things do not always operate symbiotically; sometimes this is a difficult process full of obstacles and failures.

Also, collaboration between departments is not always very good, due to improper planning, difficulty in providing information, ignorance of operations or lack of good communication, etc.

7.6 – Legal advice

In the making of each contract and in the negotiations, the most important thing is the proper and competent legal advice. It is intended that every contract for the provision of logistics services is "tailor-made" to the needs of the user. It is preferred to not attach any contract model of logistics services; this makes harder the work of the team working for the recruitment and in this case is very important that legal advice is highly competent and specialized in issues related to outsourcing.

7.7 – Adaptation to customer needs

The battlefield is the specialization that ones, in this case the manufacturer, claims and that the other, the operators, want to offer, but for this, they request volumes and quantities over a long time.

7.8 – Outsourced personnel

Many times due a lack of foresight and (long term) planning, companies are forced to lay off a part of the outsourced workforce or relocate them. This causes extra costs and complications related to termination of contracts, in-sourcing of activities, etc.

7.9 – Costs. Fixed expenses

a) It is good to always know the exact cost involving logistics operations. It is not always possible. With the constantly changing marketplace and the
need to adapt production to every moment, the costs of new operations are not always documented in the beginning (this is due to disinformation across departments, lack of transparency (between supplier, contractor and departments), lack of internal rules of procedures, etc.

b) It is necessary to find the balance between collaborating parties (externally – supplier/company, and internally - involved departments), trying to get a continuous flow of information, transparency, the application of internal regulations, to document and justify each moment, each action, etc.

c) The conversion of fixed into variable costs. The possibility of varying the costs that are directly related to the business operations is rarely chosen, without bearing the rigidity of hiring staff or investments that have to be performed as a team, that need to be amortized within a period of time.

7.10 – Ability to control the level of service affected

It is not always possible to keep track of the provided service level. To a great extent, operators are required to have an error tracking system, quality control (ISO, etc.), and control of customer satisfaction, or have any of them in the process of implementation. In addition to the guarantee that can be a control on their side, the contracting company also establishes a check on the activities through the interconnection of computer databases from both companies, the client and the subcontracted company.

7.11 - Outsourcing of services: legal requirements

Legal and commercial conditions currently applicable follow the guidelines and standards that are listed below.

7.12 – Legal requirements regarding the provider whom the services are contracted

It is necessary that the enterprise has the appropriate legal qualification to perform the activity that is contracted, as well the caution that from the legal-labour perspective (Articles 42 and 43 of the Workers' Statute and case law), are taken to avoid situations that could be understood as an illegal transfer of
workers.

7.13 – Legal authorization for the conduct of business

When a service is contracted with a company, they must be legally qualified and authorized to exercise activity for the service, which involves:

a) In the Statutes of the Company, the activity must be defined clearly and with as much detail as purpose (exclusive or not) of the Company.

b) The Company must obtain all permits necessary for carrying out specific activities that are contracted.

c) The company must be discharged from the purposes of business tax, in the epigraph that best suites, for the activity.

7.14 – Cautions from legal-labour point of view

Previously, it is verified that the selected provider meets the following conditions:

1. Is able to exercise the functions of labour employer: organizing, directing and controlling work.

2. Must have own organization and infrastructure, namely:

   a) An autonomous and independent organization.

   b) Material resources (capital, machinery, etc.) and personnel.

   c) A specific own activity (or more).

3. Assumes responsibilities and management risks.

   The selected company must have a “preexisting history” before recruitment (i.e., that has not been created specifically for the recruitment of the service), and on the other hand, must have other clients besides the company that hired them now (this means that the customer is not exclusive, or almost exclusively, of the
company).

7.15 – Legal requirements regarding the hiring of service

Hiring is always done as stipulated in internal regulations of the contractor about this topic. In any case, prior to hiring, the following aspects are always checked (as well as the mentioned regarding the legal permission):

a) The company must be solvent at all levels and has enough human resources available (without prejudice to allow workers to be hired "ex novo" to perform the service).

b) The company must be up to date with the payment of wages to their workers as well as in fulfilling their tax and Social Security (for the latter, the supplier will be asked to provide proving certification from the Treasury of the Social Security).

c) Whenever the person acting on behalf of the supplier has enough power to do it (specifically for service contracts with other companies).

As for the contents of the contract, it must be noted that what is contracted are not people (as this is an illegal assignment of workers), but a service, which influences both the contract and the execution thereof. Regarding the contract, it should be considered, mainly, the following:

d) The purpose of the contract (service) is described with as much detail as possible, either in the contract or in an annex of it.

e) The designation (or commitment by the supplier to designate) of the supplier's representative is included, that will act as director - service coordinator, being the usual interlocutor from the contracting company.

f) As to the price, it is always preferred for this purpose the establishment of a monthly global sum (with a change regime in this case) against a price per hour worked.

g) When the service consists in shifting to the company that contracts the service, of the workers who will provide it, it is necessary that the
contract sets out the measures for coordination between the contractor and the risk prevention supplier.

h) The provider is obliged to declare expressly that has sufficient liability insurance policy to cover the possible risks arising from their activities, and undertake to maintain it operative for the duration of the contract (the actual existence of this policy is checked).

i) The provider is obliged not only to bring people to the realization of the service, it is also necessary to also provide other material resources (equipment, machinery, working equipment, etc.) and/or technical (own software, technology or know-how, etc.), as there are recent judgment decisions that appreciated the existence of illegal transfer of workers if the service is solely to provide workers to the main company.

In general, service contract models typically used by companies contain the necessary precautions, but their adaptation should be studied to each particular case.

Under Article 42 of the Statute of Workers is required to report to the Works Council of the main company, and the provider (the company providing logistics services) should do the same with its works council, at the moment any service contracts is made, about the following:

j) Name or business name, address and tax identification number of the provider.

k) Scope and duration of the contract.

l) Location of the contract (service).

m) Number of workers to be employed in the facilities of the main company.

n) Measures envisaged for coordination of activities from the point of view of prevention of occupational hazards.
7.16 - Conclusion

Based on everything said until now can conclude that in Spain there are problems related to the outsourcing services for lack of legislation, transparency in business relations, labour rights, etc.

*DBK - is the first Spanish company specializing in the development of sector analysis and studies of competition. Since October 2010 is owned by Informa D & B, CESCE Group company leader in providing business information, financial and marketing in Spain and Portugal.
Chapter 8
Measures for improvement
Business intelligence

8.0 - Introduction

This is a new form of design and execution for outsourcing services (in this case the author will discuss the logistics services), based on collaboration, ethics and corporate responsibility of all involved. New resource for Strategic Sector.

The current crisis and the real collapse, requires an analysis as realistic as possible, and acquire initiatives to achieve success.

The market economy is based on private property and on freedom of enterprise, better when it is more extended, it is not in crisis, what is at stake is the pattern of abusive conduct and rules, or lack of them, that allow them or make them possible.

The answers have to come from a new model, where the corporate responsibility of all stakeholders involved directly or indirectly manifested through a new sustainable and responsible behaviour, and managed through a new paradigm based on partnership and joint liability throughout the chain.

The principles underlying this new model must be developed beyond the rules and bind the company to look for the necessary arrangements for the new model to pass a mere declaration of intent to a code of best practice, where are only permitted responsible relationships of all involved and where is possible the expulsion of the behaviours that go against them.

The global logistics sector assume + / - 14% of global GDP (Gross domestic product) and the Iberian Peninsula can and should play an important role in European logistics market, combined with the situation of generalized crisis of the markets, makes today more necessary than ever to find in the business cooperation, new ways to add and therefore promote areas / sectors that may be the engines or contributing significantly to overcome this situation and become a future strategic sectors.
For example the logistics is increasingly important and becomes a principal leader in the strategy of companies, as a fundamental factor for improving competitiveness in a global environment and submitted to constant change. Globalization is a threat to the markets, also presents an opportunity and depends on largely on the logistics and management of the supply chain.

