



Joint study on restructuring

Relevant EU social dialogue work

Seminar in Luxembourg

22 September 2009

Several initiatives

- Joint Labour Market Analysis (October 2007)
- Joint study on restructuring in the EU Member States (2004-ongoing)
- Lessons learned on European Works Councils (April 2005)
- Orientations for reference in managing change and its social consequences (October 2003)
- Framework of actions on the lifelong development of competences and qualifications (March 2002)

Common features

- Mainly practice oriented instruments, based or including case studies
- Developed by social partners for social partners
- Highlighting key success factors to facilitate change and its social acceptance

Joint Analysis on the key challenges of Europe's labour markets

- Adopted in October 2007
- Contribution of SPs to the Flexicurity debate at EU level
- Joint recommendations of SPs to public authorities at EU and national levels
- Key areas of focus:
 - ▶ Active Labour Market policies and economic policies
 - ▶ Social protection, cohesion, and inclusion
 - ▶ Labour regulation and industrial relations
 - ▶ Flexicurity

1. Anticipating and explaining the reasons for change

- **Macro level:**
 - Social partners' capacity to anticipate economic and social trends is critical for successful restructuring

- **Micro level:**
 - It is important to explain the reasons for change in good time and in the context of the company's overall strategy
 - EWC play a useful role when change affects sites in several countries
 - Relevant level of information and consultation may vary. Obligations arising from legislative and contractual frameworks must be fulfilled (complexity of managing various info. & consultation layers)
 - Respecting confidentiality is also important

Example

- **Cadbury**, a confectionary and beverage company with its HQ in the UK, has (2008) 59,000 employees in 12 countries (5 of which EU)
- In 2006, as an alternative to closure, the Irish plant at Coolock announced a restructuring process involving 400 redundancies to restore competitiveness. Information that changes would involve offshoring initiatives was given to the EWC but local requirements took precedence – broad agreement on the change process was reached relatively quickly by both sides at local level.
- In 2007, several meetings of the EWC were called to discuss the closure of a UK plant and the transfer of production to a Polish greenfield site. Local EWC representatives from existing sites in UK, Poland, and France all expressed concerns about these developments and the possible repercussions in 3 countries.
- Simultaneous local and EWC meetings brought clarifications to the process. The closure of the UK site and relocation to the new Polish site did not threaten other existing sites in France and Poland.
- Both examples demonstrate the different levels of information and consultation and the role EWCs can play in transnational change.

2. Managing social consequences

- Social consequences are managed locally taking into account factors like company's constraints, tax regime, national legislation, collective agreements, needs and choices of workers, etc.
- Time: organising quality information and consultation without creating undue delays and uncertainties is difficult
- Positive attitude: mobilising the players to find solutions as opposed to resisting change pays off

Example

- In 2004, the privatisation of **Dalkia Poznan**, a Polish firm in the energy sector, started. This was the 1st case of privatisation involving the energy sector and 2nd overall, on a national scale.
- The investors' main objective was to modernise the organisation's structure and to streamline the workforce from 900 to approx. 600.
- The process to inform and consult workers was well planned, took place early, and supported by well designed communication flows. A mixture of instruments was deployed, e.g. voluntary redundancies, introduction of new management systems, rewards for 'change agents', information events. Trade unions were involved from the outset in the in-depth analysis on the need for outsourcing services and agreed with the competitive reasons for the restructuring.
- Within 1 year, profitability gains increased, employee motivation and satisfaction with management grew, and new improved working methods were implemented (e.g. teamwork-intensive).
- In practice, the pace of the process was well designed. A well planned participatory approach for information and consultation generated a positive mindset and fostered mutual trust.

3. Specific situation of SMEs

- **Macro level:**
 - Important role of SMEs as engines for growth and shock absorbers in periods of change
 - Lack of data on silent restructuring

- **Micro level – two dimensions:**
 - Consequences of restructuring for SMEs with one main customer
 - SMEs restructuring themselves: financial risk taken by the owner-manager cannot be taken without a supportive environment (from banks, workers etc.)

Example

- **Codan Rubber**, a Danish SME mainly supplying rubber technology decided to restructure in 2007, closing operations in Denmark to improve the position of the company on the global market.
- The downsizing / mass redundancy process was managed with direct and very active involvement of employees, trade unions and local stakeholders, contracting a change consultancy and applying an open and transparent communication policy.

- A range of instruments were deployed to ensure that all dismissed employees would find a new job (job days, individual counselling, (re)training, financial support, outreach schemes to local companies) – principle: not just find a new job but ‘the right job’.
- Results: constructive participation of all actors; positive spirit of mutual trust; high success rate of dismissed workers finding new jobs; even productivity increases before planned dismissal phases;
- Coordinated and supportive approach a crucial success factor.

4. Territorial dimension

- When an entire region is affected, partnership is important to foster new economic activities, manage reconversion and improve operation of local labour market
- Regional disparities: encouraging mobility of workers and role of public authorities in providing relevant infrastructure
- EU structural funds and territorial infrastructures help

Example

- **North Karelia** is a province in East Finland. The company Perlos was the largest industrial employer in the province, with 2,000 employees (over 2.5% of the province's labour force)
- In 2005 Perlos faced closure, due to changes at global level affecting the structure of the mobile phone sector.
- Dismissals took place gradually during 2006 and 2007.
- Much wider knock-on effect on the province's economy.
- In 2008, unemployment in the province = 13.4% (highest in Finland)
- The social dialogue process to address the situation included the setting up of a task force in 2006 involving: Employment & Economic Development Centre, Perlos, municipalities, trade unions, business development consultants, employment office, training bodies.
- Aims: Stimulate entrepreneurship, (re)training, transition assistance
- Financial support: €20m (including Structural funds, ESF, EGF)
- Results: Of 985 redundancies in 2007, 524 in work, 203 in training.

5. Developing employability

- **Macro level:**
 - The education system must deliver the skills needed by the labour market
 - The role of lifelong learning

- **Micro level:**
 - Maintaining or developing workers' competences is crucial to prepare the evolution of jobs
 - It is in the interest of companies and of workers
 - It supports both internal and external mobility and helps when exploring all possible alternatives to dismissals

Experience from the EU framework of actions on LLL

- From 2003 to 2005, evolution from dissemination to actual actions on four priorities
- Main concerns of SP:
 - better tailored education and training to labour market needs, in order to improve the employability of workers and the competitiveness of companies, and to make education and training systems sustainable ... but limited number of innovative solutions to promote co-investment in terms of funding, time and human resources

 - open-up existing systems, make them adopt a lifelong learning perspective and fully integrate and recognise work-based learning outcomes

 - more has to be done to spread tailored information and raise motivation for competence development from the part of both companies and workers

Links

European Social Dialogue results are available on our websites:

www.businessseurope.eu

www.etuc.org

www.ceep.eu

www.ueapme.com

and on the resource centers:

www.erc-online.eu

etuc.resourcecentre.org