The logistics sector has been identified, traditionally, as an integrated by transport companies, whose sole function is focused on moving goods from one point to another. However, the recent evolution and future of the sector suppose the integration of transport activities with a series of increasingly complex services. Thus, this activity could be defined as the set of services and bridge between the links of the supply chain and logistics operators operating in the market as:

Those companies, who design, organize, manage and control the processes of one or more stages of the supply chain (supply, transportation, storage, distribution, assembly, final packaging, inter-modality capillary distribution, and urban mobility, using this physical infrastructure, technology and information systems, themselves or others).

Thus logistics allows the product to acquire its value when the customer receives it in time and in an appropriate manner at the lowest possible cost and like this solving the traditional production cycle mismatch between manufacturing and consumption, as a result of spatial and temporal separation between both phases, especially relevant in these times when the globalization of consumers and relocation processes is increasing.

In the development of logistics sector there are five main steps that must be considered and they are:

1. Adequate infrastructure.

2. Talent development.

3. Enterprise size.

4. Use of technologies.
5. Modern market and homogeneous conditions and maximum transparency in the negotiations of operations.

The elaboration of a guide of outsourcing will serve to improve the image of the sector, to improve the security, to improve the environmental quality and they are key elements in developing a modern and competitive sector.

Trust, integrity, honesty and transparency are essential in a free market economy, since in an increasingly competitive environment, it is indispensable to have reliable, accessible and updated information in order to conduct business and activities in a safely and efficiently way.

To ensure these values, the markets must have certain level of regulation that allows a sustainable development in the future.

This regulation should include the following:

a) Market definition and recognition of agents that act on it.

b) Defining the rules for operating in that market and the rules for entry of new suppliers.

c) Defining the rules to control the agents operating in the market, establishing penalties for non-compliance.

The market for logistics operators is no different to other markets and, therefore, requires safeguards for all agents that interact in it: shareholders, employees, customers, suppliers and community. Today, the concept of logistics operator is not defined in the Spanish legal system, largely due to its recent emergence as separate and distinct companies from conventional transport. Therefore, its activity is not directly regulated by any specific legislation, causing in many aspects a legal loophole trying to resolve through the some generic rules although not being fully adapted.

The market of logistic operators needs to have mechanisms that demonstrate the good performance as in terms from the point of view of the agents and the same way of the activities required to comply with the rules. Following this strategic line, it is necessary to launch a series of projects to develop a scenario
of self-regulation and collaboration in the market, thus ensuring the values of trust, integrity, honesty and transparency for all actors interacting in the market.

One of these projects can be routed to a set of principles that should guide and inspire the business of logistics operators. These principles have to be discussed deeply in reaching a broad consensus in the company to turn these principles into a sector code of conduct to help transmit an image of trust, integrity and transparency in the sector, finally improving the competitiveness of the sector.

The script for outsourcing will follow next points:

- A set of guiding principles and inspirational professional seal of an organization.

- There are three dimensions of interest towards the development of this guide:

![Diagram](image)

**Figure 8.1** – Script of Outsourcing services.
8.1 - Principle of independence

The logistics operator revenues must come from the performance of logistics operations and not others.

The relationships or interests of the logistics operator will not be affected so that may compromise their ability to decide and act on employees, suppliers, customers and community. In particular it should be considered:

a) Logistics operator revenues must come from the performance of logistics operations and not others.

b) Logistics operator revenue will come not only from carrying out activities to one client, where it belongs to the shareholding structure of operator.

8.2 - Principle of respect for the rules of the free competition

The logistics operator must have freedom to carry out its business and the customer freedom to choose between one or the other operator. It also represents the following:

a) Provide sufficient information to current and potential customers about the features of the service provided by the operator and the rates charged.

b) No conditions imposed unilaterally or jointly with other logistics providers to exclude third-party services.

c) Do not set prices for services rendered under the costs associated with the activity and / or have a clear method for calculating rates.

8.3 - Principle of sustainability

To stay on the market, the logistics operator is established in order to be profitable and sustainable over the time. Only in this way, the logistics operator will remain on the market and, therefore:

a) Keep the customers, giving the service they require.
b) Satisfy shareholders.

c) Employee loyalty.

8.4 - Start-up service standards

Establish in advance and in detail in the commercial relations between the logistics operator and its customers, the commitments made by each to the service. More specifically, it is:

a) Define relationship requirements that make up each of the services provided by the logistic operator.

b) Establish in advance and in detail the commercial relationships between the logistics provider and its customers, and the commitments acquired by each one to the service.

c) Define control measures the degree of compliance with these commitments.

8.5 - Principles of quality commitment

The logistics operator must identify, accept and meet the expectations and needs of shareholders associated with it - clients, suppliers, employees, shareholders and community - on the services offered. This means:

a) Adapt processes and services relating to his activity to satisfy stated or implied needs.

b) Insist on the implementation of quality systems in the organization to measure compliance with the needs of shareholders.

c) Prove the correct operation of the quality system that has implemented.

d) Establish measures to publicize the implementation of quality systems in the enterprise to customers, employees, shareholders, suppliers and the general community.
e) Promote the implementation of integrated quality systems with customers or suppliers.

8.6 - Principle of subcontracting dignity

The logistics operator shall be required to identify mechanisms to ensure a good understanding with the agents contracted under the criteria of maximum respect for the rules and regulations governing the activity. Specifically this involves:

a) Define the criteria to be considered for outsourcing activities, inspired by respect for the rules on safety, health, working time, driving, loading, etc.

b) Establish mechanisms to ensure the co-responsibility of the outsourced agents in compliance with such standards.

c) Establish mechanisms for control and communication with outsourced agents, extending these mechanisms to the providers of logistics operator.

8.7 - Principle of compliance and commercial work

The logistics operator has to observe strict compliance with labor standards and trade that affect their activity. This also involves the following:

a) Plead for compliance with existing rules at all times by employees of the logistics operator.

b) Consider, in case of default by their partners, to continue or not the collaboration with them.

8.8 - Principle of respect for the environment

The logistics operator and its customers should be aware of its commitments to the environment and society, so they have to consider both inside and outside their fields of activity, taking into an account the impact that these may occur.
a) Take all necessary means to ensure an adequate environment to achieve a lower emission of pollutants resulting from the activities of the logistics operator, thereby minimizing the environmental impact that they represent, or through media own or subcontracted.

b) Make waste management proper practice to ensure the health of people and environmental quality, in collaboration with customers and suppliers.

c) Establish mechanisms for control of emissions and waste, training employees, and other elements that contribute to the definition of a genuine environmental policy in the field of logistics operators.

8.9 - Principle of compliance with the criteria for prevention of occupational hazards, health and safety

The logistics operator must meet all the requirements under the rules on prevention of occupational hazards to health and safety. This implies:

a) Define an integrated system occupational hazard referring at least the following elements: organizational structure, responsibilities, practices, procedures, processes and resources necessary to carry out the policy of prevention and corporate security.

b) Keep the media equipment and facilities with adequate health safeguards and care, thus avoiding situations that could affect the health of employees, consumers and / or users.

c) Have a Committee of Safety, Health and Prevention service to advise on this matter.

8.10 - Principle of transparency

Transparency will be promoted at all levels of the organization and to the other agents that interact with customers, suppliers, employees, shareholders. Specifically:
a) Process the information related to logistics for its client, assessing that this is complete, correct and is available for viewing by electronic means or other.

b) Provide relevant information to society for the knowledge of the situation in the sector of logistics operators, thus improving its image.

8.11 - Principle of self-control

The aim of this principle is:
to submit the conduct, practices or strategies of the operator's business logistics to all the above principles and accept that in light of these latter may be considered objectively or not in conformity with the requirements of good faith and good commercial usage.

Animus in consulendo liber
(Free Spirit in its decisions)

This initiative is just the beginning of a series of initiatives, always based on cooperation, looking to advance in the way of establishment of new principle.

The next step is:

It's time to be transparent and to return to the most basic business principles, where the long-term is rewarded and speculation is punished, where competition is fair and when not, are fighting equally by all the actors in the chain, regardless of their direct involvement, and therefore do not benefit from it voluntarily, and where corruption has no place.

Innovation and collaboration are a common task for all involved and the driver of competitiveness and efficiency in the new principles. There are new basis in the design and implementation of the activities of the supply chain, such as openness and sensitivity in their design to the other entities involved, combining the common good with the individual good, the sense of community without forgetting the collaboration and the competitiveness. Need to be installed in new organizations values and business principles for this paradigm is consolidated and consideration of long-term value creation together with the
transparency and consistency in variable pay systems, with the concept long-term sustainability.

These new principles in the Supply Chain set to the companies involved as profit-oriented organizations of all shareholders involved in it, making it much stronger, flexible, extremely power efficient and corporate strategy for sustainability.

Hans Jonas, one of the most influential references in the field of applied ethics, formulated for the first time the principle of responsibility and says:

Act so that the effects of its action are compatible with the permanence of human life and sustainable economic system.

Jonas ethics stems from one fact: the man is the only person known to have responsibility. Only humans can consciously and deliberately to choose between alternative courses of action and that choice has consequences. The responsibility comes from freedom. Or, in his own words: accountability is the burden of freedom. The responsibility is a duty, a moral that runs throughout Western thought, but now has become even more pressing because, under the conditions of modern society, has to be at the height of the power of man.

The imperative of responsibility can be schematized in three points:

a) A fact: the system is in danger and the cause of this danger lies in the excesses of man.

b) An axiom or imperative: must act from duty is for all the long-term system.

c) A theory and ethical practice: based and fuelled by fear.

Corporate responsibility and good behaviour do not apply only to activities within the walls of business or sector, as industry change, the duty extends globally to all participants in the supply chain or in the transport and logistics system and also to people, environment and society. This is how we want to build a new sustainable principles.
There is a close link between good and responsible corporate conduct and efficient business and success. If the logistics operator and the contracting company working together to improve; it is possible to meet current and future expectations of customers and investors in short, all recipients of services.

It is thought that everyone should be treated fairly and that all entities involved have the right to get fair and balanced benefits, since it is possible that some of them win a lot and others are constantly strangled. The industry will have to survive by the coexistence of customers with suppliers and these in turn to consumers, delivering all of its margin, a profit, and other purchasing power, paying for things at the right price and so relaxing part of the vortex of consumerism.

**8.12 - Conclusion**

This script is a proposal to develop a "Strategy for Outsourcing services" which ensures economic and social rights of all participants in it.

The strategy, among others, includes "Nine key issues." These nine themes are: the environment, labour practices, corporate governance, collaborative innovation, the pyramid of subcontracting, transparency in commercial contracts, fair business practices, collaboration between the parties and the commitment of vigilance.
Chapter 9

Measures for improvement

Benchmarking

9.0 – Introduction

The second measure of improvement is the legal regulations. This chapter will make a comparison between the legal rules in Spain, UK and other European countries. As a starting point is the legal situation in the UK. The reference examples, mention the data or comparable rules of the Spanish labour legislation.

9.1 - General legal framework for labour relations

1. Legal regulations governing the types of contracts

In Spain it is governed by the 1978 Constitution, the Statute of Workers and Royal Decrees establishing the requirements of the types of contracts and collective agreements for each sector, or the companies' collective agreements.

UNITED KINGDOM

Unlike some of the continental systems, in Great Britain or the United Kingdom there is not a Labour Code, its regulation is derived from numerous sources, some of legal nature and other from jurisprudential origin or from courts reference, which interact in complex ways. In short, the more important minimum legal framework of rights is the following:

gender, marriage, race, nationality, ethnicity, disability, religion or sexual orientation.

CONSIDERATIONS

Since it cannot be otherwise, all evaluated countries are law states that follow the traditional lines of the division historically known between continental rights and Anglo-Saxon root rights.

It is necessary to assess this situation in the historical context in which the compared legal rules are originated.

Some of them have their origin in the period immediately after the Second World War and the kind of political systems that are established in Europe, which give to these rules their own profile and characteristics. Poland is a similar case after the popular ratification given to its Constitution on April 4, 1997.

France, Spain and Poland maintain a basic body (whether it is called the Labour Code, or the Workers' Statute) which is comprised of labour standards following the tradition of coding with clear references to these countries' Constitutions and lets to a low-rank regulation multiple issues.

That said, we must not forget that today a significant part in Spain regulating labour relations, the current Workers' Statute (with minor modifications by the Royal Decree of March 4, 1977 Industrial Relations) are inherited from the Employment Contracts Act of 1940, which was strongly influenced by the Diritto dei Labouro from the times of Mussolini. Examples of this heritage are the system of legal cases in the disciplinary dismissal and the amount of compensation established for this type of contract termination. The only change in this area after the Spanish Constitution is contained in the Workers' Statute in its first draft of 1980 has been to set a monthly payment and average compensation (45 days per worked year) compared with the existing 2 months payment in the text of 1940.

The UK continues its traditional systems of multiple sources of legal or extra-legal nature (Labour Law, Simon Deakin and Gillian S. Morris, Buttererworths Second Edition, p63) with a large proportion of the Courts pronouncements. Something similar happens in the Netherlands, where the principle of freedom of
contract, good faith and balance between the parties separate both countries from especially rigid legal frameworks.

Despite the above, a simple look at the laws and regulations of the studied countries, gives an overview of fragmented regulation, complex, overly partisan, which is ultimately ineffective and has hindered a comparative study.

2. Types of existing labour contracts in the legal regulation

UNITED KINGDOM

a) Permanent Contracts: Contracts that may be full time or part time.

b) Fixed-term Contracts: Learning Contracts, contracts for experienced workers, maternity replacement or for short periods, as military reservists or long illness. These forms can be full time or part time.

c) Temporary Contracts: Contract for production peaks, which can also be full time or part time.

CONSIDERATIONS

In most of the evaluated countries, the general principle governing the contractual relationship is the permanent contract. It follows a pattern of tutelary protection for the worker, by the employer failing to comply with legal requirements that limit in each country the possibility of signing temporary contracts.

For the United Kingdom and the Netherlands is not as important as the contract is considered permanent or temporary but the contract itself complies with the general legislation that protects the rights of workers.

Broadly speaking, in a first approximation, the comparison of contracts between the type or types that each country has, they can be grouped into four groups, without detailing at this time the specifications of each:

a) Hiring permanent full-time or part time.
b) Temporary contract or production needs increased activity.

c) Access to employment contracts or training contracts.

d) Temporary contracts, which come to cover the replacement of workers with job reservation for various personal reasons, maternity, sickness and so on.

Marking a turning point and regardless of the semantics of contracts is curious to see as in many of the analysed European countries, the contract with temporary work agencies is listed as substitution or interim contract, or commercial contract, or triangular contract (between client company, agency and worker) without the negative notes that were valued at the time of its introduction in Spain.

Also examined roughly in this section it can be seen that the business needs in terms of types of contracts are common in all countries. Indefinite contracts generates the creation of human group or team base, which collaborates permanently with the company and only the temporal needs of production or activity tips are those that induce signing such temporary contracts. Other temporary contractual arrangements are due solely to personal circumstantial situations (interns, maternity leaves) or purely seasonal, mostly common to all businesses and workers in the EU. In Italy after the publication of Law Biaggi, atypical recruitment vials has been opened in the search for greater flexibility, but conditioned in many of its aspects to the collective bargaining.

However, it must be considered the fact that occurs more or less temporary in a country, if the prosecution of the temporality is based in one or more causes. If it is considered a set of multi-causal reasons, to find out what these are. Among these causes, in addition to the legal constraints of each country, that allows the companies to sign temporary contracts with more or less ease, some legal questions are evaluated, such as restrictive or flexible criteria to terminate contracts, providing legal reasons for termination of these, and the additional cost that will have the unilateral termination by the employer.
As this study is not focused in the analysis of temporality, it does not refer to other issues which contribute to this situation, sociological or economic, such as industrial and service structure of a given territory, country's economic substrate, or even the degree of training or implementation of new technologies, research and development and so on. Impact on these issues would deviate from the target.

3. How is defined, in the legal regulation, the permanent or stable contract

UNITED KINGDOM

Not defined in any regulation. By default, a contract is indefinite when it is not neither temporal nor has a fixed period determined at the moment of signing.

CONSIDERATIONS

Unlike Spain, where there is a definition of the employment contract, as to the interpretation of the notes that make up the permanent contract as an employee, the Supreme Court case law and changes it introduces, the rest of the countries do not seem to need or have a strict legal definition of a permanent contract. Indeed, are governing criteria defined from civil law, rather than criteria searched for that purpose in labour laws "ad hoc".

Interestingly this does not prevent the protection of workers in these countries to be less than Spain, or that the working conditions to be considered deregulated. Also highlight that the signing of permanent or indefinite contracts is higher than in Spain, even though its legal definition of employment contract is not strict.

4. How are the temporary contracts defined in the legal regulation

UNITED KINGDOM

As well as the permanent contract, it is not regulated by statute, so the contracting parties must agree the temporary nature of the contract and its terms or conditions. In any case subject to the general limitations, established as
minimum right in the legal framework, stated in the first point, that is respect for the rules on contractual practices, working hours, rest periods, night work and salaries payment.

Since 2000, according to the Fixed-Term Employees Regulations, intended to prohibit less favorable practices for temporary workers and fixed-term contract, if after four years of service with a temporary contract the worker continues on the company, this contract must be renewed as indefinite, unless the employer justifies the renewal objectively in terms of temporarily duration.

CONSIDERATIONS

In almost all European countries except Britain and the Netherlands, the definition of temporary employment is linked to the existence of objective conditions rather than a legal definition prototype. In the UK and Holland prevails the exact determination of the time to be applied for the provision of services by the worker.

Such common objective conditions, in addition to determining a specific completion time are, among others: the conclusion of a specific task or the arrival of a particular event, coverage of a vacancy, or seasonal work.

5. Which are the different types of contracts, considered legally as stable contracts

UNITED KINGDOM

Each contract of employment that is neither temporary nor has a fixed duration.

CONSIDERATIONS

The question has legal and sociological nature. Different types of contracts have been considered in relation to its evaluation by the labour market, and as cannot be otherwise, stability in all countries is linked to the permanence of the contract itself, both legally and socially.
In none of the analysed cases permanent part-time employment is considered unstable. Under this contract the difference in social perception of stability seems to link to remain in the company, not the intensity of protection at the end of the employment relationship.

Importantly, unlike other countries, in Spain the concept of stability is more closely linked to a compensatory amount (45 days of compensation) in case of dismissal, a circumstance that is valued by the labour market as the legal and jurisprudential doctrine as a basic element (if not most) in order to guarantee labour rights. In fact, commonly, the criteria used to evaluate the stability have as a reference the amount of compensation for dismissal. This is demonstrated by the fact that the promotion of stable employment was made lowering the compensation to 33 days per year of service under certain circumstances and when certain requirements are met by the company in the contract termination.

6. Different types of contracts legally considered as temporary.

UNITED KINGDOM

The legal distinction is not as exhaustive. In fact every employment contract is temporary when there is a limit of length of time for the worker that is expected to work for the employer.

It can be seen that there are two different kinds of temporary contracts.

a) Contracts that are not constrained by a fixed duration of labour, not for a specific event. These contracts are regulated by the contract, not by a statute of rights, but have to respect certain objective conditions (Temporary Contracts).

b) Time-limited contracts for a fixed duration of labour or a specific event. For example: the return of an absent employee or termination of a specific task. They are what are called fixed-term contracts (Fixed-term Contracts).

In some specific cases the objective conditions to respect act as contract causes, such as: learning contracts, for people of greater experience, production peaks, or to cover short periods, like maternity, military reserve, disease, etc.
In any case, workers with employment contracts of limited duration cannot receive, from his employer, a treatment less favorable than workers with permanent contracts, unless it can demonstrate objectively the difference in treatment.

This differentiation can be determined two ways:

- Demonstrating that there is objective justification in which the worker cannot receive a specific benefit or receive the benefit in less favorable terms.

- Demonstrating the value of the total compensation or the terms offered to the worker with temporary contract is similar to the value of the total compensation of the workers with permanent contracts but in other terms or conditions.

**CONSIDERATIONS**

Essentially, temporary employment within the labour market responds to specific patterns common to all countries arising from an obvious fact, but it deserves to be reviewed, that not all workers that access to a company will remain permanently in it, as a their call responds to other business needs.

These business requirements are of two types, to replace a worker with permanent contract who the company in any case want to lose, or whom that has a legal reserve of job, or, secondly that the company suffer a not constant increase in activity that is subject to production flow or seasonal conditions, characteristic of the activity that the business develops.

In this sense, the duplicity that is done in Spain of works or services contract and the eventual because of possible circumstances of production does not seem to be reflected in any of the countries that are evaluated, except in Poland, using as reference the outsourcing form that exists in that country.

But it cannot be said that in all these countries, sectors such as construction only have permanent contracts and not temporary, or that does not exist as major employment sectors that provide employment for a significant percentage of
employees.

Returning to the starting point, that in Spain would seem unnecessary, if other legal and social conditions were met, to use two types of temporary contracts (the work or service and the eventual for the circumstances of the production) to meet the same need, which is common in all countries and solve it with a almost single type of temporal contract, that are the needs of temporary workers by the activity of the company in its production cycle.

Outsourcing, so profusely regulated in the Iberian Peninsula, and that Spain is the biggest user of labour or service contract, does not need a regulation as intense or as specific in the other countries. This is even more noticeably when the level of externalization of activity is even superior to the Spanish reality, who has only implemented in its law, what are internationally common uses of business management (the so-called industrial process of outsourcing).

Outsourcing is intense in most EU countries, especially the data obtained in the industrial sector, but further treatment deviate from the purpose of this study.

Outside the objective considerations of the study, but as an appreciation that shows that this line of analysis of temporary contracts could lead to a debate that could arise as follows: temporality is encouraged by the existence of a plurality of types or different modalities of contracts that allows an use thoughtless and sometimes difficult to control, or temporary employment is the loophole that is given to the companies to increase employment, in order to not assume the political or social cost to introduce legislative reforms, involving a rationalization of how the contract is extinguished and its subsequent cost in Spain.

**7. What requirements must meet the company to use temporary contracts**

**UNITED KINGDOM**

There are no specific requirements regarding the use of temporary contracts. However, these temporary contracts must comply with minimum standards for the application of any employment situation, i.e., as if they were permanent contracts.
CONSIDERATIONS

The initial requirements, and therefore, indirectly, the first limitations that businesses have to sign temporary contracts in Italy, France and Germany are of objective nature, previously advised and regulated by its specific policy. These limitations may be due to the situation where the company is (redundancy, mass layoff, avoiding the effect of the substitution of permanent workers by temporary workers) or may respond to limitations of the subjects on which this type of contract can be performed. UK and the Netherlands once again go beyond this limitation, even while recognizing the need to harmonize its legislation in this matter to the EC directives. Currently in the discussion phase.

Obviously, as in Spain, in each of the countries initially mentioned performs redundancy in more or less detail when, how and what is the kind of contract that can be subscribed as temporary contract. However, as discussed below, its regulation in these countries has a dual purpose: protecting the rights of workers and facilitating the company to achieve its objectives on temporary labour with a balance in respect of different interests, of employers and workers, an approach that is not used in Spain.

They all agree in not allowing to sign temporary workers to replace strikers.

9.2 - The form of the contract

1. There is specific regulation of the contract: written or verbal contract

UNITED KINGDOM

The contract is not covered in any certain way by a minimum standard of law or subject to any formality.

It can be oral or written, but the law has imposed certain obligations on the employer to report in writing to the employee of the particular content of the job that offers, and the minimum rights that the worker has. This is called "Employment Data Report" or "description of the job".
This information may be collected in a simple document with basic information and conditions to be agreed between the two parties, or more complex information depending if it contains an offer of fixed duration. The Employment Data Report or "Detailed description of the job" can contain, in addition to other conditions, social benefits proposed by the company as a means of recruitment or retention of the employee, or disciplinary procedures characteristic of the company in order to keep confidentiality of the data processed, etc.

This information, which is ultimately a contract drafted by the company on the terms offered must be notified in writing during the month or even two months into the provision of services.

**CONSIDERATIONS**

As in the United Kingdom, in all the studied countries the contract may be oral or written. However, except in Italy and France for some cases do not exist as exhaustive rules as in Spain in relation to all types or forms of temporary contracts, which require to be formalized in writing. In fact, the common obligation in the UK, Netherlands and Germany is to deliver a document with the essential conditions for the provision of work, which content as a generic example of all countries could be as follows:

a) Name and address of the parties.

b) Place where the working activities will be performed.

c) The role of the worker or the nature of his activities.

d) Date of entry in the company and if the contract is for a definite duration, the established length.

e) Holidays entitlement and its calculation.

f) Salary and terms of payment applicable.

g) Regular weekly or daily working time.

h) If the employee will participate or not in a pension fund scheme, etc.
Although in Spain it is legally possible to demonstrate the temporal nature of the contract, even when this contract has not been formalized in writing, experience in courts indicates that, if not in writing, contracts that are not considered indefinite are scarce and for very defined activities. This leads to temporary contracts, even of very short duration, to be recorded which raises the number of temporary contracts for the purposes of computation, in relation to comparative statistics that are commonly used by international institutions such as Eurostat.

2. There are legal consequences derived from the oral form of the employment contract

UNITED KINGDOM

The oral form does not have any direct legal consequences, but it is important that the employer and employee are satisfied with the content of the Report of Employment Data or "detailed description of the job."

CONSIDERATIONS

Only Italy and France may be more akin to the laws of Spain in order to consider two types of contracts as indefinite if not made in writing: part-time contracts and fixed-term, with certain exceptions. In contrast, in the other countries, neglecting of the formal recruitment requisites does not penalize the contract itself, but the non-fulfillment of the legal limits that protect the rights of every worker in relation to the contract that has been made.

Regardless of what is considered so far, there is a debate within the writing team, of the little importance or weight that is usually awarded to the form of the contract and that would require a separate examination of this matter, which again would divert the purpose of this comparative study.

This consideration is made looking at the official employment statistics supplied by Eurostat, where it must be assumed that it takes into account the legal differences in each country in demanding the implementation of written contracts and differences in modes of existing contracts.
There are reasonable doubts about the type and percentages in the data supplied by the official statistics given that the written form is not mandatory in most cases.

9.3 - How to establish working conditions

1. The labour contract sets the conditions for workers on: place of work, working mode (in shifts, split workday, etc.) Length of labour (number of hours per day), pays to receive

UNITED KINGDOM

The employer, when delivers the Employment Data Report or "Detailed description of the job" to all workers, whether temporary or permanent, in the following months after the start of work, includes information of all the above issues:

a) Date of beginning of the activities.

b) Conditions of wages.

c) Holidays.

d) Working hours.

e) Social benefits.

f) Conditions relating to pension schemes.

g) Periods for notifications.

h) Position or job category.

i) Workplace.

CONSIDERATIONS

It is noted that the formation of individual contracts tend to pick the specific elements that regulate "this" and no other relationship. It is clear that in all cases, the individualization of information and hence of the work conditions,
cannot collide with the minimum legislation, both from state and that agreed in collective bargaining, in effect for each type of contract.

In Spain, like France, Italy and Germany, countries where collective bargaining is the most important part to give form to the contract, collectively negotiated terms prevail over individual. UK and the Netherlands once again escape from these criteria, where the individual negotiated conditions have preference, if they satisfy the general minimum standards, governing the principle of freedom of parts in a more accentuated way.

2. The previous setting can be regulated by collective agreement or prevails the individual agreement between company and worker

UNITED KINGDOM

When creating the Employment Data Report or "Detailed description of the job" the employer includes the information or conditions stipulated by the sector collective agreement, or another conditions as appropriate. No collective or individual agreement can prevent this information to reach the work contract. But the parties can agree some terms of the contract to fit the needs of the company, without violating the essence of the agreement, as they have some margin to match the type or business of the company.

CONSIDERATIONS

It can be seen as the collective bargaining in general acts as the minimum ground of working conditions, and the contents of the contract can be individualized if some superior conditions are established.

This would lead to a deeper study of the content of collective agreements in each country, considering that these leaves the parties agree to terms that fit the needs of the company. Perhaps this end, initially not evaluated as a comparing element in the study, would rise now as a good method for flexible working relationships.

Again, because the content of this study is itself already large, it would leave as a pending issue to check how the collective agreements in these countries left open possibilities for individualization of the contract, something rejected in
Spain. This undoubtedly due, among other considerations, to issues ranging from distrust from the syndicates to this type of union formulas; to the degree of greater concentration and centralization of the powers arising from collective agreements and the agents operating in it, and the degree of unfair competition that can be generated between the companies through wage costs.

**3. The legislation allows the unilateral amendment by the employer of the following factors:**

   a) Place of delivery (mobility).

   b) Assignment of tasks to develop (versatility).

   c) Working time (day).

   d) Rate of work (shifts, split workday, on certain days a week).

**UNITED KINGDOM**

The unilateral change by the employer without reason, after the delivery of Employment Data Report or "description of the job" is not allowed. However, in many contracts it can be previously agreed that these issues can be modified by the employer regarding or not to subsequent agreements between the parties.

**CONSIDERATIONS**

The principle of protection of the rights of workers can be seen in all types of legislation. The employer may never have unilaterally the control of the contract's content. While the law or collective bargaining act as a brake on unilateral action by the employer, in most countries the collective bargaining allows to set the rules or exceptions to change the conditions if there are objective reasons, like for production, technical, acting in the mutual interest of both.

Moreover, the work contract allows to have these causes individually preset.

Italy and Spain, and France in some respects, resemble in order to the more formal rigidity (relating to modification of days). In both countries the law leaves
little room for prior maneuver in the recruitment, which gives to the other
countries and to the entrepreneurs a greater margin of maneuverability and
therefore flexibility.

In any case, it is in Spain and Italy where, by the last loopholes in the
administrative intervention, the labour authorities and courts are provided with
decision-making power on business strategies for production and/or business,
not seen in the rest of the countries, even though in some of them the causes
underlying the changes must be proved, which is not equivalent to having to
anticipate the business development strategy to be applied. It would be a matter
of considering whether if in the Spanish collective bargaining could been devised
as formulas for flexibility, the examination of changes in working conditions,
proposed by the employer within the scope of the Joint Commission, in case of
not reaching agreement with the representation of each business unit, and, if the
Spanish businessman could come to trust their natural competitors
(entrepreneurs who are part of this Joint Commission) to discover the path of its
business plan for the future. This end should be under consideration by both the
worker unions and the business managements.

4. If you do not allow the unilateral change, specify the method or legal
system that the company has to obtain the modification of the previous
conditions

UNITED KINGDOM

As previously stated the terms or conditions of the contract can only be changed
by agreement between the parties, both individually and collectively. But the
employer can terminate the employment contract (citing legitimate cause and
through a fair procedure) offering a new one with different conditions. The
worker can accept the new conditions or leave the company.

CONSIDERATIONS

The example of UK legal course would be more alien to the Spanish regulation.
By contrast Italy and France offer situations similar to the Spanish social and
legal reality. It must be stressed that Spain also allowed these radical alterations
to the contract with previous consent of both parties. But their use is limited,
usually conditioned on the worker's own needs or corporate crises which shows
that a substantial modification of working conditions designed only to achieve more competitive companies is not grounded in the mentality of the Spanish society, as evidenced by the fact that are almost always taken in cases of corporate crisis.

It is important to note that France distinguishes between changes in the employment contract and the modification of the conditions of the contract, leaving a margin of space in the latter to obtain greater flexibility, which does not break the protection of the worker rights.

5. If you do not allow the unilateral change, legal causes exhaustively regulated must be justified

UNITED KINGDOM

There is no cause-specific relationship assessed by the law, that allows both the modification and termination of the contract, but the company must demonstrate a substantial and important reason, to apply the changes.

CONSIDERATIONS

Reinforcing the above criteria in all the countries studied, except Italy and Spain, even when they are provided with a greater flexibility in the setting of initial working conditions, in order to the amendments proposed by the employer, its regulations do not allow him to act by mere convenience, not justified. However, the causes that allow modifications are directed to the purpose of creating or giving more room for business development while safeguarding the preexistence of the greatest possible stability for the employee's previous work conditions. It does not rule for the sole purpose of maintaining the highest of the previous conditions for the worker or to keep him less affected, as happens in Spain.

Even in Britain and the Netherlands, which have no restrictive regulation, unilateral and without cause actions are not permitted by the employer. The company must demonstrate the suitability of the changes when requesting, to impose them to the worker.
9.4 - Duration of the provision of work, when contracting: full-time and part-time contracts

1. How it is regulated the duration of the contract. Modes or types of contracts based on the contracted workday

UNITED KINGDOM

The regulation serves more to set the contents of the contract agreements, i.e. when and for how long the employee works.

As regulatory restrictions on duration of the contract are mentioned:

- a) Night work: limit the length of night work.
- b) Working Time Regulations, which provides weekly total time and the number and length of breaks at work, and the holidays entitlement. The standard work time is set at 40 weekly hours. In case the worker should work overtime it must be expressly stated in the contract of employment or in the conditions of employment of the Employment Data Report. The workday and length of the service provided is usually set in the collective agreements or in the individual contracts, having the standard workday as a reference.

As in other European countries, contracts are full time or part time, and must comply with the generally established for all types of contracts, and also from 2000 by Part-time Workers Regulations, aimed at preventing less favourable setting for part-time workers in relation to full-time workers, unless the company objectively justify different treatment, as described above.

CONSIDERATIONS

The existence of regulations that limit the maximum duration of the workday is what determines the difference between a full time or part time contract. The weight of regulation of the working time generally established in each country, whether if it is imposed by legislative bodies or resulting from collective bargaining, imposes the differences between full-time or part time hiring.
Depending on that the maximum length of the work time results from a mandatory rule or from collective bargaining, allowing better use or rather a more flexible use of the work time as a promotion for employment or as a promotion for flexibility of labour relations.

In this section we perform some analysis of the maximum durations of workdays, obligation or prohibition of overtime work across countries and treatment that have collective bargaining or the margin that are given to the latter as a way of distributing length of time and therefore the duration of the contract based on the contracted workday.

All countries have general rules on working time or duration of the day (except UK, where various ways to set the maximum reference time coexist, preferring the regulation via collective bargaining better than state general regulation (Working Time, p. 307, Labour Law, Simon Deakin and Gillian S. Morris.) and how overtime work can be done. In general, all countries regulate with protective laws the youth, women or disabled work, which gives them a note of homogeneity in the treatment of these groups.

That said the type or modality of contracts in all countries depending on the signed workday are basically two: full time or part-time contracts. Other newly established contractual arrangements, such as the atypical work in Italy, differ not by the length of time employed, but by the internal contractual relationship between the parties halfway to the self-employment.

There is not a specific regulation in most countries, similar to that of Spain by Royal Decree Law 15/1998 and Royal Decree 2317/1993. A regulation rather similar to the Spanish could be the French, even when the content type of the French regulation it is not strictly equivalent. Neither it is as common in this country as in other such as Britain or Holland. It could be questioned again if the over-regulation leads to not using this type of contract.

The extensive and strict regulation of part-time hiring in Spain, with its subsequent modifications, has led to a poor assessment by workers and employers. The initial complexity of the regulation of the complementary hours, and its consolidation by stages resulted in a contract that was barely used, designed to meet short term needs in the provision of services, which were denied by employers because of their inflexibility. The subsequent regulation and
the bad image from the media and the trade unions speeches maintain on the current part-time contract regulation has made it to still not take off in Spain where it is considered undesirable even if it is indefinite.

2. How the employer can change the duration of the employment contract, after its signature

In Spain the change in the duration from a full-time contract to a part-time contract always requires the authorization of the worker.

UNITED KINGDOM

Just through agreement with the employee. If not reached, the employer could terminate the contract and make an offer again. The termination of the contract must undergo, then, the general conditions governing dismissal.

CONSIDERATIONS

The question is aimed at changing the length of an individual employment contract. The collective schedule changes are not processed in this section. In all countries, logically, the agreement of the worker is required. Substantial changes to contracts, as seen in previous sections, of collective nature, need the knowledge or agreement of the legal representation of workers.

A particular case in this point is the United Kingdom. If the employer does not reach an agreement with individual workers, may proceed to terminate the contract by offering a new, respecting the conditions and requirements of the legislation on dismissal. Clearly the cost of early termination of the contract does not weigh on business decision. Therefore the cost of contract termination is maintained, as a guideline to consider, in the internal organization of the company and in the use of different forms or types of contracts.

9.5 - The termination of a stable or indefinite duration contract

1. Disciplinary dismissal: Which are the legally established reasons why the employer can dismiss an employee for breach of contract attributable to him
UNITED KINGDOM

In the termination of employment contracts in the UK, it is used the institution of the previous notification of the dismissal for all cases of contract termination (obligation that binds the employer and the worker), except that in the case of breaches by the employee subject to dismissal without the previous notification protection, which could be called in Spanish terminology disciplinary dismissal.

The notification period is set according to the duration of the employment in a company and following these parameters: There are groups of workers who cannot be dismissed during a protected status: maternity, pregnancy, etc. There is also a legal prohibition of dismissal because of discrimination (as defined above), trade union membership, trade union activities, etc.

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<tr>
<th>PROVIDE SERVICE</th>
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<td>FOREWARNING</td>
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Table 9.1 - Notification period of duration of employment.

In case of disagreement with the reasons given by the employer in the letter or document of dismissal, the employee may bring an action in court within three months, if certain periods of service concur, as indicated below.

If it refers to situations that allow the extinction of contracts because of disciplinary reasons, in the UK, even when there is not a strict relationship of causes, are grouped into:

Issues relating to misconduct: delays, poor performance, fights, thefts, etc.

a) Due to lack of ability: when a worker cannot meet the conditions of contract for lack of qualification or professional schools or poor health.
The minimum notice required for a worker with more than a month of service is one week. The Employment Protection Act allows both parties waive their right to notice or to agree a fee in lieu of notice.

CONSIDERATIONS

All the legislations, including the Polish in its last renovation, regulate the cases of termination of contract for reasons of misconduct. Some countries over others show a more restrictive criterion in order to facilitate disciplinary dismissals, but instead the compensations established are also lower.

Most countries do not have or do not establish by law a predetermined relation of cases for unfair dismissal, like the Article 54 of the Workers' Statute, this does not allow companies to regulate in detail reasons for the dismissal that in Spain would be considered as unfair. The reasons usually regarded as causes that lead to summary dismissal, which leads to the failure of protecting the institution of the notice of dismissal, can be set in two groups: those related to the person, or those related to the provision of labour and material means available to the worker. That is, the cause of summary dismissal or disciplinary action can come based on the worker's conduct with the person who works with or can be justified by breaching the contract of work: to serve in the manner required by the employer in order to place, time and manner. Added to the above if damage is caused to the company's goods or those delivered to the employee for his roles, can also lead to a dismissal, qualified as disciplinary in Spain.

In France, Germany, Holland and Poland’s regulations it can be seen that the institution of the previous notification acts as an institution of great weight, and strictly comply with the time to proceed with the termination of a contract. In the UK also exists, and with other features, among which there is the possibility of both parties agree to resign it or accept a payment in lieu of notice. But almost the majority agreed that the disciplinary dismissal is characterized by not having this protection. The notice of dismissal, if deadlines, procedures and requirements are met, imposed by the laws of each country implies that the worker does not receive any compensation as long as the proposed termination by the employer obeys a legitimate cause and duly attested even without being attributable to the worker. In all countries, a procedure for this business decision is reviewed by a tribunal if the employee considers improper notice, proceeding in only these cases to a compensation for the worker.
In a distant way, it could match some of the assumptions that are seen as causes covered by the notification of notice of dismissal, the cases of job amortization that regulates the Article 52 c) of the Workers' Statute, although in Spain there is a pre-existing legal compensation of 20 days per year of service. However, the causes listed in the Art. 52 c) are those which are used by the comparative legislation for the collective redundancies, and will be considered in this section.

In Spain, the notice of dismissal has been a legal institution with little or limited success.

Practically it is only regulated in two cases and differently from the rest of the countries analysed. First we must take into account the known prior notice of the termination of work or service if it exceeds the 12 months of service which requires the employer to notify the non-renewal of the contract with 15 days prior to the date of proposed cessation. Second, as is regulated in the aforementioned Article 52 c) of the Workers' Statute in case of objective dismissal. But Spanish law does not consider this notification very effectively, because the rule itself also regulates the manner of not complying it, allowing its compensation replacement, which disables the notification itself.

2. There are compensations established legally, from the employer if the worker's dismissal is considered unfair or wrong

In Spain, the compensation for unfair dismissal is 45 days of salary per year of work service in the company, up to a maximum of 42 months of compensation.

**UNITED KINGDOM**

As the consideration that the Employment Rights Act establishes a minimum period of notice prior to the dismissal, of a week when the duration of the contract exceeds a month, according to the system that had been described above.

The worker cannot claim compensation for unfair dismissal until he has completed one year of work.
If it is recognized by the courts that the dismissal carried out by the employer has no valid justification, according to the justifying circumstances indicated in the previous section, compensation is calculated according to the opinion of the Judge based on years of work, wages and worker's age, up to a maximum of 8,100 British pounds for compensation at a rate of one module rated in 270 pounds per week. Additional compensation can also be asked for lost benefits (pension rights and other legal benefits) to a maximum of 55,000 British pounds. Claims for compensation in cases of discrimination based on race, gender, disability, maternity etc. have no legal maximum set, and its determination is to be determined by the judges. Also in these cases, the worker must have completed a previous period of work.

CONSIDERATIONS

Comparative information that derives from the different regulations in different countries including Poland is reflected most clearly in the picture in Appendix IV.

9.6 - Temporary Recruitment

1. Types or classes of existing temporary employment contracts

In Spain the types of temporary contracts are as follows:

a) Training contracts: learning limited to workers between 16 and 21 years.

b) Trainee contracts: graduates or college education students in the four years following the completion of studies.

c) Temporary contracts: to replace workers who have job reservation (maternity leaves).

d) Contract of determined work or service: to carry out works or services of the entrepreneurial activity itself, with proper substantively (construction, metal).

Contract for production circumstances, or excessive accumulation of work orders: it can only be subscribed with a worker for a maximum period of 6 months in a temporary space of 12 months from that specific business need.
2. There are legal reasons to limit its use by the employer

UNITED KINGDOM

Not at the moment but is being reconsidered today.

CONSIDERATIONS

The replacement of striking workers is prohibited in all cases and in all countries but is not specified in the responses as a limitation on temporary contracts.

Italy and France set a character limit with a similar objective: that redundancies have been made immediately after determined term contracts. Such limitations do not occur in the rest of the other states. Other limitations that are appreciated in most countries are referenced to the contract, to respond to the temporary or cyclical course that regulates a specific time (both of productive and seasonal nature).

When there is no objective limitation on account of the activity, contracts in, for example, Netherlands, UK or Germany where are signed up without a material cause, the limiting use of temporary contracts is given by the worker's age or the maximum duration of temporary contracts.

All laws contain rules that penalize repetition, prolonged during time, of temporary contracts, converting into permanent contracts those which involve breaches in the maximum time for which a worker can be hired.

When making considerations in this section, the writing team, kept the debate whether it was appropriate to introduce a series of evaluations, some of which have been noted in other sections, and that the analysis so far (and putting it in relation to Spanish law) would allow to reach some conclusions, even when they come from the business organization.

The fact of having more types of temporary contracts regulated, empower at the same time the use of temporality.

a) In some European legislation does not appear the distinction between determined work contract and temporary contract due to circumstances
of the production of Spanish law does not seem that covering temporary staffing needs in Spanish companies to be different from those the other European entrepreneurs have.

b) The shorter the duration of temporary contracts is allowed, temporality is more empowered and it encourages more turnovers of workers on temporary contracts.

c) The trial period is an estimated value in the European recruitment reference and also wider than the Spanish legislation: three months in most cases. The trial period dominant in Spanish when hiring is 15 days (being mostly set by collective bargaining).

d) In relation to this, the reference European legislation as a whole has a greater concern for the initial control to access to the contract, establishing previous limitations. In Spain there is not this initial limitation, but provides mechanisms to sanction the termination of the contract.

e) The final cost of the completion of the permanent contract, as well as the cost of termination of temporary contracts, conditions the use of one kind or another. This circumstance is generally valued at least at two ends: by size of business or is considered by legal criteria, when setting compensations.

f) It is common in some of the analysed countries legislation that the cost of termination of contract requires a previous period of stay in the company.

9.7 - Termination of temporary contracts

1. Upon termination of temporary contracts by expiry of the contracted period or completion of the contracted object, there is compensation from the employer

UNITED KINGDOM

Depending on the conditions agreed in the contract between the parties, may require the company to a prior notification of the completion. The Employment Rights Act establishes a minimum period of notice or prior notice of one week, when the duration of the contract is more than a month.
In case of disagreement with the cause of termination of the temporary contract worker cannot claim compensation for unfair dismissal until he has completed one year of work. After two years of work he can claim the compensation by well-founded reasons not attributable to the worker, economic, technical production etc.

**CONSIDERATIONS**

France and Spain set in a quantified way the compensation for the termination of temporary contracts. UK and the Netherlands continue their basic criteria established in the general contracting, where the priority is the principle of freedom of agreement between the parties, both in existence as in the actual setting of the amount of compensation.

Germany and Poland do not include termination costs. Italy, in turn, reduces it to a type of contract (the access to the labour market) within a given sector and provides a quantitative reference.

**2. These compensations have an exact quantity**

In Spain the legal compensation is set at 8 days of salary per year of labour services (or proportionally equivalent to months if less).

**UNITED KINGDOM**

It has a special regulation for temporary contracts. As stated, the essential obligation is to notice, just in case of disagreement with the extinction causes, the employee can claim, and in this case the compensation requirements would act like in a permanent contract, a situation unlikely. The amount of compensation in these cases are calculated with the same module as permanent contracts, but keeping in mind the above mentioned regarding to the minimum services duration to claim a compensation.
CONSIDERATIONS

The information can be found in Appendix V, where the differences between the 6 countries referenced and Spain are best appreciated.
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**Figure 2.4** – Snap shot of the Gantt chart for term one. Created by Elitsa Damyanova. p.12.

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Bibliography

BOOKS


[5] Institut Català de Logística (ICIL): *Diccionario de Logística*. Ed. ICIL

[6] Institut Català de Logística (ICIL): *Estudi de les empreses. Logística, Qualitat e Medi Ambient*. Ed. ICIL


WEBS


MAGAZINES AND PUBLICATIONS


[4] Logistec. Ed. ICIL


APPENDIX
The Work Breakdown Structure

- **PROJECT PLANNING**
  - Identify design problem
  - Define objectives and aim
  - Create time management scheme
  - Explore product history
  - Write design brief

- **RESEARCH**
  - Market research
  - Legislation research
  - Business intelligence research
  - Benchmarking research
  - Research analysis

- **PRODUCT DESIGN SPECIFICATION**
  - Analyse research for POS
  - Finalise PDB & documentation

- **CONCEPT DESIGNS**
  - Generation of concepts
  - Practicality application
  - Concept evaluation

- **CLOSEOUT THE PROJECT**
  - Project evaluation
  - Write thesis
  - Exhibition preparation
Gantt Chart First Term

<table>
<thead>
<tr>
<th>ID</th>
<th>Task Name</th>
<th>Start</th>
<th>Finish</th>
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<tr>
<td>1</td>
<td>Project Planning</td>
<td>Mon 11/10</td>
<td>Fri 29/10</td>
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<td>Project Selection</td>
<td>Mon 19/10</td>
<td>Fri 25/10</td>
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<td>3</td>
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<td>Mon 19/10</td>
<td>Wed 22/10</td>
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<td>4</td>
<td>Web design brief</td>
<td>Tue 19/10</td>
<td>Fri 22/10</td>
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<td>5</td>
<td>Concurrent time management</td>
<td>Tue 19/10</td>
<td>Fri 22/10</td>
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<td>6</td>
<td>Research &amp; design methodology</td>
<td>Fri 22/10</td>
<td>Wed 27/10</td>
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<td>7</td>
<td>White-Product Design Spec.</td>
<td>Tue 26/10</td>
<td>Fri 1/11</td>
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<td>8</td>
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<td>Fri 22/10</td>
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<td>9</td>
<td>Final report hand-in</td>
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<td>Wed 21/10</td>
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<td>Wed 2/11</td>
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<td>14</td>
<td>Start initial concept</td>
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<td>Tue 5/12</td>
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<tr>
<td>15</td>
<td>Prepare for final presentation</td>
<td>Fri 1/12</td>
<td>Fri 8/12</td>
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<td>End of first semester</td>
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<td>Outsourcing Research of European market</td>
<td>Mon 03 Jan 2011 to Fri 18 Feb 2011</td>
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<td>POS</td>
<td>Mon 17 Jan 2011 to Fri 18 Feb 2011</td>
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<td>Selection Criteria</td>
<td>Mon 17 Jan 2011 to Fri 18 Feb 2011</td>
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<td>4</td>
<td>Design Brief</td>
<td>Mon 17 Jan 2011 to Fri 18 Feb 2011</td>
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<td>5</td>
<td>Design Matrix Analysis</td>
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<td>Benchmark</td>
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<td>Mon 03 March 2011 to Fri 25 April 2011</td>
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### GANTT CHART THIRD TERM

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<td>Mon 18 Apr/11</td>
<td>Fri 15 May/11</td>
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<td>Implementation of Business</td>
<td>Mon 18 Apr/11</td>
<td>Fri 17 May/11</td>
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<td>Dissertation</td>
<td>Mon 18 Apr/11</td>
<td>Fri 15 May/11</td>
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<td>Submit Draft</td>
<td>Mon 18 Apr/11</td>
<td>Fri 8 May/11</td>
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<td>Master Assessment</td>
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<td>Fri 29 May/11</td>
<td>Fri 29 May/11</td>
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### Compensation for Unfair Dismissal

(The calculation is made based on the established compensations by various laws, for assumptions similar to the unjustified dismissal, according to Spanish law terminology).

<table>
<thead>
<tr>
<th>Country</th>
<th>Compensation Amount</th>
<th>Company Size Differences</th>
<th>Tribunal Criteria, Amount Fixing</th>
<th>Requirements / Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ITALY</strong></td>
<td>Companies with &lt;16 workers: between 2.5 monthly payment &amp; 15 max. Companies with &gt;16 workers: between 6 monthly payments &amp; 15 max.</td>
<td>Less than 16 and more than 16 workers</td>
<td>Yes, using as reference the worker's age &amp; seniority, company size, other circumstances</td>
<td>In companies with less than 16 workers the maximum can be set between 10 to 14 monthly payments, exceptional cases by worker's age</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td>The highest of between both following: Code of Works Agreement: with 2 years or more: 1/10 over 1/15 monthly payments per year. Collective Agreement: 1/6 monthly payments or from 7 years of antiquity, 3/6 of one monthly payments</td>
<td>Companies with less than 11 workers</td>
<td>Only companies with less than 11 employees, and workers with less than 2 years of antiquity; the compensation are to lessen the opinion by the Court</td>
<td>The employer must pay compensation in addition to the breach of the notice period (1 month)</td>
</tr>
<tr>
<td><strong>UNITED KINGDOM</strong></td>
<td>Estimated for years of service, age and salary of the worker limit pre-established amount. Maximum possible: 8100 hrs. Amount compensation: 270 pounds per week. Additional Compensation: 55,000 pounds</td>
<td>No pre-established legal distinctions.</td>
<td>Within the limits and max. payment, the Courts are establishing in its discretion according to the circumstances of each case.</td>
<td>Access to compensation for unfair dismissal requires one year of service. Access to compensation for dismissal with causes not attributable to worker requires two years of service.</td>
</tr>
<tr>
<td><strong>GERMANY</strong></td>
<td>Up to max. of 12 monthly payments</td>
<td>Companies with less than 5 workers do not apply the protection law of dismissal</td>
<td>At the discretion of the court within the max. marking limit</td>
<td>Companies less than 5 workers will continue to Civil Code criteria</td>
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<tr>
<td><strong>NETHERLANDS</strong></td>
<td>Formula judges: Years service, salary, and circumstances</td>
<td>No established by law</td>
<td>Free judgment of the court, according to previous formula. Small businesses can reduce the amounts</td>
<td>There is a fixed amount</td>
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<tr>
<td><strong>POLAND</strong></td>
<td>The maximum reference 3 months</td>
<td>No established by law</td>
<td>Criteria Court's according to the period notice.</td>
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<tr>
<td><strong>SPAIN</strong></td>
<td>45 days per year worked. Maximum 42 monthly payments</td>
<td>No established by law</td>
<td>Not allowed the judge's discretion</td>
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# TEMPORARY RECRUITMENT

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<tr>
<th>COUNTRY</th>
<th>MAXIMUM AUTHORIZED TIMES</th>
<th>CONTRACT TERMINATION COSTS</th>
<th>COMPENSATION IN CASE UNFAIR DISMISSAL</th>
<th>ADDITIONAL OBSERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITALY</td>
<td>Fixed-term: it is fixed by law, whichever is the motive or reason for the contract.</td>
<td>Training contracts: two monthly payments</td>
<td>Just distinction between companies with more or less than 16 workers. Minimum 2.5 maximum 15 monthly payments</td>
<td>Previous limitations for companies before signing. Restrictive criteria for dismissal</td>
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<td></td>
<td>Contracts Incorpogation / reincorporation: 18 months (disabled: 36 months). Training Contract: 6 years</td>
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<td></td>
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<tr>
<td>FRANCE</td>
<td>Fixed-term: is not fixed by law, whichever is the motive or reason for the contract</td>
<td>10% of the total remuneration of the contract, except for occasional and training contracts</td>
<td>As a permanent contract. Minimum 1 / 10 maximum salary 1 / 10 salary plus 1 / 15 after 7 years of antiquity</td>
<td>Previous limitations for companies before signing. Restrictive criteria for dismissal</td>
</tr>
<tr>
<td>UNITED</td>
<td>There is no established duration limit, which the parties may agree or the object is derived from the contract. It demands respect from the general conditions of contracts. Except for justified cause to renew fixed-term contracts, from 4 years becomes fixed.</td>
<td>Not exist</td>
<td>As a permanent contract</td>
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<tr>
<td>KINGDOM</td>
<td>For material causes: the time required by the cause. No material causes: 2 years.</td>
<td>No</td>
<td></td>
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<tr>
<td>GERMANY</td>
<td>For material causes: the time required by the cause. No material causes: 2 years.</td>
<td>Not exist</td>
<td>If the notification of notice of dismissal is uneven, as an indefinite contract</td>
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<tr>
<td>NETHERLANDS</td>
<td>Time is limited (maximum 36 months and possible extended by 3 months). It limits the number of renewals, fourth contract (even without having completed the maximum 36 months) becomes fixed</td>
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</tr>
<tr>
<td>POLAND</td>
<td>From 3 to 6 months maximum</td>
<td>No</td>
<td></td>
<td>As a permanent contract. Formula of the Judges</td>
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<td>SPAIN</td>
<td>Eventually production circumstances: 6 months. Work of service: the duration of the work or service identified</td>
<td>Yes, 8 days of salary per year of service in the contract</td>
<td>As a permanent contract</td>
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</table>